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Do international Corruption Metrics Matter? Assessing the Impact of Transparency International's Corruption Perceptions Index

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DO INTERNATIONAL CORRUPTION METRICS MATTER?
ASSESSING THE IMPACT OF TRANSPARENCY INTERNATIONAL'S
CORRUPTION PERCEPTIONS INDEX

by

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A Dissertation Submitted to the Faculty of
Old Dominion University in Partial Fulfillment of the
Requirements for the Degree of


DOCTOR OF PHILOSOPHY

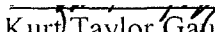
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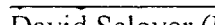
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ABSTRACT

DO INTERNATIONAL CORRUPTION METRICS MATTER? ASSESSING THE IMPACT OF TRANSPARENCY INTERNATIONAL'S CORRUPTION PERCEPTIONS INDEX

Omar Elemere Hawthorne
Old Dominion University, 2012
Director: Dr. David Earnest

This dissertation examines the impact of Transparency International's (TI), Corruption Perceptions Index (CPI) and whether or not the CPI and hence TI matter. It examines the impact of TI's CPI on policymakers. It explores three areas: world's political and economic responses and Jamaica's policy responses to the CPI. Jamaica is selected for a case study due to TI's high corruption perceptions index rating for the country: a country that legally has strong anti-corruption laws but, nonetheless, sees its CPI ranking worsen almost yearly.

This study comprises mixed methodologies, using both qualitative and quantitative measures to assess the impact of the CPI on development policies. Taking into consideration the importance scholars and policymakers both give to corruption's effect on development; the findings of this study indicate that the CPI, the most cited corruption index, does not change the world's political and economic policymakers' behavior. As in, when the index is published yearly, there is no measured change as it regards world's political and economic policymakers. Nonetheless, Jamaican policymakers pay significant attention to their performance on TI's CPI. Corruption is regarded as a key hindrance to development policies and TI's CPI is used as the authoritative tool to assess countries' corruption perceptions score by both international

governments and several international agencies. The use and reference of TI's CPI does not translate as the main factor in regards to the increase and or decrease of aid flow.

Surprisingly, there was no evidence that the CPI affected the credit rating and or investment flow into Jamaica. It indicated however, that TI's CPI is reflective of the global market perceptions of Jamaica's economy. But the research shows that the index does change policy responses in Jamaica as government officials across varying agencies pay attention to the index and the progress and or worsening of the country's score.

This dissertation is dedicated to my parents; neither college educated but both strong believers in the pursuit of academic excellence. Paulette Wilson, for being the most supportive mother one could ever want. To the memories of my late father, Walford Wilson, who bestowed endless love and sacrificed much from the day he came into my life. I could not have asked for better role models.

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Special thanks to Mr. Dirk Harrison, Senior Deputy Director, in the Office of the Director of Public Prosecutions for his assistance. I am also grateful to Ms. Deborah Hardoon, Senior Researcher at Transparency International for her assistance.

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Thank you all.

ABBREVIATIONS

ACB	<i>Anti-Corruption Branch</i>
CPI	<i>Corruption Perceptions Index</i>
DAC	<i>Development Assistance Committee</i>
DPP	<i>Director of Public Prosecutions</i>
FDI	<i>Foreign Direct Investments</i>
GCS	<i>Global Civil Society</i>
IFIs	<i>International Financial Institutions</i>
INCSR	<i>International Narcotics Control Strategy Report</i>
INGOs	<i>International Non-Governmental Organizations</i>
JCF	<i>Jamaica Constabulary Force</i>
JIS	<i>Jamaica Information Service</i>
JLP	<i>Jamaica Labour Party</i>
MOCA	<i>Major Organized Crime and Anti-Corruption Task Force</i>
OCED	<i>Organization for Economic Co-operation and Development</i>
OCG	<i>Office of the Contractor General</i>
PNP	<i>People's National Party</i>
TI	<i>Transparency International</i>
UNDP	<i>United Nations Development Program</i>
UNODC	<i>United Nations Office on Drugs and Crime</i>
USAID	<i>United States Agency for International Development</i>
WDI	<i>World Development Indicators</i>

TABLE OF CONTENTS

	Page
LIST OF TABLES	x
LIST OF FIGURES	xi
Chapter	
I. INTRODUCTION	1
Purpose of the Research	14
Relevance	16
Transparency International—Global Civil Society	18
Organization of the Dissertation	28
II. THEORETICAL FRAMEWORK	29
Global Civil Society and its Role in Development Policies	29
Global Governance	39
Transnationalism	42
The Politics of Global Civil Society	51
III. RESEARCH, METHODOLOGY AND DATA	62
Methodology	65
Rationale for Jamaica as a Case Study	68
Hypothesis	75
Data Collection	80
IV. WORLD'S POLITICAL RESPONSES	85
Foreign Aid and Corruption	87
The United States Political Responses to TI's CPI	101
The European Union	109
The Chinese Government	111
V. WORLD'S ECONOMIC RESPONSES	123
Foreign Direct Investments	126
Credit Rating—Standard and Poor's	131
TI's CPI and Bond Spreads	137
TI's CPI and the Exchange Rate	143
VI. JAMAICA'S POLICY RESPONSES TO TI'S CPI	149
Jamaica Policymakers' Reactions to TI	158
The Office of the Contractor General (OCG)	168
The Jamaica Constabulary Force (JCF)	179

VII. CONCLUSIONS AND POLICY IMPLICATIONS	194
BIBLIOGRAPHY	217
APPENDIX	235
VITA	241

LIST OF TABLES

Table	Page
3.1. TI's CPI Rank of Jamaica & other Caribbean States.....	69
3.2. No. of Countries & Indicators 1995-2011	81
4.1. DAC Aid flow into Jamaica from 1995-2010 and Jamaica's CPI.....	86
4.2. ODA from the US to Jamaica 1995-201	106
5.1. Correlations between CPI and FDI, net inflows (%of GDP).....	127
5.2. CPI and FDI Standard Error	128
5.3. Jamaica's CPI Rank and S&P's Credit rating 2 weeks before & after CPI release..	134
5.4. TI's CPI and S&P's Global Equity Indices (annual % change)	135
5.5. R square of CPI and Portfolio Investments, bonds	141
5.6. CPI score and Portfolio Investments, bonds	141
5.7. Jamaica's Exchange Rate and CPI Rank	145
6.1. Showing 2008—2011 Conviction Rate for Corruption	187
6.2. Arrests by ACB.....	188

LIST OF FIGURES

Figure	Page
5.1 Jamaica's CPI score and FDI, net inflows (% of GDP 1995-2011)	129
5.2 Trends between TI's CPI score and S&P's Global Equity Indices	136
5.3 CPI Rank and Portfolio Investments bonds	142
6.1 Showing Jamaica's GDP per capita 1995-2011	151
6.2 GDP per capita Jamaica and its Neighbors	152
6.3 Jamaica's CPI Rank from 1995-2011	153
6.4 CPI Rank for Jamaica, Barbados and Trinidad & Tobago 1995-201	154

CHAPTER I

INTRODUCTION

No country can ignore Transparency International (TI)

—*Economist*, October 30, 1999

It is often said that civil society, locally and globally, ought to play a greater role in taming the beast of corruption. There is no doubt that corruption continues to plague countries in every region of the world. But, as Sandholtz and Koetzle state, “corruption, like the poor, will probably always be with us.”¹ Thus, the manner in which we as a society recognize and deal with the issue of corruption, its effects on development, growth, sustainability and well-being of others is intrinsic to the overall growth of society. Daniel Kaufmann, on the issue of corruption, reiterated quite convincingly that, “nobody disputes the ethical failings associated with corruption. Yet the ambiguities about corruption, its causes, its effects, and its cures cause many to wonder whether fighting it should be a true priority or merely a rhetorical one. Not in dispute is the fact that fighting corruption has become a rhetorical priority.”² Thus the focus on holding governments accountable and demand for greater transparency might ultimately lead to some reduction in corruption, or at least the perception of a reduction.

Corruption, according to Transparency International (TI), “is operationally defined as the abuse of entrusted power for private gain.”³ The issue of corruption is not

¹Wayne Sandholtz and William Koetzle, "Accounting for Corruption: Economic Structure, Democracy, and Trade," *International Studies Quarterly*, (2000): 31.

²Daniel Kaufmann, "Corruption: The Facts," *Foreign Policy* 107, No. Summer (1997): 115.

³ The definition of corruption varies widely. The most widespread one seems to be the misuse of public office for private gain used by the World Bank, a number of authors including: Nye (1967),

new; it is probably as old as the state as a political organization with the prerogative to allocate resources. Episodes and investigations of corruption activities are found within public administrations in numerous countries around the world. Hunger, child mortality, illiteracy, poverty cannot be eradicated as long as corruption continues to sap resources from the world's poorest countries.

Economic development is generally regarded as being tied to corruption. There is not a development plan that does not speak of the need to address corruption. Corruption is widely seen as the main hindrance to development and growth. With this pressing need to eliminate corruption, a correlation which TI officials and other development scholars have pointed to, is that, "one key lesson from the last 30 years of development efforts is that the progress in poverty alleviation in the world's poorer countries with high level of corruption and weak institutions has not been substantial and/or sustained."⁴ It can also be argued further that environmental regulation such as forest and biodiversity protection will not be effective as long as law enforcement and other decision-makers can be bought.

Academic disciplines have examined corruption from many perspectives: sociology, economics, political science, law, development studies *et al.* However, to my knowledge there has not been any research that has studied the impact of TI's Corruption Perceptions Index (CPI) on changing behaviors of businesses, investors, governments, countries or their officials as a result of the publication of the TI CPI report. It is only befitting that TI, often cited as the most influential global civil society on corruption,

Huntington (1968), Rose-Ackerman (1975) amongst others. However, I have opted to use TI's definition of corruption for this study. Transparency International, "Frequently Asked Questions About Corruption" http://www.transparency.org/news_room/faq/corruption_faq (accessed February 19 2012).

⁴ Ibid.

ought to be examined. After all, the CPI is unique in the sense that it was the first index created specifically to address this once taboo topic in development issues. It assigns numbers to countries and TI has justified why the ranking and changes of countries occurs over the years. Undoubtedly “corruption affects the poorest the most, in rich or poor nations, though all elements of society are affected in some way as corruption undermines political development, democracy, economic development, the environment, people’s health and more.”⁵

Today corruption is a major problem in many of the world’s developing economies. According to one World Bank estimate it accounts for “over \$1 trillion per year accounting for up to 12% of the GDP of nations like Nigeria, Kenya, and Venezuela.”⁶ Quite often the argument has been made that poverty is a cause of corruption, the argument is that the existence of a high level of poverty is a breeding ground for anti-social and unethical behavior such as bribe taking. That argument is supported by “all the surveys conducted since 1995 matching wealth/poverty of nations to their levels of corruption. The world’s most corrupt nations are also among the poorest.”⁷ Augustine Nwabuzor made a critical observation that “while poverty is certainly a plausible explanation for the so called “petty corruption” the really serious incidents of corruption in developing nations are perpetuated by top government officials and well-placed executives not by the nations’ poor.”⁸ This is a seemingly common trend

⁵ Anup Shah, “Corruption,” *Global Issues*: September 04, 2011, <http://www.globalissues.org/article/590/corruption> (accessed February 19, 2012).

⁶ Augustine Nwabuzor, “Corruption and Development: New Initiatives in Economic Openness and Strengthened Rule of Law,” *Journal of Business Ethics* 59, (2005): 121.

⁷ Ibid., 124.

⁸ Ibid.

in many developing countries. The perpetrators occupy positions of influence and power in government, industry and commerce. Consequently, the individuals who hold high-ranking positions in society and their positions of privilege are often accused of abusing their positions. General poverty in society cannot explain the actions of such corrupt senior officials. With stronger civil society to keep reports and or incidences debate to the fore. The creation of National Chapters of TI in countries seeks to strength TI's work and reporting efforts on incidents of corruption.

Over the years numerous studies on corruption have been researched and presented, hence outside the academic debate it will be interesting to see the actual effects of TI's CPI changing behavior. While TI is the leading International Non-Governmental Organization (INGO) focusing on corruption, it is yet to be ascertained whether this index, established in 1995, actually has any impact on the economy, market and political policies as it relates to the countries on its index. Thus, this study is relevant for a number of reasons: it assesses the impact of the prominent index on corruption, and will evaluate the following: 1) does TI's CPI influences markets and investors as it relates to a developing country? 2) What are the world's political responses to the CPI? 3) Does CPI have political impact within countries, or does it have any impact/ effect on political responses from World Bank, USAID, foreign aid etc.? 4) Do countries adjust their behavior to improve their CPI score?

If the study discovers that TI indeed has an impact which influences policymakers, the finding be significant and would demonstrate that non-state actors, especially when it relates to such a sensitive topic as corruption, are influencing decision-making. Such a correlation would be good for not only TI but for other INGOs. On the

other hand, if the study shows that TI has no impact on domestic or international policymakers it is probably more interesting as an organization formed primarily to address transparency. This finding would be significant since TI was formed to measure transparency, and its index affects business perceptions, yet the findings would have shown that TI's work has little or no effect. This outcome would lead to questions as to whose interest does TI serve. Consequently, if it does not have any measurable impact, does 'public awareness alone justify the need for TI? Additionally it also brings to the fore the reliance academics and others have given to TI's CPI in regards to countries' rankings and their interpretation of its impact and or importance.

The importance of the study cannot be overstated in that given the importance that scholars and policymakers both give to corruption's effect on development, Transparency International's CPI has become very influential. One would expect negative movement in the CPI to cause donors to withhold aid and firms to forego business in a corrupt country. The academic literature and development studies have all emphasized the negative effects of corruption on a society. Therefore, the CPI being the source where academics and policymakers both attribute countries CPI score one would expect the CPI to have some effects as it impacts the behavior of policymakers when it is published. Remarkably, however, no one has yet examined whether the CPI has these hypothesized effects on development.

Corruption, ranked as the most frequently discussed global problem, surpassing climate change, extreme poverty and hunger in 2010, has been at the forefront of

academic and policy debates for many years.⁹ Transparency International's Corruption Perceptions Index (CPI) established in 1995 is often touted as an indicator of corruption levels within countries and it is often credited¹⁰ with putting greater focus on the issue of corruption on the international agenda. Perhaps as interesting as the yearly ranking of countries' corruption perceptions is the method by which countries are ranked as corrupt and the variation in the methodology used by Transparency International (TI) over the years.

Given the importance that policymakers place on corruption and seeing that TI is the leading authority on corruption. The expectation would be that the index should impact policymakers. This in and of itself is significant as an index created by a civil society group would, if policymakers behaviors change accordingly, emphasize the role and importance of TI. But on the other hand, if the study shows that only lip service is paid to TI by world's political and economic policymakers it would leave one to question how and why a index which is seen as the authority on an issue do not have any measured effect after it is published.

Corruption occurs at all levels of society, from local and national governments, civil society, judiciary functions, large and small businesses, military and other services and so on. The case for better governance and anti-corruption to fight poverty has been

⁹BBC World Service Poll, "Global Poll: Corruption Is the World's Most Talked About Problem" http://www.bbc.co.uk/pressoffice/pressreleases/stories/2010/12_december/09/corruption.shtml (accessed November 15 2011).

¹⁰ Paul Wilhelm, "International Validation of the Corruption perception index: Implications for Business Ethics and Entrepreneurship Education," *Journal of Business Ethics*, Vol. 35, (2002): 177-89; Also, Jong-Sung You and SanjeevKhagram, "A Comparative Study of Inequality and Corruption," *American Sociological Review*, Vol. 70, (2005): 137-57; Stephen Knack, "Measuring Corruption: A Critique of Indicators in Eastern Europe and Central Asia," *Journal of Public Policy* Vol. 27, no. 3, (2007): 255-91. These authors amongst others have acknowledged TI for being the first index specifically assigning numbers to a country's corruption perceptions.

debated by a few, and as Cobus de Swardt,¹¹ Managing Director of Transparency

International notes,

The vision expressed in the Millennium Development Goals of equitable development and end of abject poverty is endangered by pervasive corruption – the abuse of entrusted power for private gain. Transparency International's 2007 Global Corruption Barometer shows that citizens in the poorest countries pay bribes more frequently than those in wealthy ones. And studies by our national chapters in countries such as Bangladesh and Mexico, show that the poorest citizens in a given country bear the greatest burden – with bribe payments absorbing up to a quarter of household income – robbing them of already scarce resources. (Cobus de Swardt, Civil G8 Dialogue Kyoto, April 2008)

It cannot be underscored then that the need to reduce and or eliminate corruption will address some of the development issues that many developing countries face.

Corruption is widespread and has particularly serious impacts in developing countries, most noticeably where badly needed development funds are often in short supply. Foreign aid and subsequently attracting foreign direct investment to enhance the growth and development of many developing countries' economies is often met with issues of corruption. But what civil society groups such as TI will or might contribute is their quest for greater transparency, accountability and integrity of transactions and players involvement as a key feature in development. For this point, President Johnson's 1964 statement: "The most important ingredient in the development of a nation is neither the amount nor the nature of foreign assistance. It is the will and commitment of the government and people directly involved,"¹² is relevant. Thus it beckons us to assess the role of not only aid, but that of good governance.

¹¹Cobus de Swardt, "Better Governance and Anti-Corruption as Pillars of the Fight against Poverty and Climate Change" www.transparency.org/news_room/speeches_and_articles (accessed February 18 2012).

¹² President Lyndon B. Johnson, "Special Message to the Congress on Foreign Aid." 19 (March 1964), <http://www.presidency.ucsb.edu/ws/index.php?pid=26118#ixzz1n3Ecan33> (accessed February 21, 2012).

