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Integrity distortions and public policies in the local P.A.'s. Theoretical lines, emerging practices, contradictions: a first path of conceptualization

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ABSTRACT: The main purpose of the beginning of this research is to analyze and systematize the literature on determinants of corruption and integrity distortions, the reporting and organizational models in local Italian Public Administrations in order to monitor and prevent, control and account the occurrences of corruption, deformation and capture of the Regulatory State. Today, the public administrations have a particular government system that is beyond the effective application of law, and they are also accountable just to people predominating through the use of corruption and bribery, ruling out the citizen's power. Consequently, the research aims to identify not chameleon-like political tools in order to improve political accountability and citizens' participation, switching from a government system to a responsibility governance system. The paper investigates the "integrity distortions" in local Italian Public Administrations, and show that commonly made inferences about policy based on simple correlation can be highly misleading, because the high correlation between the various governance (and public sector management) determinants, as well as the endogeneity in these variables. So, the work aims to identify a first path of conceptualization in order to improve, ethic infrastructures, political accountability and citizens' participation. The present research is based on inductive/deductive method that implies a in-depth study of the relevant literature concerning the application of different models of governance (such as managing method and culture, stakeholders' relationship, policy and strategy of governance) and allows an empirical analysis with regard to planning implementation and control systems in the Public Administrations in order to improve accountability and transparency culture. Through a case study and an adequate dataset, the paper aims to point the critical area of the current government system out and it proposes a fair way to implement a participative corporate governance model. The analysis attends to highlighting causes of local P.A.'s liquefaction and decomposition. There is a relevant gaps between rules and conducts and then between elements of delegitimation and contradiction in P.A.'s. This brief outline, ignoring many other aspects of the studies on public management, they understand the general trend of our country to focus on the legal paradigm - administrative rather than practical. Moreover this research focuses on occurrences and causes of corruption activities being able to warp and deform the State, the citizens' behaviours or even the entire society.

1. Objectives of the research

The main objective of this research is to analyze and systematize the literature on determinants of corruption and integrity distortions⁽¹⁾ that may be able to monitor, prevent, control and report phenomena of corruption (Klitgaard, 1988, World Bank, 1997; Broadman H.G., Recanatini F., 2001; OECD/PUMA 2002; Cepiku D., 2002, 2004, Meneguzzo, 2005; Borgonovi, 2002, 2006, 2009; Borgonovi, Fattori, Longo, 2009; Ricci, Esposito, Landi, 2010; Pozzoli, 2011; Lasthuizen, Huberts, Heres, 2011; Pashev, 2011), of alteration and capture of Regulatory State (Rawls, 1971; Mintzberg, 1996; Bresser Perreira, 1999; Schick, 2003; Scott, 2000; Moran, 2002; Schick, 2003;) in Public Administration governance systems and, at the same time, the research of non-chameleon-like governance tools and of positive accountability⁽²⁾ models to assess public value (D'Alessio, Vermiglio, Virginillo, 2008), allowing the

(1) BORGONOV E., *Principi e sistema aziendali per le amministrazioni pubbliche*, pp. 2, 18, Egea, Milano, 2002. In reference to the anti-corruption paradigm, see also: E. BORGONOV E., "Corruzione: fenomeno sociale non della P.A.", Azienda pubblica, 2002, vol. 15, n. 6, pp. 583-589; Ian Senior, Corruption – The World's Big C. Cases, Causes, Consequences, Cures, London, The Institute of Economic Affairs, 2006 .

(2) SEE R. MULGAN in CARDILLO E. *I presupposti scientifici e culturali dei percorsi di social accounting nel settore pubblico*.

development and operation of a programming system, with a set of preventive controls⁽³⁾ (Bianchi, 2009) and reports able to reduce and prevent the phenomena of corruption (Jones, Schedler, Mussari, 2004), State Capture and Society Capture (Esposito, 2010)⁽⁴⁾.

This research aims to provide a reconstruction of the phenomena of corruption and State Capture in Italian and international Public Administrations, describing the phenomena over the last twenty years by different governments and different institutions (World Bank, OECD), analyzing the theoretical models existing in the literature and the empirical outcomes according to an economic perspective. The research objectives will be pursued by adopting the inductive-deductive economic approach to business with the triangulation of case studies, sources, methods, results, analyzing and systematizing the evolution of the phenomenon of corruption, highlighting contradictions and discrepancies between norms and behaviors.

There will be, on the one hand, the analysis and systematization of different theoretical contributions from international economic literature, and on the other the research, study and contrast operated by those international Organizations that are taking part in the debate⁽⁵⁾ around the issue of control and the use of public authority for private interests, (ab)use of power (Ricci, 2010).