The principal aim of this study is to attempt to fill the gap in the literature on TI's CPI and its ability to change behavior of policymakers. Does TI corruption score, and hence TI matter? What impact, if any, does the publishing of the index have on markets—do they react negatively? If a perception is widely held, it is a given that markets have already priced the information into transactions, the index should not influence the market. Transparency International, an International Non-Governmental Organization and, like many NGOs, has been accused of having their own agenda which may or may not be socially beneficial. Therefore outside of TI's own interests does the index actually change anything? Accompanying donor dollars to developing countries is often a very narrow and quite often western definition of corruption. This in turn shifts the equally narrow methods to measure it. The following statement raises the said contextual or rather definitional aspect of what is corruption, and who defines it. "Powerful definitions are the definitions of the powerful and in the history worn asymmetric encounters between *Africa and developing countries in general* and the West the latter's international business-centric view of 'corruption' prevails."¹³

TI is the most prominent anti-corruption NGO in the world, most notably, the corruption measurement instrument, the CPI. For the better part of 16 years CPI results have been accepted by donors, recipient governments, academia, media, NGOs, etc., as a valid and reliable indicator of the perceptions of corruption. Now is an appropriate time to assess the impact of the CPI on the political economy behaviors of different actors. Over the last two decades the eminence of Transparency International and other civil society groups has increased. The role of NGO actors is often said to be a driving force

¹³ Emphasis added: William De Maria, "Measurements and markets: deconstructing the corruption perception index," *International Journal of Public Sector Management*, Vol. 21 no. 7, (2008): 778.

behind social change in the 21st century and often credited with their role in keeping social issues at the fore.¹⁴ With the level of interconnectedness of states and globalization of economic production, non-state actors are seemingly increasing influence. Some of these actors' roles are socially beneficial and wholesome, but there have been many questions about the agendas many seem to serve. TI is one of the leading, and often seen as the leading NGO on the issue of corruption and the drive to increase transparency in national and international transactions. The political economy of civil society is imperative especially as it relates to development policies.

The proposition of why corruption matters and why TI matters *inter alia*, can probably be summarized as follows: even though corruption creates problems for any political system, the bigger problem is that "it directly challenges some of the fundamental principles of democratic governance."¹⁵ Being the first NGO formed specifically to address corruption; Transparency International has been at the front of the corruption debate. Huguette Labelle, Chair of Transparency International notes, "This year (2011) we have seen corruption on protestors' banners be they rich or poor. Whether in a Europe hit by debt crisis or an Arab world starting a new political era, leaders must heed the demands for better government."¹⁶ According to Transparency International's 2011 Corruption Perceptions Index, "it shows some governments failing to protect citizens from corruption, be it abuse of public resources, bribery or secretive decision-

¹⁴ JanAartScholte, "Civil Society and Democracy in Global Governance," *Global Governance*, Vol. 8, no. 3 (July-Sept., 2002): 281-304.

¹⁵ Sandholtz and Koetle, 31.

¹⁶ Year added for specificity, Huguette Labelle, Chair of Transparency International, Corruption Perceptions Index, 2011, Press Release, http://www.transparency.org/news_room/latest_news/press_releases/2011/2011_12_01_cpi (accessed December 21, 2011).

making.”¹⁷ Transparency International warned that protests around the world, often fuelled by corruption and economic instability, clearly show citizens feel their leaders and public institutions are neither transparent nor accountable enough. On the surface this statement is seemingly true, but it should be stated that lack of transparency and accountability speaks of efficiency in the system of government but it is not necessarily corrupt. Therefore, it is imperative to assess whether the index affects development policies. Thus it is important to evaluate whether world leaders and policymakers take note of TI’s index when making their policies.

Beyond stating the obvious, corruption has been a matter of concern for many centuries. The nature of the corruption, as well as its causes and consequences, has been intensely researched over the last few decades. Thus, both the persistent lack of concern until the 1990s as well as the subsequent rise may, up to a point, be explained by a kind of informational flow like mechanism. Transparency International’s perceptions index itself has contributed to this flow. Assigning numbers to perceived levels of corruption the index has made corruption real in the political domain and has created the impression that it can possibly be control by public policy. Without public numbers corruption may remain private.

This ultimately leads to the question of how to keep the debate on corruption, accountability, and transparency alive while at the same time adding global focus. It is one thing to point to a few countries which historically have been referred to as corrupt, but it is also imperative to highlight, where possible, where attempts have been made by states to address corruption and whether these policies have been proven to be beneficial. To some degree Transparency International attempts to fill this gap. The role of civil

¹⁷ Ibid.

society as a catalyst for fighting corruption and mobilizing pressure on governments and multilateral governmental organizations to adopt public sector reforms cannot be underestimated. In many parts of the world, businesses are partnering with civil society to prevent corrupt practices, strengthen public institutions, and foster an anticorruption culture in society. The prominence of Transparency International and other civil society groups have increased; especially over the last two decades. But the level of impact TI has had on development policies is yet to be ascertained. Thus my aim is to assess TI's overall impact on the development policies of Jamaica as a case study regarding its development policies.

Jamaica, like so many other developing countries, is swamped in debt, high inflation rates, low credit scores and high levels of corruption. A key feature in the development of any society is efficiency, transparency and accountability. And not until it is treated as such, Jamaica, like other developing countries, will continue to be a developing nation with a host of potential, but muddled in corruption, flawed bureaucratic procedures and a country seen for its strength in sports, culture, music, etc., with great potential to develop but lagging behind its peers in making strides in development. As the OECD's overview of Jamaica reiterates,

Despite its rich natural assets and a period of robust development in mining, manufacturing, construction and tourism, the economy has in recent times experienced a prolonged period of negative growth, with a poverty rate of 16.5% in 2009 and an unemployment rate of 12.4% in 2010 (between 2007-10 there was a cumulative decline of 5.1%). The country was recently classified as an upper-middle income country, but it remains highly indebted with a debt to GDP ratio of 128%.”(OECD, “Overview of Jamaica,” 2011)

Jamaica, despite its size has long held an influential position on the international scene. A country with a rich cultural heritage, renowned for its strength in track and field, reggae music, Caribbean studies scholarship, amongst other qualities. However, today it is a highly indebted nation with an extremely high murder rate per capita and, in spite of its 'potential,' its internal policies continue to be one of its key hindrances to growth and development. On average Jamaica's CPI score by TI have been 3.1, with 1 representing the highest perceptions level of corruption and 10 being the lowest. Jamaica has never scored at the median range of the CPI.

Research Questions

Does TI corruption score, and hence TI matter?

What evidence is there to suggest that TI's score and by extension TI itself matters in development policies? Are policymakers paying attention to TI or is TI touting its own horn as to its relevance and importance in the anti-corruption debate.

Does change in CPI lead to change in behavior?

Different issues influence the world's political responses. Many developing countries are reliant on international financial institutions from development aid. Therefore what effect, if any, does TI's CPI have on world's political responses? Do policymakers pay attention to TI's CPI and what effect does it have on the creation of policies with developing countries such as Jamaica.

Do countries change their behavior to try to change their CPI?

Many countries including Jamaica see changes in its TI ranking yearly—hence what evidence is there to suggest that change in a country's CPI lead to change in behavior?

Are there increased activities by the authorities to arrest and charge individuals on corruption related offences?

Do countries try to dispute the CPI measure? Do they try to game the system?

It is understandable that some countries would not find favor with their low ranking on TI's CPI. Therefore, what evidence is there to suggest that countries dispute the CPI measure yearly? Do they express their displeasure at TI's index or is TI's index taken as a given?

Do economic actors take note of the CPI and change their behavior?

There are numerous factors that affect countries' credit rating. Therefore what effect does TI's CPI have on Standard and Poor's credit rating of Jamaica? Is there any correlation between TI's CPI and change on the credit rating? Does the CPI affect bond ratings and or foreign exchange rate?

PURPOSE OF THE RESEARCH

Given the significance that policymakers and scholars give to the effect of corruption on development, Transparency International's CPI has become very influential. The CPI is widely cited by academic literature and uses it is used extensively in studies of development. A claim purported by the donor community is that essentially billions of dollars in official development assistance depends in part on a recipient's CPI scores. Given this evident importance, one would expect that large-scale indicators of development—amounts of foreign aid; foreign direct investment; credit ratings, bond yields; corruption enforcement—will respond to changes in the CPI. Thus one would expect negative movement in the CPI to cause donors to withhold aid and firms to forego business in a corrupt country. Surprisingly, however, no one has yet examined whether the CPI has these hypothesized effects on development.

Transparency International has carved out a niche for itself in the civil society groups. With TI being the leading source for corruption ranking it comes as no surprise that many question the veracity of the index. Theresa Thompson and Anwar Shah's "Transparency International's Corruption Perceptions Index: Whose Perceptions Are They Anyway?"¹⁸ provides in-depth analysis on TI's CPI. Additionally, whose interest is the index representing? One of the purposes of this research is to examine whether TI's CPI is a status quo or valuable policy tool. Thus finding out whether TI is simply reiterating the image of some countries as corrupt or whether TI's index is a valuable tool in development policies in regard to stemming corruption in different countries is of significant importance.

¹⁸ Theresa Thompson and Anwar Shah, "Transparency International's Corruption Perceptions Index: Whose Perceptions Are They Anyway?" Discussion Draft, Revised March 2005. <http://go.worldbank.org/11RTMZYUA0> (accessed November 12, 2011).

In the last few years a growing group of political scientists have raised some criticisms about civil society groups, the way in which they function, their agenda and the purposes they serve. Civil society groups like TI undoubtedly play a role in society; if nothing else, it keeps the debate on corruption at the forefront. One of the difficulties with TI's index, and other indices on corruption, that makes it difficult and problematic to apply for policy purposes is their wobbly bridge to real corruption. It does not really help to claim that *perceived* corruption might have as strong an effect as its actual counterpart. If so, the policy instruments that address perceptions are likely to be different from the ones addressing the real problem.

The broad objective of the study is to assess, outside the interests of Transparency International, whether or not the CPI actually changes anything, does the CPI change behavior? Importantly, do markets react negatively when the index is published? Do International Financial Institutions (IFIs) or lending government react differently towards a country? If a country's ratings in the corruption index decrease does that country receive less aid or assistance? Other than TI's Islands of Integrity, is there any empirical evidence that the CPI makes a difference? If it does not make a difference then it is unclear what TI adds to development policy other than reinforce pre-existing beliefs and to undergird bureaucratic inertia at the IFIs. This dissertation will seek to answer the question of how best to assess the impact of TI on policy formation. Specifically, how do international rating agencies and domestic governments respond to the ranking conducted by TI? Essentially, does TI matter?

RELEVANCE

Debates on development policies are often complex. They involve multiple objectives, including reduction in corruption, poverty alleviation, reduction in inequality, improved human development indicators and other social goals. There is virtually no single instrument that can guarantee improvement along every single dimension of each of these objectives. In regard to poor economies, sustained rapid growth remains one of the most important variables to pursue these objectives. While this may be true, it can be said that corruption is often seen as an obstacle to developing economies. Many developing countries rely on aid in many shapes and forms from International Financial Institutions, lending governments, improved relations with MNCs, etc. How does the ranking of corruption in these countries affect their economies?

Corruption manifests itself in many ways. In some countries it is blatant in others it is hardly detectable. Corruption has many faces, because it is deep-seated to human nature and cannot be described or even measured in universally acceptable ways. Transparency International has done a lot for the anti-corruption cause. It has kept the issue on the international agenda but it has not escaped criticism. The methodology of the index does raise some cause for concern. There is no one set methodology and data source for the CPI. It changes yearly and on an ad hoc basis, a survey might be used one year and might not be the following. De Maria, Galtung, Kalnins amongst others have all raised questions regarding methodological issues of the CPI. Some of the issues these authors have highlighted are: respondents in the surveys do not have to directly witness 'corruption', the answers are based on personal impressions and hearsay are usually

harvested. De Maria raised the concern of the amplification and abbreviation of impressions about corruption.¹⁹

The precise working varies from country to country, and it has changed overtime. Thus year-on-year comparisons can be misleading. This is probably one of the greatest weaknesses in using TI as a research tool. If the methodology changes from year to year it greatly reduces the reliability of comparison analysis. Thus, what exactly were the contributing factors as to why one country will move significantly up or down on the ranking scale? TI is aware of the index's shortcomings, but what impact, if any, does TI's annual snapshot of corruption, rather than a focus on year on year trends, have on the behavior of lending governments, MNCs, IFIs, the governments labeled as 'corrupt', or the international markets? What evidence is there to suggest that the TI index changes development policies? There is widespread recognition that the CPI is amongst the most useful indicators of corruption available today. Today there are few scholarly publications on corruption that do not cite TI. Thus, beyond the academic realm, is TI an influential tool to policymakers.

In spite of the variants in TI's CPI it is still used as a measure to state whether a country has improved or worsen as it regards corruption perceptions. This study is important, as there is yet to be a study to examine the effects of the CPI on policymakers' behavior. Since the CPI is used and referred to as the authority on corruption. One would expect a negative movement in the CPI to cause donors to withhold aid and firms to forego business in a corruption country. Surprisingly, however, no one has yet examined

¹⁹ For De Maria, "the former occurs when perceptions of "corruption" by business people respondents are untrustworthy because they may have been temporally elevated in the lead up to the completion of the survey simply by being exposed to media reportage on local "corruption" stories.

whether the CPI has these hypothesized effects on development. An important finding of this study, by contrast, that the CPI has no demonstrable effects on anything other than corruption enforcement efforts. Therefore, why does the most important measure of corruption fail to explain changes in development economics and politics?

TRANSPARENCY INTERNATIONAL—THE GLOBAL CIVIL SOCIETY

Transparency international, formed in the early 1990s, first published its CPI in 1995. Today, it might seem as if the rest is history. In May 1993 TI held its launch conference in Berlin amid much fanfare with people from the three sectors that are core international stakeholders in anticorruption process: national governments in the South, the international development community, and transnational corporations. From the onset TI's existence has changed the anticorruption scene beyond recognition and changed it from being an off-limit topic in international circles to the major focus of attention. At the core of TI's institutional strategy is what Peter Eigen calls, 'natural coalitions of interests',²⁰ and the make-up of TI's first board of directors reflects the said statement. Peter Eigen is often seen as the key figure behind the creation of TI. His efforts started after he resigned from his position as The World Bank's regional director for East Africa. By the end of 1992 a substantial group of supporters formed Transparency International's initial board of directors and advisory council, including the likes of Nobel laureate Oscar Arias, President Olusegan Obasanjo of Nigeria, and Kamal Hossain, a prominent human

²⁰ Peter Eigen being quoted by Fredrik Galtung, "A Global Network to Curb Corruption: The Experience of Transparency International," in Ann Florini, Editor, *The Third Force: The Rise of Transnational Civil Society*, (Washington D.C.: Japan Center for International Exchange, Tokyo and the Carnegie Endowment for International Peace, 2000), 23.

rights lawyer from Bangladesh and the country's former minister of justice and foreign affairs.²¹

Professor Dr. Johann Graf Lambsdorff of the University of Passau is synonymous with the CPI however, since 2009 he no longer works on the computation of the CPI. As Professor Lambsdorff says, "in 1995 I invented the Corruption Perceptions Index and have orchestrated it ever since, putting TI on the spotlight of international attention."²² It could not have been said better than by the creator of the index himself when he stated:

The CPI certainly was one of our most controversial tools – and maybe precisely due to this highly successful in changing perceptions. I am grateful to the many fierce debates we had on its strengths and weaknesses. I am grateful for having learned so much about the realities at the national level that lied behind each of the crude numbers I produced. I was happy for being criticized, when data failed to match with reality, and happy for being thankful, when my work helped raise awareness for so many National Chapters.²³

The work of Lambsdorff has generated criticism and praise. It unwittingly comes with the territory of assigning ranks to countries based on perception of corruption. Moreover the changing methodology and lack of ability for the index to be used in time series data analysis is one of the key problems and generates the more serious criticisms levied against the CPI.

In the years since TI came into existence, the anticorruption scene has changed beyond recognition. From being the taboo topic it once was in international circles,

²¹ For more information see Fredrik Galtung, "A Global Network to Curb Corruption: The Experience of Transparency International," in Ann Florini, Editor, *The Third Force: The Rise of Transnational Civil Society*, (Washington D.C.: Japan Center for International Exchange, Tokyo and the Carnegie Endowment for International Peace, 2000), 22-25.

²² Global Integrity, "Johann Lambsdorff Retries from the Corruption Perceptions Index," 18 (September 2009), <http://www.globalintegrity.org/node/452> (accessed January 25, 2012).

²³ Lambsdorff being quoted by Global Integrity, "Johann Lambsdorff Retries from the Corruption Perceptions Index," 18 (September 2009) <http://www.globalintegrity.org/node/452> (accessed January 25, 2012).

corruption has become a major focus of attention and the subject of international treaties. TI in collecting, analyzing and disseminating information to raise public awareness about the damaging impact of corruption on human, economic, and social development. In addition to building national, regional and global coalitions that embrace the state, civil society, and the inclusion of the private sector to fight domestic and international corruption, TI has managed to keep the discussion on corruption at the fore. On the surface it might seem that probably TI's biggest effect is its scope of raising public awareness on the issue. The CPI, a collection of professional polls and surveys that captures the perception of thousands of international business leaders, risk analysts, and business journalists on the relative degree of corruption in almost 187 countries.

It is probably more suitable to argue that TI, through refining its methodology over the years, has remained at the top in regards to being the 'global civil society' on corruption. Some might argue that corruption is nothing new; in fact some have argued that while corruption has its negative effects it might help the functioning of society. Civil society such as TI has essentially created a concerted effort of developing progressive global governance. TI has had its fair share of criticisms since its launch; there has been calls for the index itself to be abandoned citing the quality of the Index and the lack of actionable insights created from a simple country ranking.

Given the versatility of the term 'global civil society,' often seen as one of the reasons for its rising popularity, there is need for more in-depth analysis of TI. Empirical perspectives on global civil society have limitations. In spite of a growing body of data, the actual contours of global civil society remain elusive, to which one might say, for understandable reasons. This is another reason why this study on TI is important. TI itself

states that its index cannot be compared yearly, as in, a time series data study.²⁴ This raises the question as to why should TI be taken seriously or whose interest does the Index serve. Based on the varied methodology used to calculate the index yearly a perception of improved or decreased performance on the index undoubtedly produces false results. Or how can it be said a country has improved in the rankings if what is being measured cannot be compared yearly?

Hence, the same mechanism that has contributed to the impact of particularly the TI perceptions index on the corruption policy flow, that is, the strong interaction between agents' perceptions has at the same time raises serious doubts about perception indexes as research tools, and as an instrument for measuring the effects of anti-corruption policies. Thus, how can we use TI's index to measure corruption when it in and of itself is merely compositing perceptions.

Consequently, while the issues raised and will be discussed about TI's veracity throughout this study are important, in the end, even if the study shows that TI's effect on policy development in Jamaica or another country is not statistically significant the importance of having a global civil society focusing on corruption and need for greater transparency and accountability cannot be underestimated. This to some extent is a paradox. In that, if the study shows that TI's CPI does not hold any statistical significance on shaping Jamaica's or countries policies it raises the question of does TI matters? Particularly, if countries are not paying attention to TI's CPI then why do they exist? Whose interest is TI serving? Could one come to the conclusion that global civil society like TI does not matter in the end?

²⁴ Deborah Hardoon, Senior Research Coordinator, Transparency International, email message to author, January 18, 2011.

The history of democracies teaches us that probably the greatest threat often comes from within, from the inattention and neglect of its citizens. Thus, while TI might at best be a flawed method for measuring corruption, it serves the purpose of keeping the issue of corruption at the vanguard of politics. In the 80s and 90s civil society groups were lauded as key players in governance in society but in more recent times a number of political scientist are more critical of NGOs, their roles, agendas, funding patterns and the issues they concentrate on. The CPI is now the best-known measure of corruption in the world. Quite noticeably in every publication of TI's new ranking there is great fanfare and the spotlight is shown on corruption by academics, governments, NGOs, media, etc. Countries ranked poorly sometimes make attempts to institute new laws that would improve their corruption perceptions.

Perception and reality of an issue might very well be polar opposites. Quite often an individual's perception of an actual event or issue might vary significantly from the actual event. The social lenses of the actor viewing an issue or event might be affected by a number of things. Thus, to some degree, it begs the question, does TI's perception matches up to the reality of corruption in Jamaica. Furthermore, how much does perception affect and influence individuals, companies' and institutions' dealings? Therefore, in reality, the prevalence of various types of corruption is likely to vary by country. Corruption may take the form of bribes or favors related to many activities; a short list of these being taxes, licenses, regulations, import duties, foreign exchange, government contracts or procurement, payoffs for political favors or support, preferential access to bank credit, and high level embezzlement. In addition, corruption, depending on

the type, is likely to affect different sectors of the economy and or segments of the population differently.

Overview of Transparency International's Corruption Perceptions Index

The validity and reliability of the CPI is not the focus of the dissertation.

Although it is important given its variance and why countries pay attention to CPI, if they do, given this variance the methodology of the CPI varies over the years. In one year it might be seven, nine or thirteen surveys used. The change in the methodology of the index renders it not the most suited time-series dataset, but this is exactly how it is often used. Academics, scholars, students, the media, NGOs, politicians amongst others uses the CPI yearly to say whether a country's ranking on the index has improved or has gotten worse. Thus precedence and practice of using the CPI as a time series dataset will be employed in my research process.

Since 1995 the annual computation of now 187 countries is disseminated by the Berlin-based NGO. "The CPI is now the best-known 'measure' of 'corruption' in the world."²⁵ The CPI is essentially a poll of polls. The CPI's methodology has been discussed, as it pertains to its reliability and validity to measure corruption.²⁶ On this note it is probably prudent to state that the very nature of corruption itself is secretive and private. And this in and of itself makes it hard to have a true and actual measure of corruption, as this would require the participants to report on themselves. Corrupt behavior is conducted in private and more often than not, it is never reported. As De

²⁵ William De Maria, "Measurements and Markets: deconstructing the corruption perception index," *International journal of Public Sector Management*, Vol. 21 no. 7, (2008): 778.

²⁶ Ibid., 779.

Maria note, “there are a number of frameworks available to develop our thinking about corruption.”²⁷ Corruption itself is organized around different key concepts; institutional corruption,²⁸ human rights corruption,²⁹ democratic corruption,³⁰ and donor corruption³¹ to name a few.

TI’s CPI has been scrutinized for a number of reasons. There are some³² who will argue that the injury corruption can cause to businesses is now the dominant discourse in anti-corruption program planning. Thus this reflects the bias in the way questions are posed in the polls used by TI. To a large extent there is an over-weighted interest in business welfare in the polls reflected throughout the literature: it maintains social and political inequality,³³ retards business growth more than taxation,³⁴ leads to lower levels

²⁷ Ibid., 778.

²⁸ Joseph LaPolombara, “Structural & institutional aspects of corruption,” *Social Research*, Vol. 61, no. 2, (1994): 325.

²⁹ Selcuk Akcay, “Corruption and Human Development,” *Cato Journal*, Vol. 26 no. 1, (2006): 29.

³⁰ Cooper Drury, Jonathan Kriekhaus and Michael Lusztig, “Corruption, Democracy, and Economic Growth,” *International Political Science Review* Vol. 27, no. 2 (2006): 126.

³¹ Allan Doig, “Dirty hands and the donors. Dealing with corruption in a post-Mugabe Zimbabwe,” *Political Quarterly*, Vol. 77 no. 1, (2006): 71.

³² See the works of the following authors for the costs and consequences of corruption. Pranab Bardhan, “Corruption and Development: A Review of Issues,” *Journal of Economic Literature*, Vol. 35 (September), no. 3 (1997): 1320-46. Cheryl W Gray and Daniel Kaufmann, “Corruption and Development,” *Finance & Development*. Vol. 35 March, no. 1 (1998): 7-10. Sanjeev Gupta *et al.* “Does Corruption Affect Income Inequality and Poverty?”. IMF Working Paper (May 1998), Washington DC; Simon Johnson, Daniel Kaufmann, and Pablo Zoido-Lobaton, “Corruption, Public Finances and the Unofficial Economy.” Policy Research Working Paper no. 2169 (Aug., 1999), The World Bank.

³³ Peter Enderwick, “What’s bad about crony capitalism?” *Asian Business & Management*, Vol. 4 no. 2 (2005): 117-32.

³⁴ Raymond Fisman and Jskob Svensson, “Are corruption & taxation really harmful to growth? Firm level evidence,” *Journal of Development Economics*, Vol. 83 no. 1 (2007): 63-75.

of investment,³⁵ and increases borrowing costs for governments and businesses in emerging economies.³⁶ With these and other concerns in mind, TI's chairman and founder, former World Bank employee Peter Eigen was prompted to defend the prominence given in the CPI to the business focus, "the best available method of compiling comparative data [about "corruption"], therefore, is to build on the experience and perceptions of [business people] who are most directly confronted with the realities of corruption in a country."³⁷

Transparency International's CPI is a composite of various corruption indicators. There are surveys and opinions of business individuals and institutions around the world. Some of the sources such as "Business International and Wall Street Journal Central European Economic Review are used in only one year's CPI, while other sources such as the World Competitiveness Report and the Asian Intelligence Issues are included in all years from 1995 until 2003."³⁸ Up until 2002, TI included three years of data (if available) from surveys and only one year in the case of expert assessments. As Thompson and Shah note;

There were two major changes in the CPI starting with the 2002 edition, having to do with the selection of sources for the component indicators and the methodology used to compute the CPI. Regarding the choice of sources, TI decided to no longer include surveys of the general public, but rather include only expert assessments and surveys of business people. (Thompson and Shah 2005, 2)

³⁵Mauro, P. (1998), "Corruption and the commission of government expenditure," *Journal of Public Economics*, Vol. 69 No. 2, pp. 263-79. See also Shang-Jin Wei, "How taxing is corruption on international investment," *NBER*, Working Paper 6030 (1997) www.nber.org/papers/w6030 (accessed November 12, 2011).

³⁶Fancisco Ciocchini, Erik Durbin, and David T.C. Ng, "Does corruption increase emerging market bond spreads?" *Journal of Economics & Business* 55 (2003): 503-28.

³⁷ Andrea Bistrich 2004 "Countries rob countries of their potential," interview with Peter Eigen cited by de Maria, (2008): 786.

³⁸ Thompson and Shah, 3.

Since 2002, the new standardization procedure, referred to as “matching percentiles”³⁹ occurs in two steps. The inputs to standardizing a particular indicator according to Thompson and Shah are; I) rankings of countries covered by that source, and II) the previous year’s CPI scores for that same subset of countries.⁴⁰

The CPI ranks countries on a zero-to-ten scale; with a score of zero representing very high corruption. Since each source of data about the level of corruption uses a different scale, the scores need to be standardized before being averaged into the CPI.⁴¹ Once standardized, each source receives equal weight in the index. In other words, it is the simple mean of the standardized sources. Transparency International’s method of data collection has varied over the years. The number of sources used in the index tends to change from year to year as do the number of countries scored. Thus it is important to assess what is being measured; notwithstanding of the accuracy of the corruption ratings, it is unclear what the corruption ratings actually tell us, since corruption is such a broad concept. However if one were to take TI’s stance when it indicates, the objective of their Corruption Perceptions Index is “enhancing understanding of levels of corruption from one country to another”⁴² through data on perceptions of corruption. But the question that needs to be asked is whether this translates into actually influencing development policies? The difficulty arises because there are many ways that corruption can manifest itself and different types of corruption may cause different problems depending on the

³⁹ Ibid., 4.

⁴⁰ Ibid.

⁴¹ For example, one source rates countries on a 0-6 scale, while another rates on a 0-10 scale.

⁴² Lambsdorff, The Transparency International Corruption Perceptions Index 1999—Framework Document, p.1

circumstances. Since there are different forms that corruption may take the “degree of corruption might refer to the frequency of corrupt acts, the amount of bribes paid, or the gain (financial or otherwise) that contractors achieve through corruption.”⁴³

As TI postulate and even some skeptics have agreed,

It has become recognized that corruption is rarely an isolated phenomenon found only within a specific institution, sector or group of actors. Rather, it is usually of a systemic nature, and therefore fighting it also requires a holistic and systemic strategy. In turn, a successful anti-corruption strategy is premised on the involvement of multiple stakeholders, including government, civil society, and other governance actors, since it requires both, supply-side political will as well as demand-side civic pressure for greater transparency and accountability. (TI, *National Integrity System Assessment*, 2011)

It is here, that Transparency International’s NIS assessment tool, which according to TI “combines evidence-based advocacy with a participatory multi-stakeholder approach, presents a unique contribution to the field.”⁴⁴ As TI’s methodology is faced with more scrutiny, TI tries to allay its critics and articulates that,

The NIS assessment approach is targeted towards country-level civil society organisations, which work in the field of anti-corruption and good governance. It can be a relevant tool in a variety of contexts and for a wide range of purposes, such as: advocacy & policy reform, monitoring and comparing, planning, building coalitions, and guide to more research. (TI, *National Integrity System Assessment*, 2011)

The methodology of the CPI undoubtedly has its flaws. But the fact that scholars, academics, governments, the media, NGOs and other interest groups repeatedly refer to the TI as it relates to countries improvement or decreased status on the index is interesting and worth examining. The translation from acknowledging the CPI and the CPI influencing policymakers will be a key discussion within the findings. In that, theoretical and policy attention devoted to the CPI is grossly out of proportion with its

⁴³ Ibid.

⁴⁴ Ibid.

apparent impact on corruption. TI itself notes that the CPI is not comparable across countries or over time. This in and of itself is an inherent weakness in the CPI. This is a remarkable claim for a measure that is so widely cited and used in the field of development economics.

ORGANIZATION OF THE DISSERTATION

This dissertation will be comprised of seven chapters including an introductory chapter, a theoretical framework chapter, a methodology chapter, three chapters on analysis of Transparency International's impact on development policies and a concluding chapter. The introductory chapter has discussed the topic and gives an outline of how the dissertation will proceed. Chapter two will make the theoretical connection between global civil society and transnationalism and global governance. Chapter three will then discuss the methods, data, justification and hypotheses. Chapter four will evaluate the world's political responses to the CPI. In this chapter attention will be placed on institutions and organizations such as the World Bank, USAID, U.S. Department of State, EU, etc. Chapter five will evaluate world's economic responses to CPI; for instance bond markets, trade, exchange rates, etc. Chapter six will assess Jamaica's responses to the CPI—what steps are taken domestically to reduce corruption, does the government acknowledge TI's CPI, and are they making short-term changes to game the system? Chapter seven recommendations and conclusions based on the findings.

CHAPTER II

THEORETICAL FRAMEWORK

No country can ignore Transparency International You consult, but the government is in charge. The government makes the decision. That's what I wanted to make clear. Now, I know the NGO has a sexy appeal as civil society. You go in some of these countries; I don't know what civil society means. Before I got to this position, I knew what it was. Now, I don't know. Anybody who left office would create his NGO, and then, that's civil society. You know that.¹

GLOBAL CIVIL SOCIETY AND ITS ROLE IN DEVELOPMENT POLICIES

The purpose of this chapter is to situate, Transparency International in international relations theory. Recently, international relations theories have sought to understand phenomenon: global governance, transnationalism, pluralism, and collective social action with empirical research on civil society and nongovernmental organizations (NGOs). Traditionally, it is states that always play the crucial role in the study of international relations. Primarily, the study of international relations has been concerned with the struggles for power, wars, and the efforts of states to forge national interest that began with the Peace of Westphalia in 1648. Realism or structural realism has continued that tradition. Nonetheless, since the last decade of the 20th century a variety of non-state actors has become increasingly involved in the decisive issues of world politics. Samuel Huntington² postulates that with the third wave of democratization new challenges emerged for many of these newly and or growing democracies.

¹ Mr. Ali BadjoGamatie, Minister of Finance of Niger, quoted by, William Reuben, The World Bank, (2002) "Tell me: who are those guys? To whom are they accountable? Dilemmas for representation and accountability" (Presented to the Workshop on International Studies in Planning and to the Transnational Contention Group, Cornell University, February 22, 2002): 1.

² Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, (Norman: University of Oklahoma Press, 1991).

Corruption has been widespread in these countries and it affects their development process in more ways than one. Coupled with the declining role of the states and the increased emphasis on private sector initiatives, the emergence of civil society has led to different players in the development agenda. This shift from a narrow state focus to include private sectors and civil society has brought about a new set of issues, but also challenges and opportunities for a host of NGOs. The emergence of organized civil society and of NGOs as organizational manifestations of broader social movements has dramatically altered the global political economy landscape.

There is a growing incompatibility between the empirical evidence of global political actors and relationships in one sphere and state-centric model of international relations, on the other. The presence of large numbers of non-state actors in international politics is now an empirical fact. Like the concept of civil society, the related concepts of democracy and democratization have received new attention since the 1980s from political theorists and comparativists as well as from international relations scholars. A possible area of impact of global civil society is on the nation-state. It must be borne in mind that the real and potential influence of other global actors. As Friedman *et al.* argues, “Scholars from varying theoretical perspectives have called for revisiting theories of sovereign state control.”³ Sovereignty is no longer a monolithic concept, or that states are the only actors to be considered in international politics.

This chapter proceeds as follows: giving a general introduction of civil society, and discussing TI and other civil society group’s roles in theory and practice in the field of international relations .

³ Elisabeth Jay Friedman, et al. *Sovereignty, Democracy, and Global Civil Society: State-Society Relations at UN World Conferences*, (Albany: State University of New York Press, 2005), 21.

Defining Global Civil Society

Transparency International defines itself as “the global civil society organization leading the fight against corruption, brings people together in a powerful worldwide coalition to end the devastating impact of corruption on men, women and children around the world. TI’s mission is to create change towards a world free of corruption.”⁴ Perhaps, because it has become so fashionable, the idea of civil society is increasingly ambiguous today. Thus when articulated by social actors, the notion of rejuvenating or preserving civil society certainly tends to increase mobilization. There is an important empirical challenge in defining what constitutes civil society.⁵ For one set of authors, on the surface, any grouping that assumes representation of collective interests can essentially be claimed as part of civil society, or civil society may be defined as the totality of civic engagements citizens commit to join in the polity.⁶ On the other hand, for Michael Edwards, the concept of civil society is conflated with that of social capital.⁷ It was Edwards himself who lamented the fact that the explosion of internationally registered civil society groups or NGOs post-Cold War has caused some scholars to lump all prominent civil society groups into one big tent, when in fact their organizational missions are so diverse and not all are dedicated to promoting better institutional performance.

⁴ Transparency International, “What is Transparency International?” http://www.transparency.org/about_us (accessed January 1, 2012).

⁵ Zhang Ye, “China’s Emerging Civil Society,” (Washington DC: Brookings Institution, 2003): 21, define civil society as “an area of association and action independent of the state and the market in which citizens can organize to pursue purposes that are important to them, individually and collectively.”

⁶ See the works of Helmut Anheier, *Civil Society: Measurement, Evaluation, Policy*, (Sterling, VA: Earthscan, 2004); Jean Cohen and Andrew Arato, *Civil Society and Political Theory*, (Cambridge, MA: MIT Press, 1992); Michael Walzer, “The Idea of Civil Society,” *Dissent* 38, no.2, (1991): 298-304.

⁷ Michael Edwards, *Civil Society* (Cambridge, UK Malden, MA: Polity Press ; Distributed in the USA by Blackwell, 2004).

Civil society has drifted its way through the academic world on a torturous path. For Alison Van Rooy, “ideas have been attached and detached, origins have been ascribed and divorced, social meanings have been generated and debunked.”⁸ The term civil society has a long history in political philosophy, and its definition had been altered with Roman, Lockean, Hegelian, Marxist and Gramscian interpretations long before it was resurrected in the 1990s as commonly understood, civil society institutions include non-governmental organizations, for example, Transparency International. Since Aristotle, political thinkers have debated, disputed and failed to reach consensus regarding the nature and meaning of civil society. “For de Tocqueville (1835, 1840), civil society limits the state; for Hegel (1821), civil society is a necessary stage in the formation of the state; for Marx, civil society is the source of the power of the state; and for Gramsci (1929-1935),”⁹ civil society is the space where the state constructs its hegemony in alliance with the dominant classes.