The theme is crucial in the debate of international policy agendas by governments, the OECD (OECD / PUMA, 2002; European Commission, 2003), and the World Bank (Meneguzzo, 1999, 2006)⁽⁶⁾, in business and economic models from North and Central Europe⁽⁷⁾ and from the US that have separated phenomenon of corruption from management ones, not investigating alterations and distortions produced by the former, and seem more committed to the notion of ethics (Cavaleri, 2002) and to the assessment of the risks of a conceptual short-circuit between ethics and efficiency⁽⁸⁾.

The methodological approach is deductive and inductive at the same time, in line with the guidance coming from an authoritative part of literature on the methodological choices in the design of social and especially business management research (Canziani, 1998; Corbetta, 2003; Ferraris Franceschi, 1978, 1998; Onida, 1947; Zappa, 1937).

Giappichelli, Torino, 2008.

⁽³⁾ BIANCHI C., *Conceptual models and operative tools for improving customer satisfaction in the public sector: reflections on italian experiences*, Smog congress, Bologna, 2009.

⁽⁴⁾ ESPOSITO P., *State Capture, Governance, Accountability nelle aziende e nelle amministrazioni pubblico locali. Dallo State Capture alla Society Capture*, Rirea, Roma, 2010.

⁽⁵⁾ In particular, the debate developed in the latest years by the International business-economics doctrine and especially the American one revolves around the need to observe, investigate, define that grey zone, border line linked to the pressing exerted by interest groups and lobbies on PA. The Italian business-economics doctrine, except for a few authors, has given way to the study, by scholars dealing with public economy and by jurists, of the effects of phenomena of corruption on politics and society. Cfr. BORGONOV E., *Luci e ombre sul cammino delle riforme*, su Azienda Pubblica N. 5, Maggioli Editore, Rimini, 1997, p. 423.

⁽⁶⁾ "...the World Bank has defined six clusters of governance indicators: voice & accountability (measuring respect for political, civil and human rights, and independence of media) political stability and absence of violence, (the probability that the incumbent government may be removed as result of unconstitutional and/or violent acts of terrorism), quality of regulation (and the incidence of policies adverse for market), efficiency of public administration (level of skills of civil servants and independence from political pressures, quality of public services, etc.) control of the use of public authority to private interests and rule of law". MENEGUZZO M., *Managerialità, Innovazione e Governance nella Pubblica Amministrazione*, pp.84-85, Aracne, 2006.

⁽⁷⁾ That comes even to conceptualize and identify a cultural, conceptual, theoretical and empirical humus to record the bribes.

⁽⁸⁾ BORGONOV E. and GIAVAZZI C. (edited by), *Ethics and efficiency in the modern state. Are they in conflict?*, Milano, Egea, 1994.

For our choice of research methodology, reference was made to the indications of the literature on applied social researches⁽⁹⁾. In the first part of the work, after a careful review of the literature, we will seek to partly answer to some of the following research questions (RQs):

RQ1: For a long time the subject of corruption has been a privileged object of research by public lawyers, economists and the international business community, but not by Italian economists: why?

RQ2: Are the causes of corruption found in literature also present in the Italian public sector?

RQ3: Are anticorruption guidelines and measures by OECD known and implemented by Italian local authorities?

RQ4: Do empirical analysis results show evidence of causes not dealt with by current literature?

RQ5: Theoretical models argue that an effective strategy in the fight against corruption must address the roots of various forms of corruption in order to reduce the risk of treating the symptoms instead of the causes. Are measures and public policies put in place by the Italian government (tax shelter, tax amnesty, building amnesty, decriminalization of false accounting, law on lawful grounds) consistent with this position?

The results of this first part of the work are partly presented in paragraphs 3 and 4.

RQ6: What were and what are now the strategies used to fight corruption and State Capture? In particular:

6.1.a: Are they effective?

6.1.b: What organizations adopt them?

6.1.c: What degree of independence do they have?

6.1.d: What is the level of inter-institutional cooperation?

6.1.e: Is there a duplication of functions, tasks and costs?

6.1.f: Was the experience of anticorruption Authorities in other countries taken into account?

6.1.g: Why in the international ranking of perceived corruption in public administration (Transparency International), is Italy listed among the worst governments, following countries such as Botswana, Rwanda and the Seychelles?

RQ7: What is the relationship between corruption, governance and accountability? Is there an analysis of 'public emergency' management and of the 'commissioner' policy? In particular: how effective is the control system in operation at central and local level?

RQ8: Are such relations studied by the bodies responsible for the repression and prevention of these phenomena?

RQ9: Is there a relationship between the activities of prevention and monitoring of corruption and the monitoring and containment of public spending? Who does that? If the entities in question are different, are they able to share information?

RQ10: What is the relationship between infiltration by Camorra and dissolution of local Pas following a declaration of bankruptcy?