Civil society, according to the Cato Institute in Washington DC, means “fundamentally reducing the role of politics in society by expanding free markets and individual liberty.”¹⁰ The Advocacy Institute refers to civil society as “the best way forward for politics in the post-Cold War world.”¹¹ Edwards referring to Anthony Giddens’¹² and Benjamin Barber’s claim that civil society, by gently correcting

⁸ Alison Van Rooy, *Civil Society and the Aid Industry*. (London: Earthscan, 2000), 7.

⁹Ibid., 8.

¹⁰ Cato Institute cited by Michael Edwards *Civil Society*, (Malden, MA: Blackwell Publishing Inc., 2004), 2.

¹¹ Advocacy Institute cited by Michael Edwards *Civil Society*, (Malden, MA: Blackwell Publishing Inc., 2004), 2.

¹² Anthony Giddens. *The Global Third Way Debate*. (Cambridge: Polity, 2001).

generations of state and market failure, could be the missing link in the success of social democracy.¹³

Robert Putnam (1993) demonstrated the link between civic associationalism and institutional performance. Mark Warren (2001) has provided important theoretical elaboration on how civil society encourages associational life that may provide the pillars for good governance. For Warren, associations may contribute to institutional conditions and venues that support, express, and actualize individual and political autonomy as well as transform autonomous judgments into collective decisions.¹⁴

Civil society is most often defined as if it were a collective noun, the sum of all the organizations that to some extent we feel are responsible for bringing civility closer to home. In practice, civil society has been made synonymous with the voluntary sector, and particularly with advocacy groups, non-governmental organizations (NGOs), social movement agents, human rights organizations and others actors explicitly involved in 'change work'.¹⁵ To some extent it is probably correct to assert that it cannot be denied that civil society plays an essential role in society and NGOs themselves play an increasingly important role in international relations. In comprehending the roles of NGOs, the question must be answered: what are NGOs' definitions and what are their functions? If the concept of civil society can be used by groups of every ideological divide with equal dexterity and presumably, in some cases, much profit, civil society must assuredly prove advantageous for all. And this leads one to ask why?

¹³ Anthony Giddens and Benjamin Barber cited by Michael Edwards *Civil Society*, (Malden, MA: Blackwell Publishing Inc., 2004), 2.

¹⁴ Mark Warren, *Democracy and Association*. (Princeton, NJ: Princeton University Press, 2001), 61.

¹⁵ Alison Van Rooy, 15.

Globalization, Civil Society and the State

Due to the normatively marked heritage of the concept civil society, it is somewhat difficult to find systemic social theorists who focus primarily on the issue of civil society. The development of the components of civil society in modernity a new form of individuality, subjectivity, rights, plurality, publicity, legality and sociality now appears as nothing but an effect of power relations. Graeme Chesters posits the view that almost uniformly that Global Civil Society (GCS) has been perceived as progressive and democratizing, its composition varies according to one's ideological position.¹⁶ Kaldor's framework provides the 'activist definition of GCS, in that it takes on a utopian quality and is manifest in the interstices between markets and states.¹⁷ Kaldor and Keane further elaborated that in the neoliberal version it is an essential adjunct to the globalizing forces of free trade and privatization. In the normative ideal-type, Kaldor and Keane favor, it is a "dynamic nongovernmental system of interconnected socioeconomic institutions"¹⁸ that is capable of pluralizing power and problematizing violence.

The idea of the nation-state as the principal organizing unit of political and economic life is called in to question by the growth of extra-national social organizations, transnational corporations and the liberalization of capital and investment flows. Chester in referring to others (Castells 1996; Appadurai 1990; and Urry 2000) made the argument that has led some to the conclusion that "global networks" "scapes" and flows" should be the primary focus of investigation in the social sciences as these are the 'true

¹⁶Graeme Chesters, "Global Complexity and Global Civil Society," *International Journal of Voluntary and Nonprofit Organizations* 15, no. 4 (December 2004): 323

¹⁷Mary Kaldor, *Global Civil Society: An Answer to War?* (London: Polity Press, 2003).

¹⁸John Keane, *Global Civil Society?* (Cambridge: Cambridge University Press, 2003), 8.

architectures of the new global economy' an economy that has catalyzed a marked acceleration in the disparity between rich and poor along a number of axes.¹⁹ Some of which as identified by Castells are "hemispherically from south to north, regionally between "peripheral" and "core" countries, and nationally across class and ethnic boundaries."²⁰ Nonetheless, the dense ties that once connected civil society to the state are being detached and redirected across national boundaries to form a thickening global public sphere. Yet these connections and flows are not autonomous, are not arbitrary patterns crossing in the sky, but are shaped by the strong magnetic field of nation states.²¹

When the collective action of a group of individuals is sustained over time in an identifiable way and reflects an important emerging social change, it is termed a social movement. TI has strongly emphasized the need and role of civil society in increasing transparency and accountability and in fostering good government and governance. Thus with this premise the philosophy is held that the best approach to addressing corruption is a coalition of three pillars: government, the private sector and civil society. This inclusion or stress to acknowledge non-state actors draws to the neoliberal school, which acknowledges that non-state actors play a role in international relations.

Often, citizens' growing loss of trust in institutions they rely on to protect interests of social import has fanned a need for new mechanisms to foster social capital

¹⁹Chesters, 327.

²⁰Manuel Castells, *The Rise of the Network Society*, Information Age (Cambridge, Mass.: Blackwell Publishers, 1996), 66.

²¹Michael Burawoy, *Global Ethnography: Forces, Connections and Imaginations in a Postmodern World* (Berkeley, CA: University of California Press, 2000).

formation that Putnam would describe as ‘outward looking’ and ‘bridging.’²² Due to this lack of trust in national governments to be transparent and or accountable in their actions citizens are often inclined to believe the perceptions rating of corruption from an organization outside the country. Primarily because the organization would not have direct personal gains from ranking one country as more corrupt compared to another. Therefore, it can probably be characterized that when the interests embodied in a social movement evolve structurally to form a freestanding presence within the broader institutional environment, the resulting entity is termed an NGO, which to a large extent embodies TI. Not surprisingly, Peter Eigen in ‘The Role of Civil Society,’ articulated, “We at Transparency International believe that the involvement of civil society is vital in the fight against corruption. A non-governmental organization ourselves, we regard the mobilization of civil society as crucial to achieving success.”²³

The richness of the concept of civil society and the fact that it now has, yet again, acquired new content will lead to more discussion in academia. The concept of civil society has been objected to most strongly and is deemed to be the biggest source of ambiguity. Undoubtedly the most obvious problem related to the question is which actors and organizations are considered to be a part of global civil society. Rupert Taylor²⁴

²²Robert D. Putnam, *Democracies in Flux : The Evolution of Social Capital in Contemporary Society* (Oxford ; New York: Oxford University Press, 2002), 11.

²³ Peter Eigen, “The Role of Civil Society”, in *Corruption and Integrity Improvement Initiatives in Developing Countries*, (1998).

²⁴ Rupert Taylor, “Interpreting global civil society,” *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 13, no. 4, (2002): 339-347. For Taylor, the term global civil society is now fairly commonplace within academia, in mass media, and amongst a broader public. A second and possibly more serious kind of objection to the concept is that global civil society, rather than just creating confusion by being vague, may systematically be leading research in an undesirable direction. The accusation is that global civil society posits an implicit analogy between global and domestic spheres, importing into globalization studies precisely the statist assumptions that global civil society is supposed to be reconfiguring or transcending.

finds that “when employed, the term has generally served as a kind of catchall term for nongovernmental organizations (NGOs) or social movements, of all shapes and sizes, operating in the international realm.”²⁵

The literature on civil society often applies the concept asymmetrically. Many scholars treat the notion of spontaneous harmony as a description of life in advanced industrial democracies, but an unrealized ideal for other places and often encourages less industrialized countries to develop more civil society, which in practice usually means more NGOs. Many scholars use “civil society” to denote a realm of peaceful social organization independent from and often antagonistic to the state. Joel Migdal’s²⁶ (1988) influential study of weak states assumes that strong states control society by dominating alternative sources of social power, whereas weak states confront strong social groups that defy their authority. Although some really weak states may not have social groups – because of conflict, or subjugation by the state – for example, Somalia, North Korea. Migdal, it can be said, never considered the possibility of strong states being matched with strong societies. His foursquare matrix, diagramming the possible combinations of strong and weak societies and states, leaves the strong state/strong society quadrant blank.²⁷ Not surprisingly, this drew a lot of criticisms; others have argued that the strongest, best-organized and most representative societies appear in strong or high capacity states. Thus Putnam’s work seems to reverse Migdal’s formulation. ‘Social capital,’ he writes, “as embodied in horizontal networks of civic engagement, bolsters the

²⁵ Ibid., 339.

²⁶ Joel S. Migdal, *Strong Societies and Weak States : State-Society Relations and State Capabilities in the Third World* (Princeton, N.J.: Princeton University Press, 1988), 35.

²⁷ Ibid.

performance of the polity and the economy, rather than the reverse: strong society, strong economy; strong society, strong state.”²⁸

Functions of Civil Society—TI

Using P. J. Simmons', "Learning to Live with NGOs" it would seem as if NGOs affect national governments, multilateral institutions, and national multinational corporations in four ways: setting agendas, negotiating outcomes, conferring legitimacy, and implementing solutions.²⁹ Civil society like TI achieve these four ways by means of keeping the issue of corruption at the fore, governments, international institutions and the media et al all cite and refer to TI's CPI and countries improvement. The issue of governance is also related to negotiating outcomes. When countries borrow from international Financial Institutions (IFIs) there is greater focus placed on improving governance and reducing waste, cost overrun and excessive spending. TI confers its legitimacy by governments around the world paying attention to their ranking on the CPI, addressing their improvement or decline. Some of TI's recommendations to address corruption are being implemented and its results are reflected in the reduced perceptions of corruption.

Simmons taxonomic approach to NGOs provides some insights into understanding NGOs, their goals, membership, and where they get their funding. As it pertains to corruption TI has set itself up as the leading civil society group on corruption. It has kept the discussion on corruption on the forefront, but the influence of TI on

²⁸Robert D. Putnam, Robert Leonardi, and Raffaella Nanetti, *Making Democracy Work : Civic Traditions in Modern Italy* (Princeton, N.J.: Princeton University Press, 1993). 176.

²⁹ P.J. Simmons, "Learning to Live with NGOs," *Foreign Policy* 112 (Fall 1998): 84.

forcing leaders and policymakers to pay attention is yet to be ascertained. The functions of civil society should also be assessed in terms of the framework for measuring civil society. Dimensions such as its structure, environment, values and impact are of particular importance.

GLOBAL GOVERNANCE

The concept of 'governance' first surfaced in international relations in 1989. This was when the World Bank described the situation in Africa as a 'crisis of governance.' From then on, the term governance has been primarily, if not exclusively, related to the politics of development, and mainly to development in the post-colonial world.³⁰ James Rosenau defined global governance in general terms as "an order that lacks a centralized authority with the capacity to enforce decisions on a global scale."³¹ Lawrence Finkelstein suggests that governance should be regarded as an activity, and not as a system of rules, for which the regime theory already existed and quite sufficiently. Essentially, his position is that global governance is "doing internationally what governments do at home."³² In the case of TI, its focus on transparency and accountability is what governments themselves should be doing.

There is somewhat of a difference as one examines the arguments of global governance and global civil society. Global governance is not an embryonic form of a

³⁰ For an overview of global governance, see James N. Rosenau and Ernst O. Czempiel eds., *Governance without Government: Order and Change in World Politics* (Cambridge: Cambridge University Press, 1992) and Martin Hewson and Timothy J. Sinclair eds., *Approaches to Global Governance Theory* (New York: State University of New York Press, 1999).

³¹ James Rosenau (1992b), "Governance, order and change in world politics," in James Rosenau and Ernst-Otto Czempiel, *Governance without Government: Order and Change in World Politics*, (Cambridge: Cambridge University Press, 1992), 1-29.

³² Lawrence Finkelstein, "What is Global Governance," *Global Governance*, Vol. 1, No. 3 (Sep-Dec, 1995): 369.

world government modeled after the modern nation-state. It appears that global relations are regulated without a single center of authority. To which Jan Aart Scholte notes, “as a consequence, the governance of supraterritorial spaces is characterized by democratic deficit, since ‘global governance is not democratically legitimate.’”³³ On this point it is relevant to point out that “civil society, therefore, serves a different function than in previous epoch and has to find new ways for establishing itself within this new global, postnational constellation.”³⁴ During the 1990s, both the engagement and the representation of civil society organizations and networks shifted from monitoring to active participation in governance.³⁵

The contemporary scholarship has shown that there is a strong committed notion to the idea that organizations of civil society play a strong positive role in facilitating democracy. Some lineage lies in the work of Gabriel Almond and Sidney Verba (1963) linking civic culture with the growth of liberal democracies, but the tendency is particularly noticeable since Robert Putnam’s *Making Democracy Work* (1993). Civil society promotes democratic sustainability and enhances state institutional performance.

The scholarship has shown confounding results regarding civil society’s impact in improving the quality of democracy and governance. As Tusalem notes, “Bermeo and Nord’s (2000) work advances the argument that in 19th century Europe, civil society’s

³³ Jan Aart Scholte, “Civil Society and Democracy in Global Governance,” *Global Governance*, Vol. 8, no. 3 (July-September 2002): 292.

³⁴ Jody Jensen and Ferenc Miszlivetz, “Global Civil Society: From Dissident Discourse to World Bank Parlance,” in Peter Wagner ed. *The Languages of Civil Society* (New York: Berghahn Books, 2006), 194.

³⁵ John Foster, “Knowing ourselves: A Brief History of Emerging Civil Society,” Washington, DC: 4th CIVICUS World Assembly, (2001). See also Michael Edwards, ‘Herding Cats? Civil Society and Global Governance,’ *New Economy* 9, no. 2, (2002): 71-76.

excesses did not necessarily promote the longevity of democracy, because its many configurations did not play a convincing role in promoting a democratic political culture.”³⁶ Sydney Tarrow also puts forward the argument that civil society *per se* does not promote better governance. But rather, states that have a high level of organizational capacity (those that have institutionalized the rule of law and achieved high levels of legitimacy) are more likely to foster polities that can have strong civil societies.³⁷ In the end, strong state institutions matter more than civil society in promoting good governance, not negating the role civil societies play. Others, such as Gill 2000, also claim that the relationship between civil society and institutional performance is mutually reinforcing.

Ariel Armony offers one of the first extensive empirical studies in this area. By focusing on contemporary Argentina, he discovers that “although the presence of human rights and civil rights groups brought awareness to human rights abuses, these groups had a very minimal influence in implementing judicial and police reforms.”³⁸ In fact human rights groups were restrained in promoting higher levels of political participation. To some degree it can be said that Armony’s study reminds us that scholars are still debating the effect of civil society on democratization and solid empirical research is still lacking in this area. Jonathan Fox skeptically noted: “civil society’s contribution to accountable governance has been widely asserted, but the causal mechanisms that determine the

³⁶ Rollin F. Tusalem, “A Boon or a Bane? The Role of Civil Society in Third- and Fourth-Wave Democracies,” *International Political Science Review* Vol. 28, no. 3 (June, 2007): 362.

³⁷ Sydney Tarrow, “Making Social Science Work Across Apace and Time: A Critical Reflection on Robert Putnam’s Making Democracy Work,” *American Political Science Review* 90, (1996): 389-97.

³⁸ Ariel Armony, *The Dubious Link: Civic Engagement and Democratization*. (Stanford, Calif.: Stanford University Press, 2004).

patterns of civil society's influence on horizontal accountability have not been well specified."³⁹

One of the key features of global governance is coordination and not control. TI's aims to coordinate the ranking of the perceptions of corruption for different countries might be good for TI as they have carved a niche for themselves as the leading figure on corruption ranking. The question of governance is crucial as the literature on governance debate seemingly highlights the correlation between countries that have lower indexes for governance tend to have higher corruption rates.

TRANSNATIONALISM

The central concern of classical liberalism has always been the interface between civil society and government. Classical liberals have drawn inspiration from various philosophical and religious traditions: Aristotle, Kant, utilitarianism, Christianity, and natural law are amongst the most obvious. John Locke, David Hume, Adam Smith are probably the most classic of the classic liberals. The heart of classical liberalism is a simple policy. So long as the state provides a basic rule of law that steers people away from destructive or parasitic ways of life and in the direction of productive ways of life, society runs itself.

Global civil society is a product of global liberalism. But Lipschutz question "if there is a global civil society, where is the global state to which it corresponds"⁴⁰ is pointed. Martin Shaw hypothesizes the emergence of a global state encompassing the

³⁹ Jonathan Fox, "Civil Society and Political Accountability: Propositions for Discussion," Working Paper. (Notre Dame, IN: Helen Kellogg Institute for International Studies, University of Notre Dame, 2000): 1.

⁴⁰ Ronnie D. Lipschutz, "Global civil society and global governmentality," in Marlies Glasius *et al* eds. *Exploring Civil Society: Political and Cultural Contents*. (New York: Routledge, 2004), 199.

industrial heartland of the West, which may offer the political framework for global civil society.⁴¹ Governmentality, as Michael Foucault put it, is about management, it is:

The ensemble formed by institutions, procedures, analyses and reflections, the calculations and tactics that allow the exercise of this very specific albeit complex form of power, which has as its target populations, as its principal form of knowledge, political economy, and as its essential technical means apparatuses of security. (Foucault 1991a, 102)

From a neoliberal point of view, increased actions by non-state actors in international relations indicate a shift in not only cooperation, but also states functioning. This would hold if it were shown that NGOs like TI actually influence policies. Thus, it goes without saying that if civil society is supposed to be the vanguard of keeping government honest then assessing the impact of corruption on regime legitimacy is important. TI's position is structured along the line that corruption has a negative impact on regime legitimacy and thus it is in the interest of states to reduce their corruption.

A broader conceptual framework that appreciates the significance of the divisions within the civil society activist community could be labeled "complex transnationalism."⁴² For which Ayres define as, "This would take seriously those civil society actors adopting much less theoretically specified and, therefore less understood political-organizational forms and undertaking less predictable collective action against multilateral economic institutions."⁴³ The general trend toward global governance reflects the increase in the number of contentious issues challenging states and non-state

⁴¹ Martin Shaw. *Theory of the Global State : Globality as an Unfinished Revolution*. (New York: Cambridge University Press, 2000).

⁴² As Jeffery Ayres extrapolates, this approach would embrace the political significance and conceptual challenge of more than just those NGOs mobilizing to engage multilateral institutions and to pursue reforms to the regulatory framework for global trade. Jeffery M. Ayres, "Global Governance and Civil Society Collective Action: The Challenge of Complex Transnationalism," *International Journal of Political Economy* 33, no. 4 (Winter 2003/2004): 84-100.

⁴³ *Ibid.*, 89.

actors as well as the growing complexity of their interactions on a number of global, regional and national scales. For which Ayres contends, “NGOs and other more contentious social actors have increasingly organized on a transnational scale and exploited new communications technologies such as the Internet.”⁴⁴ This mobilization has, in turn, put pressure on the other “club model” or “old stakeholders” model of global trade governance that privileged the position of states and, moreover, the interests of the richest Northern states in the outcomes of multilateral trade negotiations.⁴⁵

There are numerous arguments that the effects of civil society are positive, in line with the liberal school of thought, some of civil society’s positive effects are it promotes development, labor solidarity, democratic accountability, and post-materialist causes in the developing world.⁴⁶ Schmitter’s argument is that sometimes NGOs are able to compel properly authorized state authorities to prosecute, penalize, sanction, or punish errant public officials.⁴⁷ In the event that this occurs liberals could claim pressure from civil society keep issues in the fore and thus forces government to act. It might be to appease the public or simply doing its job. NGOs such as TI, have acted as an institutional alternative that can monitor the transparency and efficacy of legislation and can expose to the public the intensity or forms of client-patron relations, nepotism in governance at the

⁴⁴Ibid 90.

⁴⁵See Jeffery M. Ayres, “Global Governance and Civil Society Collective Action: The Challenge of Complex Transnationalism,” *International Journal of Political Economy* 33, no. 4 (Winter 2003/2004): 84-100, for his reference and discussion on Keohane and Nye 2001.

⁴⁶ See Anheir, 2004; Ann-Marie Clark, “Non-Governmental Organizations and their Influence on Society,” *Journal of International Affairs* 48, no. 2, (1995): 507-25. Dorte Hilhorst, *The Real World of NGOs: Discourses, Diversity and Development* (London: Zed, 2003); Sudipta Kaviraj and Sunil Khilnani, *Civil Society: History and Possibilities* (London: Cambridge University Press, 2001).

⁴⁷See Philippe Schmitter, “Some Propositions about Civil Society and the Consolidation of Democracy,” Working Paper, (1993) http://www.ihs.ac.at/publications/pol/pw_10.pdf (accessed November 15, 2011).

local or national levels. This accords a high level of involvement of NGOs in perhaps influencing and shaping the policies of countries. Andreson and Tverdova were correct when they argued, “the principles underlying democratic political systems presume that governments are accountable to their citizens, that they administer laws equitably and fairly, that their actions are transparent, and that all citizens have access to the political process.”⁴⁸

Civil Society, Trust and Regime Legitimacy

Transparency International rates countries based on perceptions and not actual acts of corruption. Corruption itself is a private act therefore truly measuring actual corruption is exceedingly difficult. But, while perception is not everything, perception is said to matter a lot. As it concerns trade; if the people doing business with a country perceive it to be corrupt then this will affect the way in which transactions occur. Similarly, if citizens’ assessing particular institutions can arrive at a reasonable conclusion that the said institutions do what they are supposed to do in a fair and efficient manner, then one would have reason to believe that people will refrain from acting in a treacherous manner, and probably rightly so. Therefore one could arrive at the conclusion or at least hold the view that most people can be trusted. “Political corruption is considered one of the most destructive yet unresolved problems common to most societies.”⁴⁹ Transparency International seeks to highlight such negative effects of

⁴⁸ Christopher Anderson and Yulia V. Tverdova, “Corruption, Political Allegiances, and Attitudes toward Government in Contemporary Democracies,” *American Journal of Political Science*, Vol. 47, no. 1, (Jan., 2003): 99.

⁴⁹ For discussion see Eric C.C. Chang and Yun-han Chu, “Corruption and Trust: Exceptionalism in Asian Democracies?” *The Journal of Politics*, Vol. 68, no. 2 (May 2006): 259.

corruption on the internal structure of a country but also its perception outside. The old Chinese maxim, 'The fish rots from the head down' is perhaps vital, because if the head is perceived to be corrupt then without much change in the system, there will not be an incentive to change. Corrupt leaders breed distrust throughout society. Therefore, an honest government, according to Eric Uslaner, is "one that enforces the law equitably and limits opportunity for private gain, can ultimately lead people to have greater faith in each other."⁵⁰ Rothstein,⁵¹ on the other hand, finds a stronger correlation between trust in citizens and confidence in the legal system,

Political and legal institutions that are perceived as fair, just and (reasonably) efficient, increase the likelihood that citizens will overcome social dilemmas.... In a civilized society, institutions of law and order have one particularly important task: to detect and punish people who are "traitors," that is, those who break contracts, steal, murder, and do other such non-cooperative things and therefore should not be trusted. (Rothstein 2000, 482)

It is commonly held that the legitimacy of governments is derived from the people. As Peter Eigen notes, "If government is accountable to democratic control, if it is bound by the rule of law and if it respects universally accepted standards of human rights, government can rightly claim to act on behalf of the people."⁵² Thus this legitimacy gives government the strength to undertake reforms to suppress corruption that may reach far into people's lives. At the core of it, it is this legitimacy which makes government a strong and reliable partner and which enables it to set a framework better equipped to deal with corruption.

⁵⁰ Summarized from Eric M. Uslaner, "Trust and Corruption," p.6 in *Corruption and the New Institutional Economics* eds., Johann Graf Lambsdorf et al. (London: Routledge, 2004).

⁵¹ Bo Rothstein, "Trust, Social Dilemmas, and Collective Memories: On the Rise and Decline of the Swedish Model. *Journal of Theoretical Politics*, 12, (2000): 477-499.

⁵² Peter Eigen, "The Role of Civil Society", in *Corruption and Integrity Improvement Initiatives in Developing Countries* (1998): 84 <http://mirror.undp.org/magnet/Docs/efa/corruption/Chapter05.pdf> (accessed January 10, 2012).

The legitimacy of civil society also rests with the people although it is structured differently. While many non-governmental organizations can claim a mandate to speak on global concerns and represent those interests unrepresented in the traditional political process, they are not accountable to direct democratic control. Often, these organizations are not even democratically structured internally. Hence, what legitimizes civil society groups is a concern about issues that are not being dealt with.

The most remarkable theorization of social capital lies with trust. Social networks are said to “elicit reciprocal norms and trust in other people, and such trust is considered another core element of political revitalization and effective governance, resulting in democratic stability.”⁵³ Although associational involvement invigorates trust in the general population of society, the generalized social trust is not automatically transformed to become trust in political institutions. This trust is also what TI’s perceptions index seeks to capture, in that, trust affects perceptions, if people do not have that trust in a system, does this explain the social upheavals seen in many sections of the developing world? For Ji-Young Kim, “political revitalization is not an outgrowth of social trust, and it seems more feasible to consider that there are factors intervening between social capital and political outcomes rather than to anticipate social trust as a direct cause of political results.”⁵⁴ Countries with high levels of corruption also show a correlation with having high rates of theft and tax evasion. Thus, Mauro and Rothstein’s

⁵³ Robert Putnam cited by Ji-Young Kim, “Bowling Together” isn’t a Cure-All: The Relationship between Social Capital and Political Trust in South Korea,” *International Political Science Review*, Vol. 26, no. 2 (2005): 194.

⁵⁴ Ji-Young Kim, “Bowling Together” isn’t a Cure-All: The Relationship between Social Capital and Political Trust in South Korea,” *International Political Science Review* (2005), Vol. 26, No. 2, 193-213, p. 195.

argument that, “trust is marginally significant for tax evasion, while tax evasion very strongly tracks the level of corruption in society,”⁵⁵ holds firm.

Global civil society, like TI, has sought to highlight that this breakdown in trust, which citizens have for their government. In that, people see corrupt regimes and believe that it is acceptable to steal and especially to withhold their taxes. Otherwise their hard-earned money would go directly into the pockets of the politicians. This ultimately affects the institutions in society and the legitimacy of a regime. And it adds further to the perceptions of corruption. Assessing more closely, as it relates to trust and corruption, corruption seems to matter for adherence to the law. According to Uslaner, “most of the time, it is trust that matters most. Trusting governments, more than honest governments, spend a greater share of their gross domestic product on government, spend more for education and on the public sector more generally, and have better functioning judiciaries and greater political stability.”⁵⁶ Civil society groups probably hold the crucial role of keeping the issues of corruption, need for transparency and accountability in the media, etc. Such efforts/pressure will actively encourage governments to comply or at least keep the debate on corruption at the forefront.

Consequently, corruption, rather than mistrust, seems to lead people to break or evade the law. Corrupt bureaucracies get mired in red tape. Yet, judicial efficiency seems more rooted in trust than in corruption. In order for a society to reduce corruption, an increase in trust is essential to the equation. Nonetheless, one is cognizant that in most countries trust changes slowly. More often than not, it is dependent upon an egalitarian

⁵⁵Eric M. Uslaner, “Trust and Corruption” (Department of Government and Politics, University of Maryland-College Park, 2004), 20. See also

⁵⁶Uslaner, 21.

distribution of wealth in a society, and economic inequality is almost as stubbornly stable as trust. Trust is earned over time and not until developing countries aim to strike a balance with increasing trust and decreasing corruption, citizens' perception of institutional trust will continue to wane. Furthermore, to increase trust, governments simply cannot increase trust by removing one set of dishonest bureaucratic officials and replacing them with a new set of elites. But instead trust is best demonstrated when governments, private society and civil society all have confidence in the system.

Impact of civil society in changing undemocratic processes

Amidst the praises of NGOs, of late, there are strong criticisms directed towards them. Amongst the most serious are those focusing on NGO performance and effectiveness that claim NGOs have had a poor track record and have done more harm than good. Thus a rising backlash is being seen by some academics, scholars and, in the case of Transparency International, many developing countries' governments are questioning their role and agenda of TI. Taking into consideration the extensively high expectations and enormous amount of resources and political access given to NGOs in the 1980s and 1990s it comes as no surprise that numerous critics of NGOs have surfaced. Thus some of the core criticisms that have been leveled against NGOs as Kim Reimann,⁵⁷ postulate;

...can be divided into five main categories: 1) issues concerning accountability, representation and transparency; 2) NGO performance and effectiveness in obtaining their goals; 3) ideological and politically motivated critiques of the rising influence of Western NGOs; 4) question of dependence on emergence of a

⁵⁷Kim Reimann, "Up to No Good? Recent Critics and Critiques of NGOs," *Political Science Faculty Publications*. Paper 5. (2005): 39. http://digitalarchive.gsu.edu/political_science_facpub/5 (accessed November 11, 2011).

highly competitive charity and activist ‘market’, and 5) NGOs commercialization and the emergence of a highly competitive charity and activist. (Reimann 2005, 39)

In the past two decades, the quantity and influence of NGOs have grown considerably; of late scholars and observers have raised some concerns on the effectiveness and role of civil society groups. While there were many cases of both NGO success and failure, the main body of evidence according to Reimann “indicated that NGOs were not performing as effectively as the development paradigm had promised in terms of poverty reach, cost effectiveness, sustainability, popular participation and flexibility and innovation.”⁵⁸ Consequently, strongly interrelated to the question of NGO performance and effectiveness is the question of accountability. Hence the notion of watching the watchdogs and the issue of accountability, representation and transparency is the key.

Although supporters of NGOs and NGOs themselves have an idealized image of NGOs as representatives of the people and civil society, critics have emerged who question the ability and the right of NGOs to make such grand claims. To some extent there appears to be a more sinister task of NGOs. And thus the issue arises of whether NGOs are losing the “n” in the nongovernmental organization abbreviation, or the “n” in their status as non-profit organizations. Donini, amongst others, has noted how an oligopoly of eight families or confederations of INGOs control up to half of the total funds available for development and relief activities in the 1990s, with many of them having budgets of \$500 million or more.⁵⁹ Some researchers have questioned the naïve, purely positive view of civil society that dominated scholarship in the early 1980s and

⁵⁸ Ibid.

⁵⁹ Antonio Donini, “The bureaucracy and the free spirits: stagnation and innovation in the relationship between the UN and NGOs”, *Third World Quarterly*, Vol 16, no. 3 (1995)., see also, Ian Smillie, *The Alms Bazaar: Altruism under fire—None-Profit Organizations and international Development*

90s. Berman's (1997), research has shown that civil society can endanger democracy under conditions of social upheaval and a weak state.⁶⁰

THE POLITICS OF GLOBAL CIVIL SOCIETY

Since the early 1990s, the concept of 'global civil society' has been the focus of a good deal of research and criticism and with good reason. Lipschutz, referring to Michel Foucault (1991), situated global civil society in what he states is best understood as 'global governmentality'. Central to Lipschutz's argument is that "much of GCS [Global Civil Society] is deeply imbricated with the market—perhaps intentionally, perhaps not—and is political only in a rather impoverished sense."⁶¹ Lipschutz 1992 argues that "the growth of global civil society represents an ongoing project of civil society to reconstruct, re-imagine or re-map world politics."⁶² For which Ronaldo Munck has articulated that "the concept of GCS has acquired such prominence in both academic and policy circles in so short a period of time would indicate that it has some theoretical or political purchase in our changing times."⁶³ Furthermore, "the danger remains that although a new concept may capture some novel social or political transformation under way, its momentum may lead us to minimize problems and inconsistencies in its formulation."⁶⁴ Hence Munck might be on to a good point when he argues that "a key problem to focus

⁶⁰ Sheri Berman, "Civil Society and the Collapse of the Weimar Republic," *World Politics* 49 (April 1997): 401–29.

⁶¹ Ronnie D. Lipschutz, "Global civil society and global governmentality," in Marlies Glasius et al eds. *Exploring Civil Society: Political and Cultural Contents*. (New York: Routledge, 2004), 199.

⁶² Ronnie Lipschutz, Reconstructing world politics: The emergence of civil society. *Millennium* 21, no.3, (1992): 391.

⁶³ Ronaldo Munck, "Global Civil Society: Myths and Prospects," *International Journal of Voluntary and Nonprofit Organization* no. 4, (Dec 2002): 351.

⁶⁴ *Ibid.*, 351–52.

on has been dubbed the issue of “presentism” that seems to bedevil much of the GCS literature.”⁶⁵ For which he makes the point that “this is an assumption that present day observable phenomena are essentially novel in some way. It is a perspective that lacks historical perspective and is thus, at the very best, partial.”⁶⁶

Fred Halliday has questioned the assumed novelty of the “non-state actors” that supposedly animate it. For Halliday, “the erosion of the Westphalian system rests upon a contemporary optic, and illusion.”⁶⁷ In not saying there isn’t anything ‘new’ about GCS but Munck sought to make the argument that ‘new’ non-state actors can in fact trace their heritage back to long before the nation-state Westphalian system became dominant. Using Munck’s and Halliday’s line of reasoning Global civil society like TI, emphasize on the ‘global’ tends to obliterate an older history of transnationalism, not to mention internationalism. Thus Munck in putting GCS into context made the analogy that,

One cannot understand the events in Seattle 1999 without going back at the very least to 1919. The ups and downs of labor internationalism are not just an interesting historical backdrop on the present, but an essential explanatory element. Yet labor internationalism—in the present, never mind the past—seems strangely absent from the GCS discourse. (Munck 2002, 352)

Another criticism, which TI and GCS in general have not escaped from, is “the irredeemable Eurocentric bias in much of the GCS literature in spite of its importance in Latin America for example.”⁶⁸ John Keane argues that GCS names an “old tendency of local and regional civil societies to link up and to penetrate regions of the earth that had previously not known the ethics and structures of civil society in the modern European

⁶⁵ Ibid. 351.

⁶⁶ Ibid., 352

⁶⁷ Fred Halliday “The Romance of non-state actors, In: Josselin, D., and Wallace, W. (eds), *Non State Actors in World Politics*, Palgrave, London, pp. 21-37.p. 27.

⁶⁸ Friedman et al, *Sovereign limits and regional opportunities for global civil society in Latin America*. *Lat. Am. Res. Rev.* 36, no. 3, (2001): 7.

sense.”⁶⁹ In this sense TI itself has been accused of being Eurocentric in its views on ‘corruption’ and negating cultural tradition etc. This alludes to the argument of what might be seen, as corruption in one country might be a long cultural tradition in another. Thus, “it seems a very clearly European Enlightenment version of democracy, civility, and ethics which underpins the notion of GCS—whatever lip service is paid to selected other parts of the world.”⁷⁰ Consequently, Munck’s argument that the cultural universalism of this model does not really allow for diversity or the distinctive paths of modernity that different parts of the globe have taken is relevant. In the “cosmopolitan” global democracy project this Eurocentrism presented as universalism becomes most explicit and “Enlightenment man” is seen as the privileged actor in the GCS play we are asked to support.”⁷¹

According to this paradigm, in assessing TI and other NGOs, the main ‘actors’ in the structure of GCS we also see semblance of the North-South issue coming to the fore. For critics of the structural dependency theorists, and critical theorist, the international NGOs are quite simply as James Petras and Henry Veltmeyer puts it “in the service of imperialism,” given that “NGOs foster a new type of cultural and economic colonialism—under the guise of a new internationalism.”⁷² This point is not to argue that NGOs are bad against those who think they are good. But there is the need to take a

⁶⁹ John Keane, “Global Civil Society?” Chapter 2 in Helmut Anheier, Arlies Glasius and Mary Kaldor (eds.) *Global Civil Society* (London: Oxford University Press, 2001), 28. <http://johnkeane.net/wp-content/uploads/2011/01/jkgcs2001full.pdf> (accessed November 06, 2011).