⁽⁹⁾ SEE R.K. YIN, *Case study research. Design and methods*, 2^a edizione, Sage, Stati Uniti, 1995; B. SOMEKH, C. LEWIN (edited by), *Research Methods in the Social Sciences*, Sage, London, 2005; R. Ferraris Franceschi, *L'indagine metodologica in economia aziendale*, Giuffrè, 1978; N.K. DENZIN, Y.S. LINCOLN (edited by), *Handbook of Qualitative Research*, Sage, Thousand Oaks, Cal., 2000; C. MARI, *Metodi qualitativi di ricerca: i casi aziendali*, Torino, Giappichelli, 1994.

RQ10.1.1: Are there derogatory norms for non-compliance of the Internal Stability Pact by local bodies, due to Camorra infiltration? Do any regulations provide exceptions to the election of politicians who have compromised the public finances of local authorities?

RQ10.1.2: Why is that?

RQ10.1.3: What components of corruption distort the “composition” of local/consolidated public expenditure, and what are the resulting fiscal and social implications?

RQ10.1.4: How much is the incremental approach in the formulation of estimates of expenditure affected by corruption and public decisions regarding its prevention and repression?

RQ11: Who pays the dissolution costs? Are citizens or partnerships participating in such costs? Does that happen on a local or a national level? What mechanisms are in place for equalizing territories having lower per-capita fiscal capacity? What people are going to share such costs in the new federal framework?

Some of the answers to these research questions are shown in paragraphs 4 and 5.

2. Integrity distortions in Local PAs: Corruption and State Capture

In research on the *integrity of governance* (Klochars, 1997; Solomon, 1999; Kaptein, Wemp, 2002; Lashuizen, 2011), integrity can be defined as the quality of acting in accordance with relevant moral values, norms (Lawton, 1998; Pollock, 1998) or rules (Benjamin, 1990).

Analyzing the current distortions of the *announcement effect* and the *liquefaction* of the local Italian Public Administration the contribute demonstrates the existence of a model of Public Management that allows to achieve political goals and improve political consensus without recurring to *integrity violations* (Lasthuizen, 2011) corruption or depravity, just by reaching a consensus based on legality, transparency, ethic culture and a better quality of life for citizens.

The State Capture studied and analyzed in international economic literature (Broadman, Recanatini, Klitgaard, Helmann, Jones, Kaufmann) is a notion that refers to the actions of individuals, lobbies, companies, in both private and public sector, that can influence the enactment of laws, regulations, decrees and other government policies to their advantage through illicit and non-transparent provision of private benefits to public officials.

In the World Bank *Transition* report (2000) on the analysis of “anti-corruption” measures, a distinction is made between *state capture* and *administrative corruption*, where the latter denotes the intentional imposition of distortions (Di Tella 1999, Broadman and Recanatini, 2001) in the prescribed implementation of laws, rules and regulations established in order to allow benefits to stakeholders as a result of illegal and non-transparent provision of private gains to public officials.

In addition, the report points to the way in which politicians and state officials may themselves be both agents and objective of capture.

The World Bank Report continues suggesting distinctions between types of institutions being captured (executive, legislative, judicial system, independent regulatory agencies), type of capturer (private companies, interest groups, political leaders), and the type of benefits provided to public officials (bribes, shareholdings, informal control rights).

As demonstrated by Hellman’s work (2002), capture can occur beyond the borders of the state by companies and foreign investors, or activities by foreign governments (Mauro, 1995; Kaufmann, 1999).

The World Bank (2000), defines "State Capture", *as the tendency by some elite, firms and groups of power and / or interest, to illegally contribute to the formation of laws, policies and regulations of the State.*

Hellmann (2002), defines "State Capture" *as the group of companies' efforts to contribute to the formation of laws, policies, and regulations of the State, to their advantage, by providing illicit private gains to the officials, to maintain public order.*

Broadman and Recanatini (2001) identify the "State Capture" *as a form of corruption that is particularly harmful in the ability of companies to subvert the entire political process to ensure that policies and regulations favorable to their interests are enabled or captured.*

Box 2.1

State Capture and accounting procedures

- Inadequate compliance with accounting and reporting procedures
- Weakness of the system of internal and external control
- Legal appointments
- Lobbying and funding activities on the part of the system
- Weakness of public guarantees for contracts

The OECD identifies a set of causes that contribute, in complex and closely interrelated ways, to produce phenomena of corruption and State Capture (Cepiku, 2002, 2004), explained in the box 2.1.

3. Poor Governance: "causa causarum" or effect of corruption?

This research seeks to provide a reconstruction of the phenomena of corruption and State Capture in Public Administration, integrating existing theoretical models and empirical findings in a business management perspective. Defining corruption is a complex and difficult issue because different researchers, academics or organizations dealing with the matter, have different point of view (Ronald J. Burke and Cary L. Cooper, 2009, pp. 174,175).