⁷⁰ Munck, 353.

⁷¹ Ibid.,

⁷² Petras and Veltmeyer (2001): 132 cited by Ronaldo Munck, “Global Civil Society: Myths and Prospects,” *International Journal of Voluntary and Nonprofit Organization* no. 4 (Dec 2002): 353.

somewhat more critical and robust political view of the world of NGOs as part of civil society and as key players in the field of GCS.

Some estimates suggest that by the mid to late 1990s, an estimated \$6 to \$7 billion dollar of official aid and foundation funding was being channeled through NGOs.⁷³ On one level these increases in funding for NGOs marked a policy shift in the international donor community away from supporting state institutions towards a neoliberal, privatized approach to development and relief. Subsequently, NGOs were now heralded as the antidote to corrupt and failing states in developing and democratizing countries since they would promote bottom-up, ‘people-participatory’ development and a thriving ‘civil society’ that would encourage the spread of democratic norms and practices. Reimann (2005) essentially gives a good summary of the roles and perceptions of NGOs in the early 1980s and 1990s. For Reimann, the 1980s and 1990s were not only a time of rapid NGO growth but also a period in which NGOs came to be enthusiastically promoted by powerful states, international organizations and private foundations. The rhetoric and propaganda used by these international actors portrayed NGOs as the new citizen saviors that would help solve world problems ranging from ‘equitable and sustainable’ development to world peace to the spread of democracy and human rights. In addition to their idealistic image as altruistic and selfless promoters of good causes, NGOs were now presented as functionally important and contributors to human progress.⁷⁴

Some critics have argued that NGOs represents the interest of those who fund it. NGOs, such as TI, are usually nonprofit organizations that gain at least a portion of their

⁷³Reimann, 38.

⁷⁴ Ibid.

funding from private sources. Thus with this said, the fact that some are prone to be dependent on international funding has led some scholars to argue that NGOs are not really local actors of civil society. Instead, they are beholden to the interest of larger international forces that promote globalization directives, structural adjustment policies, and the interests of international financial donors.⁷⁵ Other NGOs are partially funded by the state or elite structures domestically or internationally and hence their developmental or state-accountability agenda can be co-opted by external forces that do not truly represent societal or sectorial interests. Thus the Marxist theorist would argue that NGOs are merely a tool for representing the interest of one group over another.

Critical theorists, and development scholars will argue that global civil society plays a role in society while others will argue that global civil society are reflections of the structure of the international system. Citing that most global civil societies are located in western democracies and that they control and influence the international system. Thus civil society like TI, while it has some merit and seeks to address corruption and transparency, it perpetuates the historical divide between the North and the South. As in, the north is always seemingly dictating to the south what is wrong with their system of government or society and how to fix and address their issues.

Subsequently, implicit in some of the theoretical discourse is the historical path-dependency argument. That is, “states with low levels of civic associationalism are more prone to having institutions with substandard performance in terms of bureaucratic

⁷⁵ See Sangeeta Kamat, *Development Hegemony: NGOs and the State in India* (New York: Oxford University Press, 2002); also, Sarah Medelson and John Glenn, eds. *The Power and Limits of NGOs: A Critical Look at Building Democracy in Eastern Europe and Eurasia*, (New York: Colombia University Press, 2002).

effectiveness.”⁷⁶ The work of Putnam and his followers has been criticized for a range of errors. Research by Solt claims that Putnam’s original argument is outright wrong: “the socioeconomics and history of land redistribution matter more than civil society in determining higher levels of Italian political participation that can facilitate better institutional performance.”⁷⁷ Juan Linz analysis is also important; Linz posits that a strong civil society promotes regime instability, principally because outside groups such as trade unions or working-class societies can have too much influence in policymaking.⁷⁸ Furthermore, a classical criticism articulated by Samuel Huntington that among Pretorian societies that excessive group mobilization aggravates social tensions can, in some instances, delegitimize a functional state, is relevant.⁷⁹

The pessimism associated with some civil society has been more pronounced in third-wave democracies, primarily in Latin America where some of these countries have borne witness to ‘people-power’ uprisings often triggered by some civil society, which toppled constitutionally elected or appointed presidents since the late 1990s. Alison Brysk (2000) theorizes “civil society groups in Latin America have returned authoritarian leaders in Guatemala and Bolivia, and destroyed democratic gains in Venezuela and

⁷⁶ Rollin F. Tusalem, “A Boon or a Bane? The Role of Civil Society in Third and Fourth Wave Democracies,” *International Political Science Review*, Vol. 28, no. 3 (Jun., 2007): 365.

⁷⁷ Frederick Solt 2004, “Civics or Structure? Revisiting the Origins of Democratic Quality in the Italian Regions,” cited by Rollin F. Tusalem, “A Boon or a Bane? The Role of Civil Society in Third and Fourth Wave Democracies,” *International Political Science Review*, Vol. 28, No. 3 (June., 2007), pp. 366.

⁷⁸ Juan Linz, *Crisis, Breakdown, and Reequilibration*. (Baltimore, MD: Johns Hopkins University Press, 1978).

⁷⁹ Samuel P. Huntington and Harvard University. Center for International Affairs., *Political Order in Changing Societies* (New Haven,: Yale University Press, 1968).

Ecuador.”⁸⁰ For Arturo Valenzuela (2004), the Latin American region is particularly prone to having interrupted duties of governing because of civil society’s political activism. Thus the skeptics have actively argued along the line that disagrees with the notion that civil society is a panacea that can promote democratic sustainability.⁸¹

Why is the perception of government corruption more pervasive in some countries than in others?

There is no one answer to this question. But filtering through the literature, it would appear that government corruption is more pervasive in countries where the structure of opportunities and incentives are conducive to corrupt behavior. Additionally, there is another dimension that is related to political culture which “repertoires of cognitions, feelings, and schemes of evaluation that process experience into action.”⁸² Subsequently, in societies where the government seems to have its hand in the economic creation and development there is a positive correlation between the degree of state control of the economy and corruption. The argument by Sandholtz and Koetzle supports the position that “the effectiveness of democratic institutions in curbing corruption, however, depends on the presence of a set of democratic norms.”⁸³ Thus, the political

⁸⁰ Alison Brysk 2000 “Democratizing Civil Society in Latin America,” cited by Rollin F. Tusalem, “A Boon or a Bane? The Role of Civil Society in Third and Fourth Wave Democracies,” *International Political Science Review*, Vol. 28, No. 3 (June, 2007): 367.

⁸¹ See Sheri Berman 1997a, 1997b who challenges the optimism of using civil society as a catch-all cure for the institutional deficits of transitional states. For Berman the history of civil societies, absent a strong state, can facilitate societal discord. An historical example cited by Berman is: that in the case of Weimar Germany, strong civic nationalism led to the rise of the Nazi party—a party that was utterly inimical to the tenets of liberal democracy.

⁸² Sandholtz and Koetzle, 35.

⁸³ *Ibid.*, 38.

culture of a society might also affect how that society and its people conceptualize what is corruption. The role of civil society like TI, which focuses on the perceptions of countries, ultimately aims to drive and reform countries' policies. As one of the views as it relates to development is that less corruption and easier means of doing business without high bureaucratic red tapes would encourage foreign direct investments [FDIs] into a country.

As Rose-Ackerman argues, "If one wants to understand the functioning of democracy, it will not be possible to follow the conventional economist's inclination to ignore more constraints upon self-seeking behavior, certain political virtue and moral beliefs are necessary in both publics and politicians."⁸⁴ Democratic norms and values delegitimize corrupt practices. It also speaks to the fact that, "variations in the density of corruption depend more on variations in the willingness of people to be corrupted, and therefore what we would prefer to call the moral cost or participation, than on the structure of opportunities."⁸⁵

An analysis of TI's CPI indicates that countries generally perceived as least corrupt are those nations that are known to be democratic compared to authoritarian countries that are seen as more corrupt. Thus under functioning democratic institutions, government officials are more accountable to the public, and perhaps because the public has means of scrutinizing the conduct of public officials and punishing corruption behaviors. "Corruption erodes some of the core values of a democracy, namely, that collective decisions should emerge from public processes guided by known rules, and all

⁸⁴ Rose-Ackerman cited by Wayne Sandholtz and William Koetzle in Accounting for Corruption: Economic Structure, Democracy, and Trade," *International Studies Quarterly* 44, (2000): 38.

⁸⁵Sandholtz and Koetzle, 38.

citizens should have equal access to those processes.”⁸⁶ To some extent the data seemingly points to the fact that the level of corruption is a product of two primary factors: “the potential-economic structure of incentives and opportunities, and the cultural norms that shape people’s perceptions, evaluations, and choices.”⁸⁷

Consequently the work of Montinola and Jackman also point out that “the nonlinear relationship between political competitiveness and corruption underscores the importance of casting regime type in continuous rather than in dichotomous terms. The point might seem innocuous, were it not for recent suggestions that the latter approach is often preferable.”⁸⁸ Perhaps the most important conclusion for Montinola and Jackman is:

Political competition matters, and there is an interesting threshold in this relationship. Corruption is typically a little higher in countries with intermediate levels of political competition than in their less democratic counterparts, but once past the threshold, higher levels of competition are associated with considerably less corruption. Stated differently, corruption is likely to be slightly lower in dictatorships than in countries that have partially democratized. (Montinola and Jackman 2002, 167)

Thus, freed of the political constraints associated with direct taxation and the economic constraints imposed by more competitive markets, political leaders have every incentive to engage in the politics of patronage; an environment in which corruption flourishes.

On the other hand, assessing the work of Gerring and Thacker, the authors found that “neoliberal hypotheses that market-oriented economic policies are associated with lower levels of political corruption, and state intervention in the economy with higher

⁸⁶ Ibid., 47.

⁸⁷ Ibid.

⁸⁸ Gabriella R Montinola and Robert W. Jackman, “Sources of Corruption: A Cross Country Study,” *British Journal of Political Science*, Vol. 32, no. 1 (Jan., 2002): 167.

levels.”⁸⁹ Additionally, “market oriented states may be less corrupt, but interventionist states, as measured by public spending, are not necessarily more corrupt.”⁹⁰ In assessing political corruption Gerring and Thacker postulated a few variables that might be relevant in understanding why some countries are more corrupt than others noting; “the recognition of its intrinsic importance and also because of its close relationship with economic growth, investment, the rule of law, political accountability, political institutions, and democratic governance.”⁹¹

This leads to another important question, what does corruption mean in a democracy? Does civil society that focuses on corruption effect changes in countries policies? As Mark Warren argues “corruption in a democracy involves duplicitous violations of the democratic norm of inclusion.”⁹² It also speaks to the fact “that corruption in a democracy usual indicates a deficit of democracy.”⁹³ TI reiterates these amongst other reasons why it is key to focus on corruption, as transparency in countries policy is imperative to its growth and development. It falls further into the line of TI that corruption tends to thrive in societies that have weak institutions. With that said, corruption of democracy is a violation of the norm of equal inclusion of all affected by a collectivity. This leads one to ask what the harms to democracy are. It can be argued that corruption does harm democracy as it leads to corruption of the state, whether it is in

⁸⁹ John Gerring and Storm C. Thacker, “Do Neoliberal Policies Deter Political Corruption?” *International Organization*, Vol. 59, no. 1, (Winter, 2005): 233.

⁹⁰ Ibid.

⁹¹ Summarized from John Gerring and Storm Thacker, “Do Neoliberal Policies Deter Political Corruption?” *International Organization*, Vol. 59, no. 1 (Winter, 2005): 233-234.

⁹² Mark E. Warren, “What Does Corruption Mean in a Democracy,” *American Journal of Political Science* 48 (Apr., 2004): 329.

⁹³ Ibid.

executive, legislative or judicial functions. Moreover a corrupt civil society only contributes to debilitating effects on the market. While the concept of corruption carries with it a moral accusation, Warren is possibly correct in noting “causes, locations, and meanings of corruption are consistently misidentified, often with the help of opportunistic political elites, so that remedies often miss and sometimes aggravate the problems. A democratic concept of corruption not only reveals the opportunities for domain slippage, but also the challenges for devising solutions that speak to each domain.”⁹⁴

Conclusions

My theoretical argument has several empirical and policy implications. It illustrates that civil society’s prominence has grown over the last two decades. Globalization and the information revolution has not only compressed time and space, but it has essentially made us live in the global village; one in which human activity is less restrained than ever by national borders. The Internet especially facilitates greater travel, communication and trade than in previous decades. It also helps to bring more problems gradually to the international society. This phenomenon actually gives civil society such as TI the opportunity to show their functions in international relations. It can be said that TI functions as an agent of international comprehension, as well as a shaper of public opinion and as a pressure group. But its effect on policy development has not been proven.

⁹⁴ Ibid., 341.

CHAPTER III

RESEARCH, METHODOLOGY AND DATA

In determining how he will behave, an actor must try to predict how others will act and how their actions will affect his values. The actor must therefore develop an image of others and of their intentions. This image may, however, turn out to be an inaccurate one; the actor may, for a number of reasons, misperceive both others' actions and their intentions. (Robert Jervis 1968, 454)

The objective of this chapter is to test several predictions of the theoretical model.

I developed an empirical framework to examine the extent to which Transparency International's Corruption Perceptions Index has an impact on behavioral change as it relates to policy development at either the domestic or international level. In particular, the empirical framework analyzes the CPI impact on the development policies of countries such as Jamaica. Theoretically, it has been argued that civil society is a primary prerequisite that can deliver better institutional performance and greater levels of horizontal accountability. Hypotheses formulated in this chapter will: (1) address the impacts of CPI on development policies; (2) address the impacts of TI's CPI on foreign aid donors; (3) suggest any significant interaction effects between TI's CPI and other variables.

This chapter is organized in four sections. It begins with a justification for the mixed methodology approach being employed. In the second section, I offer a description of variables and data sources used in the empirical analysis. The empirical methodology is described in the third section. In section four, I present the main set of hypotheses testing existence of the impact of TI's CPI.

Overview

At this stage, it is important to recognize that the nature and the limitation of the data available does not allow me to derive the testable empirical hypotheses entirely from the theoretical model presented in the previous chapter; therefore attenuating the connection between theory and empirics in this dissertation. However, one could draw from the theoretical model several predictions readily testable empirically and complete them with testable hypotheses derived from the global civil society literature reviewed in chapter two. Next, the chapter will then discuss the sources of data and statistical methods used to test the hypotheses.

As discussed in the previous chapters, the purpose of this dissertation is to examine whether or not TI's CPI matters within domestic or international development policies. Does the publishing of the index influence behavior change? My approach in attempting to gauge the impact of TI's CPI on behavioral change would be to identify if and when policy changes occur and if there is any correlation to TI's index.

The analysis of the impact of the CPI on aid donation is less straightforward. An ideal model specification would be one in which there is a relationship between a measure of aid donation as a dependent variable and a measure of the CPI as an explanatory variable plus a set of other control variables. For example, at the aid institution level, one would analyze the extent to which the effects, if any, of the CPI is present when there is project commitment and disbursement levels and then analyze how it affects the amount of aid given one year to the next.

Nicolas van de Walle postulates, “the IMF and World Bank have a long history of withholding assistance from highly corrupt countries.”¹ To a large extent, this seems to make sense as corrupt officials could easily channel the assistance to their offshore bank accounts. This has numerous negative consequences. In that “contributors of aid might be reluctant to provide assistance in the future. The aid might be a completely wasted effort, as the real target of the aid, the people, might not benefit from it.”² A controlled test will be done to test whether there is a change in the level of aid Jamaica receives when the ranking on corruption changes.

None of the studies I have cited in the review of the existing literature considered longitudinal relationships. All were cross-sectional analyses; even in instances where longitudinal data was available. One of the dangers of cross-sectional analysis is the heightened possibility of ecological fallacies, also known as aggregation bias. None of the studies actually examined the effects of TI’s CPI on policy developments. And how much of a consideration is given to TI’s index when policies’ regarding corruption is at the fore.

¹Nicolas van de Walle, 2001 being quoted by Levente Littvay, “Corruption and Democratic Performance,” *Political Science Department -- Theses, Dissertations, and Student Scholarship*. Paper 1. (2006):13. <http://digitalcommons.unl.edu/poliscitheses/1> (accessed December 05, 2011).

²Levente Littvay, “Corruption and Democratic Performance,” *Political Science Department -- Theses, Dissertations, and Student Scholarship*. Paper 1. (2006):13-14. <http://digitalcommons.unl.edu/poliscitheses/1> (accessed December 05, 2011).

METHODOLOGY

This study was conducted using a mixed method research matrix. Mixed methods research has come of age. Thus to include only quantitative or qualitative methods falls short of the major approaches being used today in the social sciences. As John Creswell and Plano Clark¹ puts it:

Mixed methods research is a research design with philosophical assumptions as well as methods of inquiry. As a methodology, it involves philosophical assumptions that guide the direction of the collection and analysis of data and the mixture of qualitative and quantitative approaches in many phases in the research process. As a method, it focuses on collecting, analyzing, and mixing both quantitative and qualitative data in a single study or series of studies. Its central premise is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems than either approach alone. (Creswell and Plano Clark 2007, 5)

Using a mixed methods approach will complement the study, as one will seek to enhance areas where the analysis might be deficient. The data assessed will focus on the period from 1995-2011. This represents the time the CPI has been in existence. A large-N analysis will be presented; this will offer a broad and cross regional analysis on TI's Index, in addition to the focus on Jamaica as a case study with reference to other countries for analysis.

The ultimate goal of any research project is to answer the questions that were set forth at the project's beginning. Mixed methods approach for this study is useful because it provides better opportunities for answering the research questions. Johnson and Turner, in making a stronger case for mixed methods providing stronger inferences noted, "methods should be mixed in a way that has complementary strengths and non-

¹John W. Creswell and Vicki Plano Clark, *Designing and Conducting Mixed Methods Research* 2nd ed. (Thousand Oaks, Calif.: Sage Publications, 2011), 5.

overlapping weaknesses,”² this they referred to this as the fundamental principle of mixed methods research. For which Tashakkori and Teddlie point out a classic case involves using case studies in conjunction with mailed surveys.³ One method gives greater depth, while the other gives greater breadth; hopefully together they give results from which researchers can make better, i.e., more accurate inferences.

Additionally, as Tashakkori and Teddlie, note, “mixed methods are useful if they help the researcher to meet the criteria for evaluating the goodness of their answers.”⁴ The topic, in and of itself, requires one to examine it through different lenses and mixed methods are superior to single approach designs. In the case of assessing whether TI’s CPI has an impact on changing behavior, and hence does TI matter, mixed methods research can answer research questions that the other methodologies cannot. Secondly, this method provides better and to some extent stronger inferences. And this method provides the researcher with the opportunity for presenting a greater diversity of divergent views. One dimension on which quantitative and qualitative research is said to vary is the type of question answered by each approach. Some authors have suggested that qualitative research questions are exploratory, while quantitative research questions are confirmatory. This dichotomization of research questions has been the source of

²Burke Johnson and Lisa Turner, “Data Collection Strategies in Mixed Methods Research,” Chapter 11 in Abbas Tashakkori and Charles Teddlie, *Handbook of Mixed Methods in Social & Behavioral Research* (Thousand Oaks, Calif.: SAGE Publications, 2003), 229.

³Abbas Tashakkori and Charles Teddlie, *Handbook of Mixed Methods in Social & Behavioral Research* (Thousand Oaks, Calif.: SAGE Publications, 2003), 14.

⁴ Ibid

disagreement of many social scientists. Keith Punch⁵ in his disagreement with this dichotomization notes:

Quantitative research has typically been more directed at theory verification, while qualitative research has typically been more concerned with theory generation. While that correlation is historically valid, it is by no means perfect, and there is no necessary connection between purpose and approach. That is, quantitative research can be used for theory generation (as well as verification), and qualitative research can be used for theory verification (as well as generation). (Punch 1998, 16-17)

Mixed methods undoubtedly seem to be the better approach to use in this topic as quantitative and qualitative analysis will be useful in understanding TI's CPI on development policies. Nonetheless, one of the arguments against mixed methods is directly related to the conclusions or inferences. In that, what happens if the quantitative and qualitative components lead to contradictory conclusions? Maybe the ultimate advantage of using mixed methods is in the quality of inferences that are made at the end of the study. As such, one would differentiate the "results" of the research from the "inferences" that are made from that research. Inference as defined by Tashakkori and Teddlie is "an umbrella term to refer to a final outcome of a study. The outcome may consist of a conclusion about, an understanding of, or an explanation for an event, (a) behavior, (b) relationship, or a case (e.g. in qualitative research)."⁶

⁵Keith Punch, *Introduction to Social Research : Quantitative and Qualitative Approaches* (London ; Thousand Oaks, Calif.: SAGE Publications, 1998).

⁶Tashakkori and Teddlie. 35

RATIONALE FOR JAMAICA AS A CASE STUDY

Jamaica, according to UNDP is a country with a high Human Development Index (HDI). Its HDI value for 2011 is 0.727 positioning the country at 79 out of 187 countries and territories. Between the years of 1980 and 2011, Jamaica's HDI value increased from 0.607 to 0.727, an increase of 20.0 percent or average annual increase of about 0.6 percent.⁷ Jamaica, according to TI's CPI is ranked as a highly corrupt country seeing an increase in the perceptions of corruption over the years. Jamaica is selected as case study for a number of reasons. Jamaica is a former British colony; receiving independence in 1962. A small island economy referred to as an upper middle-income country, yet still there are many challenges to its development. Corruption remains one of the most serious and seemingly intractable problems for Jamaica. Corruption is cited as the biggest problem to Jamaica's development. Jamaica is known as a trans-shipment port for drug smuggling from South America to North America and Europe. Alfred Powell *et al* argues that "associated closely with the illicit drug trade is the importation and trade of illegal weapons that facilitate the criminal enterprise."⁸ Income from the trade helps to sustain criminal networks and may be used to corrupt key institutions such as the police force and public officials. Jamaica has made efforts to reduce corruption. It has passed several bills, which makes transparency and accessibility to information more readily available. The Jamaica Constabulary Force has also seen changes with a revamp new branches being formed and new ways to tackle corruption.

⁷UNDP, *Human Development Index (HDI) 2011 Rankings* (2011).

⁸ Lawrence Alfred Powell, Balford A. Lewis and Mitchell A. Seligson, *The Political Culture of Democracy in Jamaica, 2010: Democratic Consolidation in the Americas in Hard Times*. (LAPOP, 2011), 76.

Jamaica, when compared to its neighbors Barbados and Trinidad—all with similar institutions, is ranked higher in terms of corruption perceptions, except for Trinidad in 2011 (see Table 3.1. below). All are former colonies that inherited almost identical political, economic, and legal intuitions such as a Westminster Parliamentary democracy, constitutional protection of property rights, and legal systems rooted in English Common Law. However, Jamaica's corruption level is significantly higher.

Table 3.1. TI's CPI Rank of Jamaica & other Caribbean States

Year	Barbados	Jamaica	Trinidad	# of countries
1995				41
1996				
1997				52
1998		49		85
1999		50		99
2000				90
2001			31	91
2002		45	33	102
2003		57	43	133
2004	21	74	51	146
2005	24	64	59	159
2006	24	61	79	163
2007	23	84	79	180
2008	22	96	72	180
2009	20	99	79	180
2010	17	87	73	178
2011	16	86	91	183

Source: Transparency International (note: high rank means high corruption)

These English islands essentially have mirrored institutions of their former colonizer. This has been attributed to a number of reasons: according to (Payne, 1993) as sovereign nations both organized their governments as parliamentary democracies in the

Westminster-Whitehall tradition.⁹ Moreover as Henry and Miller argued since independence, Barbados and Jamaica have maintained two-party political systems and consistently held free and fair elections with no unconstitutional transfers of power. Additionally, the constitutions of both countries explicitly protect private property and adopted legal systems based on English Common Law.

Acknowledging the institutional similarities between Jamaica and its neighbors, the significant difference as it regards corruption ranking, GDP levels, crime and investments within the different Caribbean countries. Jamaica is selected for a case study based on its regional situation, the high perceptions pertaining to corruption but also to decipher whether or not the corruption perceptions influences policymakers decisions regarding the country.

Corruption is not a new phenomenon and in many emerging and developing economies it has proven even harder to reduce reform and stem. This continues to have negative effects on the economy and the society of developing nations. In the case of Jamaica, as with other countries, corruption in the public sector increases the cost of public transactions, which, in turn, is borne by the taxpayers. This is especially critical in the situation of scarce resources that require a higher optimization of public spending. Corruption cases generate a decline in confidence in public institutions, which are fuelled by well-publicized scandals. The corruption cases of Former Junior Minister of Energy Kern Spencer—The Cuban Light Bulb case and Joseph Hibbert, Former State Minister of Works—The Mabey and Johnson Case will be discussed in a later chapter. Furthermore, corruption affects other sectors, and in the long run undermines trust in government.

⁹ Anthony Payne “Westminster Adapted: The Political Order of the Commonwealth Caribbean.” in Dominguez, Pastor, and Worrell (eds). *Democracy in the Caribbean: Political Economic, and Social Perspectives* (Baltimore: MD: Johns Hopkins University Press, 1993).

Therefore, efficient and effective public services with an inherent culture of integrity are the key pillars of sustained social and economic development. Fighting corruption is essential to ensure the good functioning of public services and to provide best value for money.

It is often said knowledge is power, and transparency is the remedy to the darkness under which corruption thrives. For the first 10 years after Jamaica gained independence the GDP per capita grew at a rate of 5.4 percent per year. The majority share of growth stemmed from two principal sources: 1) strong US growth in the 1960s created a robust export market for Jamaican bauxite; and 2) rising incomes in North America boosted growth in Jamaica's tourism industry. The growth in Jamaica's economy at the onset of independence, as Henry and Miller¹⁰ argue, can be viewed to be classic Dutch Disease fashion, as in, growth in the bauxite sector drove up the relative price of non-tradeables, reducing the competitiveness of Jamaica's agricultural sector and precipitating an exodus of workers from the countryside to the cities. During the first decade of independence Jamaica experienced what seemed to be an odd combination of strong growth coupled with "an unemployment rate that rose from 13 percent in 1962 to 23.2 percent in 1972."¹¹ The 1970s was a period of social change. Government spending rose from "23 percent of GDP in 1972 to 45 percent of GDP in 1978."¹² Not surprisingly revenue did not keep pace with the rise in expenditure. The fiscal deficit of the country grew expediently over the years and much of the deficit was financed either through

¹⁰ Peter Blair Henry and Conrad Miller, "Institutions vs. Policies: A Tale of Two Islands", *American Economic Association*, vol. 99, no. 2 (2009): 261-67.

¹¹ Peter Blair Henry and Conrad Miller, "Institutions vs. Policies: A Tale of Two Islands", *NBER Working Paper* 14604, (2008): 7.

¹² Ibid.,

direct borrowing from the Bank of Jamaica or international financial institutions such as the IMF and World Bank.

Today, Jamaica's economy still lags behind many of its Caribbean neighbors. In fact it performs below average when compared to Latin America and Caribbean countries. Jamaica, when compared to its Caribbean neighbors, continues to decline on TI's CPI. If high levels of corruption are also associated with low levels of GDP, this is often interpreted as causation, i.e., high corruption will cause low growth or low growth will cause high corruption. It is also implicitly interpreted longitudinally, i.e., a decrease in corruption levels will lead to an increase in GDP. Neither inference is correct based on a cross-sectional analysis. In this case, the only correct inference to be made is that high GDP countries have low corruption levels. Anything beyond this is untested speculation. TI's index illustrates that countries with high GDP have lower corruption rates and these countries are also ranked higher as it relates to democracy, trade and participation in international institutions.

The question then is: why is Jamaica's corruption perception that high? Furthermore, does TI's CPI affect development policies of the country? Not surprisingly today Jamaica, like many other developing countries, will attribute some of the deficits in their countries economy to the policies instituted in the 1970s with the Oil Price Shock. Many developing economies are still reeling from the policies instituted during those periods. When compared to its Caribbean neighbors—Barbados for example, a marked difference between Barbados and Jamaica is, seems to be government policies regarding economic reform. Noting that, where Barbados avoided nationalization and kept state ownership to a minimum and adopted an outward-looking growth strategy, Jamaica did

not. Moreover, in comparison to Jamaica, the policymakers in Barbados kept government spending under control. Barbados, whose currency has been pegged to the US since 1975, has refused to devalue its currency. They held firm to this decision even when they had to negotiate with the IMF. Unlike Barbados, Jamaica devalued its currency several times between 1975 and 2010. With this, many observe a spurious correlation that the difference in exchange rate policy accounts for Barbados' superior economic performance may not be so. When both countries are assessed closely, the case can be made better that Barbados' performance can be attributed to a set of growth-facilitating policies, monetary restraint, fiscal discipline, openness to trade, and ultimately wage cuts to restore competitive unit labor costs. Compare this scenario to Jamaica where the policies were never consistent with maintaining commitment to any parity the government might have wanted to adopt. In all of this what role, if any, does TI's CPI play in this disparity between Jamaica and Barbados?

TI's impact of policymakers as it relates to foreign aid and foreign direct investments is an important area. In that, Jamaica is reliant on both of foreign aid and FDI for its economic development and job creation. Therefore if TI influences policymakers in these areas it would be of greater importance to Jamaica to pay attention to TI's CPI. The annual U.S. Department of State "International Narcotics Strategy Report," from 1996-2012, in its country report on Jamaica generally starts with the same or similar wording: "Jamaica continues to be largest Caribbean supplier of marijuana to the United States. Although cocaine and synthetic drugs are not produced locally, Jamaica is a transit point for drugs trafficked from South America to North America."¹³ The reports in several years in more or less the same language have went on future to note, "corruption

¹³United States. Dept. of State, *International Narcotics Control Strategy Report* 2012. Vol. 1. 277.

of public officials continues to be a major concern to the Jamaican and U.S. governments as well as most Jamaicans. The law penalizes official corruption; however, corruption is entrenched, widespread, and compounded by a judicial system that is poorly equipped to handle complex criminal prosecutions in a timely manner.”¹⁴

In terms of international ratings and risk groups, Standard and Poor’s, Moody’s, Fitch, PRS, etc., Barbados has consistently been ranked as more favorable and stable when compared to Jamaica. In regards to Transparency International’s Index, Barbados has consistently placed in the top 25 of countries where the perceptions of corruption is low while Jamaica’s ranking has fluctuated and the perceptions of corruption in Jamaica has steadily taken a turn for the worse. The case of Barbados and Jamaica will provide good analytical material since there are strong similarities between both historical background and institutions, but development and perceptions are resoundingly different. With the CPI ranking the study will assess to see what impact if any does the Index have on policies in either or both countries.

Research Questions

1. Does the TI corruption score, and hence TI matter? How can any value or significance be placed on TI’s CPI when TI itself reiterates that its yearly CPI cannot be compared? Therefore, if one cannot compare past scores how can it be determined that a country has improved or not on the index?
2. Does change in CPI lead to change in behavior? Do policymakers react when TI’s CPI is published yearly? To what extent do policymakers changes their behavior to improve their CPI rank. Are Policymakers in fact reacting to the CPI when it is

¹⁴Ibid.

published and a country's perception of being corruption takes a turn for the worse?

3. Is there any evidence to suggest that countries change their behavior to try to change their CPI? What evidence is there to suggest that Jamaica is actively trying to improve its corruption perceptions?
4. Is the CPI accepted by countries as an authority on corruption? Or, do countries try to dispute the CPI measure? Do they try to game the system? Is there any evidence that Jamaica disputes the CPI measure? Or Does Jamaica try to make cosmetic changes to its perception on corruption?
5. Economic development and growth is the center and vital issue for many developing economies. There is a constant competition to attract foreign investors and other means by which to enhance economic growth, sustainability and development of the economy. Therefore, while developing countries are struggling to find ways to develop their economies are economic actors taking note of the CPI and does a shift in TI's CPI change their behavior?

HYPOTHESES

As indicated in the previous chapters, evidence of the impact of transparency International's Corruption Perceptions Index on development policies is not conclusive. Further, previous corruption studies do not analyze the impact of TI's CPI on trade, foreign direct investment, credit rating, market impact, as in, exchange rate, and foreign aid variables, or those variables in combination with the policies taken within Jamaica itself or other developing countries. Drawing upon the theoretical bases of previous

research, and building upon studies which do test the impact of at least one or more of these variables, I would expect that TI's CPI impact on development policies are highly integrated in the world economy, and I expect that TI's CPI effect matters as it regards development policies, at both the local and international level.

Hypothesis 1: An increase in Jamaica's CPI rank leads to less investments.

Hypothesis 2: TI's CPI ranking of Jamaica's level of corruption is inversely correlated with the world's political responses.

Hypothesis 3: The Jamaican government pays attention to TI's CPI and actively takes steps to improve the perceptions that Jamaica is trying to reduce its corruption level.

One of the primary purposes of this study is to estimate the interactive effects of the impact of TI's CPI on the behavior of policymakers. The government and or opposition acknowledge Jamaica's ranking and proposes new measures to reduce the perceptions of corruption in the country. Thus, the following summary hypothesis proposes that the Jamaican government pays attention to TI's CPI annual publication as it endeavors to attract more foreign investors in addition to fostering the perception domestically that it is fighting corruption.

Integration variables and data sources

Three measures explore the impact of TI's CPI on development: Jamaica's response—one will explore the government's policies and speeches regarding corruption and Jamaica's ranking. World's political responses—do foreign aid donors react to TI's CPI? Additionally, the world's economic response to TI's CPI—does the CPI affect or

influence trade, exchange rates, and credit ratings of Jamaica. What is the correlation between the yearly publication of TI and economic changes as it regard Jamaica?

World's Political Responses

Studies suggest that there are often inadequate controls and monitoring of foreign aid. Outright grants and loans with a large percentage of grant elements create more rent-seeking opportunities, feed corrupt political behavior, and consequently further erode the quality of governance. But there is very little evidence to suggest that donors pay particular attention to a country's corruption score or TI's index directly. Thus, is there a correlation between the foreign aid Jamaica receives and changes in TI's CPI and does foreign aid donors refer to TI's CPI as a measure when they determine aid for countries? Foreign assistance is defined as total development assistance per capita, and it includes grants and loans. The source for foreign aid data is The World Bank's World Bank Indicators and OECD database. In this model World Bank reports, US Department of State reports, EU development reports will be examined.

Jamaica, like other Caribbean nations and more broadly, many developing economies, rely on foreign aid, and foreign direct investment to develop their economies. Some economist will argue that corruption is the cost of doing business. But in a highly competitive global economy—can and have the high corruption rates in Jamaica affected its economy compared to its neighbors? The aid effectiveness literature, as William Easterly argues, is largely ineffective. There is much waste and there does not seem to be much accountability or at least guidance as to where the aid is being spent. The model on aid donation will encompass: assessing the correlation with foreign aid to Jamaica noting

which donors pay attention to corruption as a factor in giving aid and what is the lagged effect between aid donation and TI's CPI. With this said, I expect that if TI's CPI has any effect on donors' decisions to give aid there would be a lagged effect, as in, less aid will be given the year following a poor ranking on the index. It has already been seen that agencies such as the U.S. Department of State cites TI's CPI in referring to the corruption levels of different countries in its INCSR. Hence, does the acknowledgment of TI's CPI lead to less aid given to countries ranked as corrupt?

World's Economic Responses

Development for many developing countries is often linked to their ability to attract foreign investors and the confidence of these investors in investing in Jamaica and other developing economies. Thus, it would be interesting to assess whether credit rating agencies pay attention to TI's CPI and whether or not this has any impact on the credit rating. Standard and Poor's *CreditWeek* will be used. The premise is that one will control other variables and examine the Credit Weekly ratings of Jamaica one to two weeks before and after the publication of TI's CPI. Since the CPI is published at different times yearly this would give a broad snapshot from which one can determine if TI's index changes or influences the credit rating of Jamaica. After careful assessment, Standard and Poor's credit weekly was selected; it is the pre-eminent global provider of financial intelligence and is still delivering on that original mission. Standard & Poor's is a leading provider of financial market intelligence. As the world's foremost source of independent credit ratings, indices risk evaluation, investment research and data, Standard & Poor's is an essential part of the world's financial infrastructure.