An analysis of international literature in the first part of our work shows the approach of multi-disciplinary study to corruption and State Capture, and especially the pragmatism of North American and North-Central European doctrine in spite of the contribution of *philosophy* by Italian literature (Borgonovi, 2005; Borgonovi, Fattori, Longo, 2009; Meneguzzo, 2005; Cepiku, 2004; Mussari, 1990, 2004; Bianchi, 2009; Ricci, 2010).

In the tables below, we are representing a reconstruction of the existing literature on the sources of corruption in both developed and developing countries, reclassifying various theories postulated on the basis of multi-disciplinary approaches:

- macro-economics;
- property rights;
- rent-seeking;
- political science;
- sociology;
- public management;
- business management.

Determinants of Corruption Reconstruction and classification of literature

Institution	Survey	Rating Range		First	Last	Country	Subject Measured
	Name	Corrupt	Clean	Published	Published	Coverage	
Institute for Democracy in South Africa, Ghana Centre Democratic Development, Michigan State University	Afrobarometer Survey	Percentage Fairly-very common	Percentage fairly-very rare	1999	2004	12	1. How common corruption among public officials 2. Whether or not corruption worse under the previous regime
Business Environmental Risk Intelligence	Political Risk Index	0	100	1970s	2003	50	How frequently corruption required in business
Columbia University	State Capacity	Severe	Low	1990	2003	95	Severity of corruption
Standard and Poor's DRI Economist Intelligence Unit	Country Risk Review	0	10	1996		106	Immediate and secondary risk events
	Country Risk	1	10	1980	2004	115	Pervasiveness Of corruption
Freedom House	Nation in Transition	7	1	1995	2003	27	Level of corruption
Institute for Management Development	World Competitiveness Yearbook	0	10	1987	2005	60	Bribing and corruption in the public sphere Bribing and corruption in the economy
Impulse	Exporter Bribery Index	10	0	1994		103	Proportion of deal involved corrupt payments
Information International	Survey of Middle Eastern Business				2004	31	How common bribes How costly they for doing business
							How frequently public contract awarded to friends and relatives
International Country Risk Guide	Political Risk	0	6	1982	2004	144	Gov. Off. To demand special payments Illegal payments generally expected
International Working Group	Crime Victim Survey			1989		58	Gov. Off. To ask to pay a bribe for his service
Latinobarometro	Latinobarometro Survey	100	0	1988	2003	17	1. Corruption 'increased a lot', a little; 'decreased a lot' a little'; or 'remained the same' the last 12 months 2. Direct experience of corruption 3. Proportion of corrupt civil servants
Merchant International Group	Grey Area Dynamics		0	1990s	2004	155	Range from bribery of gov. Ministers to inducements payable to the humblest clerk'
Multilateral Development Bank					2002	47	widespread the incident of corruption

Political determinants of Corruption

Variable	Positive-Significant	Negative-Significant
<i>Economic Factors</i>		
Income	Braun-Di Tella (2004), Frechette (2001)	Brown, et al. (2005), Kunicova -R.Ackerman(2005), Lederman et al. (2005), Braun-Di Tella (2004), Chang-Golden (2004), Damania et al (2004), Dreher et al. (2004), Alt-Lassen (2003), Brunetti-Weder (2003), Graeff-Mehlkop (2003), Herzfeld-Weiss (2003), Knack-Azfar (2003), Persson et al. (2003), Tavares(2003), Fisman-Gatti(2002), Paldam (2002-01), Frechette (2001), Bonanglia et al. (2001), Swamy et al. (2001), Abed-Davoodi (2000), Rauch-Evan (2000), Treisman (2000) Wei (2000), Ades-Di Tella (1999), Goldsmith (1999-97), van Rijckeghem-Weder (1997)
Income distribution	Paldam (2002)	Pasquino (2008); Della Porta, Vannucci (2002)
Government expenditure		Mussari (1990, 2004); Borgonovi (2002, 2005, 2008); Cepiku (2002, 2004); Meneguzzo (2005); Borgonovi, Fattori, Longo (2009); Bianchi (2009), Ricci, Esposito, Landi (2010) Ricci (2010)
Economic Entity - (ab)use of power		Pozzoli (2011)
Performance and democracy		Esposito (2010)
From State Capture to Society Capture		Lasthuizen, Huberts, Heres (2011)
Integrity violations		
Public Procurement		Pashev (2011)
<i>Economic Institutions</i>		
Foreign aid	Ali-Isse (2003)	Tavares(2003),
Import share		Herzfeld-Weiss (2003),

Variable	Positive-Significant by	Negative-Significant by
Democracy civil liberty		Kunicova-R Ackerman (2005),
		Lederman et al. (2005,)
		Gurgur-Shah (2005),
		Chang-Golden (2004),
		Damania et al. (2004),
		Herzfeld-Weiss (2003),
		Knack-Azfar (2003),
		Broadman-Recanatini (2002-00),
		Paldam (2002),
		Bonaglia et al. (2001),
		Frechette (2001),
		Swamy et al. (2001),
		Treisman (2000),
		Wei (2000),
Press freedom, Media		Lederman et al. (2005,)
		Suphacahlasai (2005), Brunetti-Weder (2003)
Decentralization, federalism	Brown et al. (2005),	Gurgur-Shah (2005),
	Kunikova-R.Ackerman (2005),	Lederman et al. (2005,)
	Damania et al. (2004),	Fisman-Gatti (2002),
	Treisman (2000),	Ali-Isse (2003),
District maginute	Goldsmith (1999)	Wei (2000)
Closed list system	Kunikova-R.Ackerman (2005),	Chang-Golden (2004),
	Persson-Tabellini (2003),	Lederman et al. (2005,)
Presidentialism	Persson et al. (2003),	Chang-Golden (2004)
	Brown et al. (2005),	
	Kunikova-R.Ackerman (2005),	
	Lederman et. al (2005),	
Number of party	Chang-Golden (2004)	
Political instability	Park (2003)	
	Leite-Weidmann (1999)	
Ideological Polarization		Brown, et al. (2005),
Majoritarian plurality		Kunicova-R.Ackerman (2005),
Central planning		Abed-Davoodi (2000)
Women in public position		Swamy et al. (2001)

Regulation determinants of Corruption

Variable	Positive-Significant by	Negative-Significant by
Pop. With particular religious affiliation	Paldam (2001), La Porta et al (1999)	Chang-Golden (2004), Herzfeld-Weiss (2003), Persson et al. (2003), Bonaglia et al. (2001), Paldam (2001), Treisman (2000), La Porta et al (1999)
Ethnic heterogeneity	Lederman et al 2005), Suphachalasi (2005), Herzfeld-Weiss (2003), Treisman (2000), La Porta et al (1999)	Bonaglia et al. (2001)
Colonial past	Gurgur-Shah(2005) Tavares (2003)	Herzfeld-Weiss (2003), Persson et al. (2003), Swamy et al. (2001), Treisman (2000)
Distance to large exporter	Ades-Di Tella (1999)	Bonaglia et al. (2001),
Legal origin	Gatti (1999), La Porta et al (1999)	Suphachalasai (2005),
Area wide		Bonaglia et al. (2001),
Latitude		La Porta et al (1999)
Masculinity	Park (2003)	
Natural resources	Leite-Weidmann (1997)	

Geo-cultural determinants of Corruption
(Source: Adapted from de Haan, Seldayo, 2005)

It also emerged how phenomena of corruption have been the subject of little attention by scientific literature because generally analyzed or represented not as a degenerative practice, but rather as something related to a mere anthropological dimension of the individuals involved.

Due to this complexity in defining corruption, we will try to propose a possible interpretation of different points of view:

- Corruption is “also” a management problem. It involves hidden costs, not matching costs, and distortions caused by alterations of the integrity of public offices, leading to:
 - a) private rents and private benefits to the detriment of the public community;
 - b) market distortions, perpetuating over time a certain competition hindering economic growth;
- Corruption = (State Capture / Accountability);
- Risk corruption = (Duration of supply / Control procedures + Accountability).

It is customary to make a distinction between legal and illegal corruption, and remarkable is the attention by World Bank scholars on the interrelationship between corruption, misgovernance (Kaufmann, 2002, 2003) and State Capture (World Bank, 2000; Hellman and Kaufmann, 2001; Kaufmann, 2005).

Other authoritative institutions such as the OECD, identify among several corruptive

phenomena (legal, business-based, political, legislative, etc) a clear distinction between corruption, State Capture, abuse of office, lobbying activities and conflict of interests (OECD / PUMA, 2003) that will be better analyzed in the next paragraphs.

Almost exclusively interested in economic corruption, economist Ian Senior argues that there is corruption "when a briber does secretly a favour to a corrupted or an appointed person, in order to influence some actions that may benefit both the corruptor and the appointed person, and on which the corrupted has authority".

The authoritative body Transparency International defines corruption as "abuse of entrusted power for private benefit", either material or not, linked to political and/or professional ambitions. A definitional approach to corruption which is particularly wide or particularly narrow, determines different addresses and the risk of diversion on the phenomena, related to corporate and managerial culture, that are object of observation. What is important is therefore the conceptual placement of corruption as it, if particularly wide, could offer room for investigation of forms of State Capture, deviance, malformation, deformation, degeneration and also of lobbying activities of various stakeholders who, in the case of our country, do not even have a regulatory framework (Heidenaiemer, 1970, Banfield, 1975; Neild, 2002; Johnson, 2003,2004; Stiglitz, 2003; Ireland, 2003; Booth, 2006; Dine, 2008).

This conceptual model may be insufficient, however, in the case of transitional economies undergoing fundamental changes under different institutional regimes. In particular, the quality of governance in transition economies seems to be, more than in other countries, a direct function of the roots of the markets.

The attempt of explanation of Broadman and Recanatini, appreciable from a scientific point of view, reveals perhaps a lack of empirical robustness in some of the institutional indices that are likely to be endogenous to corruption: if it is true, for example, that public administration inefficiency may be due to corruption, it is also true that the spread of corruption prevents the improvement of the legal and public system and of its reform, creating a vicious circle.

Box 2.2

Formula for corruption

Corruption = *f* (quality of governance, quality of political institutions, openness to trade) = B1 + B2 (institutional indicators) + B3 (democracy index) + B4 (Trade Marks, design and index systems)

(Source: Broadman e Recanatini, 2001)

In the Italian lexicon, the most effective distinction in relation to this case of improper exchange, is captured by the two terms of *corruption* and *bribery*. In the first case, it's the holder of the decision-making power, either political or bureaucratic, that extorts resources, especially money, in exchange for a decision, either due or not, which would benefit a person, a family, a group, a *clan*, a company or a party to the detriment of the others (Cepiku, 2002, 2004).

4. The spread of corruption in the world: social costs, policies, public and management decisions of contrast

The cost of corruption in our country amounts to about seventy billion euros, equivalent to 2.5% of our GDP. Italy is positioned after countries like Hong Kong and Taiwan in the Transparency International world ranking referring to the last three years.

Public administration is the privileged place of corruption, especially in the management of goods and services shared with privates: building permits, trade licenses and permits, credit-granting or subsidized loans. Transparency International NGO compiles an annual corruption ranking of world countries, based on surveys carried out by 12 independent agencies that collect documented opinions statistically representative and validated.

The index of perceived corruption in the world is related to the public sector and defines this illegal behavior as “the abuse of institutional power for personal ends”. Therefore it considers the corruption of public officials for public offices, the misuse of public funds and includes administrative and political corruption. Data on the world ranking of perceived corruption, drafted in the last three years, show that lawlessness is closely connected to low competitiveness, as well explained by Transparency: the first sixteen nations at the top of the transparency ranking are the same that top the competitiveness one, and this also affects the level of foreign investments that in Italy is 64% lower compared to expectations, due to corruption.

The World Bank economic studies show that the investment rate increases when the incidence of corruption decreases: to be exact, recovering two points in a hypothetical corruption scale from 10 to 1 (from low to high incidence), the investment rate/GDP would grow at least by four percentage points and the GDP per capita would increase at least by half point per year. The same studies reveal that education is the sector of public spending that more depends on corruption, with a 95% significance: an improvement of the standard deviation of the corruption index is associated with an increase in public expenditure on education of about 0.5% of GDP.

On the phenomenon of corruption in local public administration and the problems of economic development and growth of our country (Bianchi, 1997, 2003, 2004), strong is the attention of institutions, organizations and research institutes such as the AVCP, Authority for the Supervision of work public contracts, services and supplies, the Istat and the CNEL. In particular, the CNEL, through the Socio-economic Observatory on crime, has placed at the center of its study and research since the mid-90s, the persistence of the phenomena of corruption in the management of public administrations (1996), underlining the risks of infiltration by organized crime in the EU funding (Act 488), and also in large works and in several local authorities in the north of our country, into a *silent conquest of pieces of legal economy*.

Corruption is a widespread, capillary phenomenon too often overlooked or even justified and forgiven. Only recently seems to be spreading awareness of the seriousness and the negative effects that this phenomenon can imply in all areas in which it occurs: in economics, in society, in politics. Evidence of widespread awareness of the current government is

the Anti-corruption Decree⁽¹⁰⁾ which introduces the “ineligibility for the charges of deputy and senator for those who have been convicted by a final court for the crimes referred to in subparagraph b) of Article 58 - DL 267/2000, (ie those on Corruption) for a period of five years”.

Recent is also the strengthening of the investigation structures and of DIA through memoranda of understanding and inter-institutional cooperation agreements with the CNEL and the High Commissioner for preventing from and contrasting corruption and other forms of abuse in Pa (later suppressed authority) and the clear guidelines from organizations such as Confindustria, through the expulsion of entrepreneurs and industry associations that do not report *protection money phenomena, feeding the culture of illegality and the silence of illegality*. The presence of organized crime into the economy of the peninsula makes necessary, and no longer delayable, a series of measures, first of all the one on contracts: according to CNEL (Report 2010)⁽¹¹⁾, “a careful control and monitoring of the fulfillment of major works in Northern Italy” are needed, “a very narrow grid for the assignment of contracts and sub-contracts”, “the monitoring of subcontracts network with quotations lists of the companies that deal with building trade” and “the restoration of the traceability of payments related to the project, with electronic payment”.

In this respect, the law January 13, 2003, N°. 3 has introduced into our ordinance, the High Commissioner for preventing from and dealing with corruption and other forms of abuse within the public administration. The contribution and evaluations that you would like to give are focused on a proposal of a general model of *Public Governance* ⁽¹²⁾ in which decision-making, administration, planning and control functions are based on high levels of *accountability* and transparency of the administrative action working in the interests of all *stakeholders*, not just for the satisfaction of particular categories of interest or *lobby*. The critical reflections concern the crucial role and the contribution that an adequate system of *accountability*, meant as the capacity of the public authority of “accounting” of the management and the use of public resources⁽¹³⁾, could bring to the management of “Res Publica” and to the creation of an added value for all users and beneficiaries of the administrative action, stimulating reflections on the theme of the *Anti-Corruption Management* also in the Italian business-economics literature.

To this end, the object of observation are those municipalities in Campania dissolved for assumed mafia infiltration, pursuant to Art. 143, Decree Law 267/2000 and with a population of more than 15 000 inhabitants, as required for preparing the accounting programming documents (especially planning and control reports), obedient to the “DL 267/2000” (norm) of local authorities. Given the spread of the phenomenon, as previously mentioned, the reference universe is very large (about half, namely 44.3%, of the measures of dissolution adopted in Italy from '91 so far, involved agencies in Campania, sixty in all, twelve of which have dissolved twice)⁽¹⁴⁾.

⁽¹⁰⁾ Anticorruption Law Decree approved by the Cabinet on 2nd of March 2010, yet suspended. A public policy example of announcement effect (see Borgonovi, 2004).

⁽¹¹⁾ See website www.portalecnel.it

⁽¹²⁾ MENEGUZZO M., *Ripensare la modernizzazione amministrativa e il New Public Management. L'esperienza italiana: innovazione dal basso e sviluppo della governance locale*, op. cit., pp. 587 and ss.; CEPIKU D., *Governance: riferimento concettuale o ambiguità terminologica nei processi di innovazione della p.a.?*, in *Azienda Pubblica* n. 1, Maggioli Editore, Rimini, 2005, pp. 105-123.

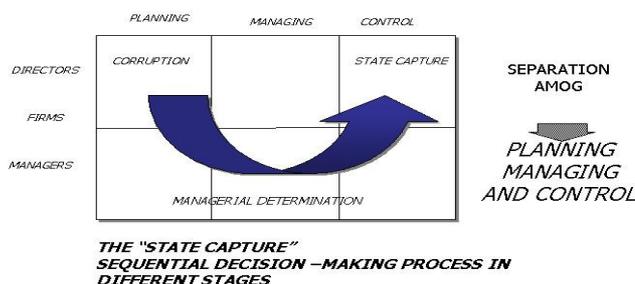
⁽¹³⁾ RICCI P. (edited by), *Enti strumentali regionali e loro accountability. Il caso Campania*, Franco Angeli, Milano, 2005.

⁽¹⁴⁾ RICCI P., ESPOSITO P., LANDI T., *L'accountability per il fronteggiamento del no capture management nelle amministrazioni*

The final reports of the access committees, concerning 25 Municipalities dissolved in the province of Naples for infiltration of criminal organizations in the last 10 years (art. 143, DL 267/2000), have been examined and show that nine of these municipalities are dissolved twice for interference of organized crime in the administrative management of the local authority (the first breakup is for all between 1991 and 1993, with the introduction of the specific legal address). After the second dissolution, some of these bodies were then dissolved for a third time for financial difficulties (Article 244 DL 267/2000), as no longer able to perform the necessary services and expenses for the Agency (City of Marano, City of Casal di Principe for example).

The research conducted through the administration of the questionnaire is to uncover the state of the art on systems of reporting and monitoring of loose local authorities in Campania, *ex art.143 DL 267/2000*. In fact, the questions have concerned the degree of knowledge and use of specific management tools for monitoring and reporting (planning and control reports), such as economic-financial accounting, the creation of paths to social reporting, the degree of knowledge of the OECD anti-corruption manual by the leaders of top organizational structures of the authority.

By the survey conducted, the results of the research are rather limited because of the resistance to responding opposed by the examined sample. After repeated attempts of contact, even direct, with managers and general secretaries, the percentage of the answers stands at 20.7%. This highlights the lack of a culture of transparency and a poor, if not absent, predisposition to confrontation and dialogue. Other studies examined before starting this research, relating to *bad practices*, found that even the *best practices* are hard to find because of disinterest, on the part of those authorities, in market researches, interviews, *benchmarking* analysis.



(Source: P. Esposito, 2010)

From the responses obtained, we have tried to bring out the degree of knowledge and use, by these authorities, of specific management and programming tools before, and of control and reporting after the management.

From the considerations of the respondents, it emerged that the legislature has not had the strength to impose the use of economic accounting, leaving to the municipalities the opportunity to choose the system that appears most suitable for their needs (Article 232, DL 267/2000). Therefore, municipalities do not intend to adopt any line of change until it is required by law,

emerging contradictions and differences between rules and behaviors. To move to a system of economic-financial accounting, undoubtedly would require a financial commitment, but, in the opinion of the writer, it would allow the institution to measure the proper relationship between *input* and *output* going to intervene where there is a greater waste of resources or where public resources are “misused”.

5. No conclusive observation

One of the central tasks for an adequate theory of PA is to give an account of collapse and failure. Each type of failure discussed above [(ab)use of power, corruption and bribery] represents a recognizable and frequently encountered shortcoming, regularly appearing in different guises and contexts and our aim was to stimulate a discussion about how to address or avoid such problems. The sort of organization that remains passive, sunk in pointless routine and unable to plan or take initiative even in the face of palpable disaster is not likely to be the same sort of organization that implements large scale corrective policies, taking into account the whole range of citizens' interests. Corruption, in which individual interest are placed before anything else, as shown above, can often contribute dramatically to disaster. An unacknowledged clash or mixture of opposing or simply different interests seems to be one of the major triggering factors for several well-known mechanism able to produce reverse effects in policy and organization.

Despite the advent of the NPM, new rules and laws have not yet started the desired effect, such as the downsizing of the public sector, increasing transparency about the actions taken by public managers, limitation of behaviour not consistent with the general goals of the reference community. The old bureaucratic model of P.A. was based on *ex-ante* compliance rules, but the growth in complexity and relative abundance of public functions and services has caused market failures and, in particular, the emergence of opportunistic behaviour and corrupt practices. Corruption, if persistent, can weaken the whole system so it is important to add an *ex-post* evaluation of the results achieved to the standard *ex ante* planning activities. At the same time, making control more stringent increases the power of administrative authorities, which in turn could lead to increasing complexity and to longer and more opaque decision-making processes. According to our assumptions it is necessary to take some important and timely measures, as explained below:

- a) To implement social control and not just bureaucratic control. That means to create some communication tools (social balance, office budget and report) to grant citizens participation to political choices in the planning, managing and control stages.
- b) To implement new models of accountability, dependability and governance because the damage connected to irregularities and corruption leads to serious negative consequences (Court of Auditors, 2009, 2010, 2011) that can be:
 - economic, when resources diverted to other (and/or unlawful) purposes fail to achieve development or support the economy;
 - related to public safety, as such resources end up funding criminals circuits;
 - social, since such phenomena undermine the credibility of national and international public institutions.
- c) To redefine the models of spoils system to ensure independence and accountability in the selection and appointment of public managers.

- d) To review the pattern of recruitment and evaluation of public employees and directors to assign awards or penalties according to the results achieved.
- e) To create an inter-institutional task force to support collaboration and data transfer. It is necessary to allow citizens and all other stakeholders to assess the actions taken from planning to the implementation of strategies.
- f) To create anti-corruption networks involving institutions and specific authorities (“watchdogs”).

Obviously no one of these alone is able to solve the problem of corruption and “integrity distortions” (Lasthuizen, Huberts, Heres, 2011), particularly when they are consolidated, widespread and socially accepted. Coordinated steps will have to be taken in order to involve and raise awareness among citizens and authorities to improve public culture and highlight the benefits that a less corrupt society may generate, this way increasing confidence and transparency among its citizens.

To fix *default* situations existing in planning, control and reporting to the outside system, it becomes increasingly clear the need to implement policy guidelines able to turn potentially conflicting interests into common and shared goals whose degree of achievement is continuously monitored through a renewed plan of internal and external control, shown outside through innovative tools of *accountability*.

The inverse correlation between levels of accountability and corruption clearly emerges from our survey, in particular with relation to:

- a) the exclusive use of financial accounting, which do not allow to monitor the use of public resources and to detect any signs of “improper” use of such resources;
- b) complaints regarding corruption phenomena are usually made to the competent Judicial Authorities by external supervisory bodies, often in response to issues raised by political parties, and not as a result of managerial control.

The scarce diffusion of a culture of social reporting in a context of strong corruptive deficits and of lack of resources produces widespread *social imbalances* among members of the community. Such problems call for a bigger research effort on pathological elements (integrity distortions, corruption, State Capture) perhaps not sufficiently addressed so far by the Italian doctrine.

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