The exchange rate of the Jamaican dollar is used as a measure to test and see whether TI's CPI on corruption of Jamaica is producing anything new or if the corruption factor is already known by the market and already calculated into the transactional cost as a part of doing business. Thus TI's CPI would not have any impact as the market has already priced the transactional cost of corruption into its business.

Jamaican Government Responses

The model focuses on Jamaican government responses to TI's CPI. It examines government speeches and documents and what activities and changes the government makes yearly, if at all, to address corruption and whether it cites TI's ranking of Jamaica on its index. In this chapter I will examine police patterns of police arrest to determine whether there is increased police arrest after the publication of TI's CPI. The legislations created to combat corruption and whether the government cites the low ranking of the country as a precursor for enacting new legislations. The level and periods of arrests of individuals charged with corruption and finally whether these arrests materialize into prosecution by the Office of the Director of Public Prosecution.

DATA COLLECTION

Corruption is very difficult to measure and by extension the impact of TI's CPI is probably even harder to measure. While a government and or policymakers might look at TI's CPI it might not necessarily impact that policymakers' behavior. It, however, might provide good rhetoric for political campaigns on which party is tougher on corruption. But does acknowledging TI's CPI alone sufficient? Probably one of the most challenging tasks for this study was compiling an appropriate dataset from which to test and measure TI's impact on policymakers of development policies. Evaluating TI's impact of policymakers has been a task, TI's CPI, the most widely used corruption rating organization only started reporting countries corruption scores in 1995. Thus assessing how serious TI's index is a factor for policymakers regarding Jamaica's development policy is important. If international risk assessment groups coupled with credit rating agencies, along with U.S. Department of State, World Bank, amongst others, heed to TI's CPI when it comes on to their policies be it political or risk ranking it would imply that Jamaica ought to pay closer attention to TI's index and address the perception issues of corruption.

The data was compiled from Transparency International's CPI, The Director of Public Prosecutions (DPP), the Bank of Jamaica, the Jamaica Constabulary Force, Newspaper reports, official Jamaican Government Speeches, S&P Credit Weekly, U.S. Department of State, Annual International Narcotics Control Strategy Report, and World Bank yearly report. For aid donation the OECD database was used.

There are many limitations to corruption indicators due to the methodologies used in aggregating or averaging, the reliability of the sources on which they are based and the

varying definitions of corruption utilized. Transparency International's CPI is a composite of various corruption indicators. TI has noted that their CPI should not be used as time series data. But I am doing just that, i.e., using TI's CPI as a times series dataset. My reasons for doing this are: previous studies have done so, the mere fact that TI will say a country has increased or decreased its CPI score indicate that there was something to compare it with. Thus based on previous studies and practice I have used TI's CPI as a time series dataset. The number of sources used in the index tends to change from year to year, as well as the number of countries scored (see Table 3.2. below).

Table 3. 2. No. of Countries & Indicators 1995-2011

Year	# of Countries Included	# of indicators
1995	41	7
1996	54	10
1997	52	7
1998	85	12
1999	99	17
2000	90	16
2001	91	14
2002	102	15
2003	133	17
2004	146	11
2005	159	14
2006	163	10
2007	180	11
2008	180	10
2009	180	13
2010	178	13
2011	183	17

Source: Various documents available on Transparency International's website (<http://www.transparency.org/>)

Standard and Poor's credit weekly report is another factor. It is then hypothesized that if Jamaica's credit rating on S&P's index changes once TI's CPI is released then it

can be argued that there is a correlation. To measure whether there is a correlation one will compare Jamaica's rating one and two weeks prior to the publication to TI's index and one and two weeks after the publication. This is more of an inference in the possible change if any in Jamaica's credit ratings and whether S&P's pay attention to TI's CPI.

Subsequently, do the World Bank and or International Monetary Fund pay attention to TI's CPI? If the World Bank and or the International Monetary Fund give weight to TI's CPI when enacting policies with Jamaica the correlation can then be made that in these instances TI's CPI has an effect on development policies. Hence these policymakers are paying attention to the CPI.

Exchange rates sourced from the Bank of Jamaica will assess if there is a correlation with the movement of the Jamaican dollar once TI's CPI is published. Therefore, when TI publishes its index is there any change in the Jamaican dollar? Controlling for other factors, which leads to the dollar going up or down, this particular test, is to assess whether a release of corruption ranking correlates with changes in the exchange rate. It is with the premise that players in development pay attention to TI's CPI. Thus if there's a marked increase in TI's ranking of Jamaica does it correlates with changes in the exchange rate. Corruption, it is said, has caused many a government to collapse; it has also led to lack of confidence in governments around the world. Lack of confidence in the political leadership of a country can lead to a collapse and or have a negative impact on the confidence in the economy. Hence, what correlation is there to suggest TI's CPI might possible impact the exchange rates of a country?

This study, as explained, employs mixed methods analysis. It is important to assess not only Credit Ratings and Risk assessment of Jamaica, but it is also prudent to

analyze policy reports on Jamaica and whether or not TI's CPI ranking of Jamaica is a factor. Thus, the US Department of State Annual Narcotics report will be used to assess whether or not the State Department pays attention to TI's CPI when it publishes its yearly report on Jamaica. The importance of this report is two-fold. The US is Jamaica's primary trading partner; additionally Jamaica relies on the US for aid assistance. Thus, does the US Department of State pay attention to TI's CPI? Additionally does the CPI ranking of Jamaica affect the aid given to Jamaica?

To measure Jamaica's government response, and to assess whether or not the government and/or opposition pays attention to TI's CPI, I will evaluate Jamaican government speeches and policies. Does the government take note of TI's ranking yearly? Does the government pass new laws to combat corruption? Are there increased arrests and prosecution of corrupt officials? Does the Jamaican government receive more or less multilateral and bilateral aid, after controlling for other determinants of aid flows?

Most analysis of foreign aid faces an almost insurmountable problem of reverse causality. The fact that poorer countries receive more aid does not mean that aid causes poverty, but those donors target poor countries. Jamaica, like other developing countries with poorly developed institutions, receiving more aid might indicate that donors are trying to help build institutions, not that aid is bad for good governance or that TI's ranking affects donors' decisions. It is somewhat hard to argue that aid should go to more corrupt countries to help reduce corruption. Therefore, if one finds that Jamaica receive more foreign aid when TI's ranking shows an increase in the level of corruption one could safely interpret this findings as a failure in the decision process allocating aid amongst developing countries or it might be that donors do pay attention to TI's CPI but

overlooks the index. Additionally, one will assess whether some donors manage to discriminate against measured corruption even though they might give aid to poor countries.

A secondary question is whether there is a difference between donors; namely, whether there are significant differences among donor countries if they pay more attention to corruption and or whether there are significant differences among multilateral donors such as international organizations. Do they factor in corruption and or TI's CPI when making donations?

Conclusions

In the subsequent chapters I will use both simple univariate and bivariate analysis along with qualitative analysis to measure for TI's CPI effects on Jamaica's development policies. Thus controlling for credit rating and exchange rate one will test to see whether or not TI's CPI has any impact of behaviors. If so how does it affect the market if at all? Which countries give more aid to Jamaica? Is corruption an important variable for aid granting? Additionally, which countries pay attention to corruption perception and is Jamaica losing out on receiving aid for those countries because of the perceived high perceptions score for corruption? With all of this said if the study finds that TI actually has no impact on policymakers the secondary question would be whose interest does TI serve and does TI matter in the end?

CHAPTER IV

WORLD'S POLITICAL RESPONSES

If you spend your own money on yourself, you are very concerned about how much is spent and how it is spent. If you spend your own money on someone else, you are still very much concerned about how much is spent, but somewhat less concerned about how it is spent. If you spend someone else's money on yourself, you are not too concerned about how much is spent, but you are very concerned about how it is spent. However, if you spend someone else's money on someone else, you are not very concerned about how much is spent or how it is spent.

Friedman, *White House ceremony in his honor* May 9, 2002¹

This chapter will examine the data gathered to determine the world's political responses to TI's CPI as it relates to Jamaica. These political responses originate with policymakers in an array of sectors such as the U.S. Department of State, the World Bank, the European Union, China, and the United Nations Office on Drugs and Crime. The data will illuminate which ones, if any, acknowledges and or gives heed to TI's CPI in relations to their development policies with Jamaica, and whether or not it impacts the development policies of Jamaica.

Corruption is presumed to weaken progressively the institutional foundation on which economic growth and social justice depends; often causing institutional inefficiency and, in turn, the distortion of development priorities and outcomes. Within the World Bank fighting corruption has become a policy priority for the development community.² Over the past two decades extensive reform efforts have been launched. These reforms build on the idea that corruption is a dysfunction of public administration

¹Nara Francoise KamoMonkam, "Money Moving Syndrome and the Effectiveness of Foreign Aid," (PhD diss., Georgia State University, 2008), 1.

²David Dollar and Victoria Levin, "Sowing and Reaping: Institutional Quality and Project Outcomes in Developing Countries." *World Bank Policy Research* Working Paper 3524, (2005): 11.

that emerges in the presence of monopoly and discretion, which in turn can be curbed by promoting accountability and transparency. Corruption undermines policies and programs that aim to reduce poverty; so attacking corruption is critical to the achievement of the Bank's overarching mission of poverty reduction.³

Table 4.1. DAC Aid flow into Jamaica from 1995-2010 and Jamaica's CPI

Year	DAC Countries Total	Multilateral, Total	DAC EU Members, Total	United States	EU Institutions	CPI
1995	67.58	40.47	23.5	28	32.44	
1996	4.08	53.98	-5.49	-7	53.16	
1997	-4.84	76.35	-1.23	-23	74.73	
1998	3.54	15.11	-0.71	-11.66	18.42	3.8
1999	-22.6	-0.68	-4.81	-15.3	5.08	3.8
2000	-26.33	28.53	6.14	-26.15	32.81	
2001	-0.93	44.17	1.09	-17.84	41.04	
2002	-3.77	28.28	6.23	-10.99	15.62	4
2003	1.13	3.45	2.17	1.18	1.54	3.8
2004	13.39	66.73	7.95	11.64	58.13	3.3
2005	11.4	24.8	3.48	17.77	16.22	3.6
2006	-0.49	38.3	2.37	9.38	32.85	3.7
2007	-16.86	46.45	-10.46	-5.54	39.49	3.3
2008	-4.17	90.78	-4.5	-0.89	80.75	3.1
2009	6.38	143.47	6.33	-2.05	105.9	3
2010	-1.9	144.57	-1	-3.56	106.43	3.3

Source: OECD & Transparency International

Jamaica, like many other developing economies, relies on foreign aid to enhance and supplement its development. Statistics illustrate that the level of foreign aid Jamaica has received over the last two decades has doubled in some instances and has fallen short in others. Table 4.1 above shows the level of aid that has been disbursed to Jamaica for

³World Bank, "Transparency, Accountability and Anti-Corruption"
<http://go.worldbank.org/H2CA3GVUW0> (accessed March 15, 2012 2012).

the years 1995-2010 and indicates Jamaica's corresponding CPI scores. The rows that are blank on the CPI are years in which Jamaica did not have a CPI score on TI's index.

Based on Table 4.1 above there does not seem to be a correlation between the aid given by multilateral donors and Jamaica's CPI. Noting that changes in aid flow go up and down in spite of the CPI score, when one examines aid flow by EU Institutions per se, in 1998 when Jamaica's CPI was 3.8 and EU Institutions aid totaled 18.42 million. The following year (1999) the aid given was 5.08 million. Since there is no CPI for 1997 one cannot accurately say that this is a lagged effect. Some years there is a lagged effect in the correlation between the aid Jamaica receives and its CPI score. But in the years 2000 and 2001 where CPI scores for Jamaica are missing the aid flow from EU institutions increased significantly to 32.81 and 41.04 respectively. Based on Table 4.1 above there is a subsequent decline in the level of aid given in 2002 and 2003 significantly noting 15.62 and 1.54 respectively. But in the year 2004 the aid flow increased to 58.13 and Jamaica's CPI slipped by .02 point to 3.8 from 4.

FOREIGN AID AND CORRUPTION

An important manifestation of this will and commitment is the correcting of structural flaws in the bureaucracy of host countries and the filling of the administrative void that hampers assistance efforts. The role of recipient governments is pivotal in effectively and productively enhancing aid programs and policy developments. In terms of project effectiveness, existing research does provide evidence that national governance quality affects the implementation of internationally financed projects. For instance, Jonathan Isham, Daniel Kaufmann and Lant Pritchett "find that the quality of civil

liberties in a country affects the economic rate of return on World Bank-financed projects.”⁴ Later, David Dollar and Victoria Levin similarly found that “the existence of high-quality institutions in a recipient country raises the probability that a World Bank project will receive a satisfactory rating.”⁵ They conclude in strong terms; “The success of aid-sponsored projects depends primarily on the quality of the institutions in the recipient country.”⁶ To which one argues that this is not shocking news. But while in theory grand ideas sound good, in practice many of the policies have been flawed and personal greed and corruption have wreaked havoc in many economies of the developing world. And the effects on development have proven to be controversial.

Borrowing former World Bank President James Wolfensohn’s words “The ‘cancer of corruption’ is inimical to development.”⁷ Or as then U.N. Secretary General Kofi Annan commented; “Good governance is perhaps the single most important factor in eradicating poverty and promoting development.”⁸ Also, as the World Bank itself acknowledged; “In many countries, donors underestimated the importance of governance and institutional reforms.... As a result, weak governance and institutions reduced the amount of productivity growth and poverty reduction that could result from the

⁴ Jonathan Isham, Daniel Kaufmann and Lant Pritchett, “Civil Liberties, Democracy, and the Performance of Government Projects. *World Bank Economic Review* 11 no. 2 (1997): 223.

⁵ David Dollar and Victoria Levin, “Sowing and Reaping: Institutional Quality and Project Outcomes in Developing Countries.” *World Bank Policy Research Working Paper* 3524, (2005): 11.

⁶ *Ibid.*, 12.

⁷ James Wolfensohn cited in Stephen Fidler, “Who’s Minding the Bank? *Foreign Policy*, No. 126 (Sep.-Oct.) (2001): 45.

⁸ Former U.N. Secretary General Kofi Annan, quoted by VedP.Nanda, “The ‘Good Governance’ Concept Revisited,” *Annals of the American Academy of Political and Social Science*, Vol. 603, Law, Society, and Democracy: Comparative Perspectives, (2006): 270.

macroeconomic reforms.”⁹ And a 2005 joint report by the International Monetary Fund and the World Bank said, “Broad consensus has emerged that development assistance is particularly effective in poor countries with sound economic policy and institutional environments.”¹⁰

Therefore, and not surprisingly, there has been for quite some time a stated desire to channel aid to recipient countries with good economic policies. This has been a goal that found significant justification in *Assessing Aid* with its claim (this was based on the research reported in Burnside and Dollar)¹¹ that aid leads to economic growth only in the context of good macroeconomic policies. More recently however, there has been a new emphasis on providing aid to countries with good institutions, specifically good governance institutions. A number of researchers have contributed to the claims that causal priority for rule-of-law institutions in bringing about economic growth.¹²

The effects of foreign aid on recipient countries’ macroeconomic performance, and especially growth, are ambiguous. In many cases, despite earlier optimistic expectations, aid has failed to boost growth. As William Easterly succinctly puts it,

The West spent \$2.3 trillion on foreign aid over the last five decades and still had not managed to get twelve-cent medicines to children to prevent half of all malaria deaths. The West spent \$2.3 trillion and still had not managed to get four-

⁹ World Bank, *A Case for Aid: Building a Consensus for Development Assistance*. (Washington, D.C.: World Bank, 2002), 31.

¹⁰ IMF and World Bank Report, cited by William Easterly. “Are Aid Agencies Improving?” *Economic Policy* 22, no. 52 (2007): 637.

¹¹ Craig Burnside and David Dollar, “Aid, Policies and Growth,” *World Bank Policy Research Working Paper*, # 1777, (June, 2000); 847-868.

¹² For example see authors such as: Daron Acemoglu, Simon Johnson and James Roberton, “The Colonial Origins of Comparative Development: An empirical Investigation.” *American Economic Review* 91 no. 5 (2001): 1369-1401. Also, Dani Rodrick, Arvind Subramanian and Francesco Trebbi. “Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development.” *Journal of Economic Growth* 9 (2004): 131-165. And, Craig Burnside and David Dollar, “Aid, Policies, and Growth.” *American Economic Review* 90, no. 4, (2000): 847-868.

dollar bed nets to poor families. The West spent \$2.3 trillion and still had not managed to get three dollars to each new mother to prevent five million child deaths. (Easterly 2006, 4)

Aid dependence can potentially undermine the quality of governance and public sector institutions by weakening accountability, thereby encouraging rent-seeking and corruption. While not limited to these effects, aid dependence has the prospective of fomenting conflict over control of aid funds, siphoning off scarce talent from the bureaucracy, and alleviating pressures to reform inefficient policies and institutions. The concept of good governance, in the form of institutions that establish a foreseeable, evenhanded, and consistently enforced set of rules for investors, is undoubtedly fundamental for the sustained and rapid growth in per capita incomes in poor countries.

The World Bank was pointed when it stated, “giving development assistance to countries with weak institutional frameworks, low capacity and often poor law enforcement poses substantial risks.”¹³ In that, “Aid is less effective in a weak governance environment where funds leak due to corruption. Evidence even suggests that aid inflows can contribute to a decrease in public spending, weaken accountability and governance while providing ample opportunities for corruption.”¹⁴ The World Bank also raised an interesting point in regards to corruption and aid by stating, “Ironically, the donor community has been lending to undemocratic, corrupt and poor governance countries more than to well-managed countries.”¹⁵ Undoubtedly, aid can have a positive impact on economic and social development if given to countries with good governance

¹³ World Bank, “Corruption & Development Assistance,” <http://go.worldbank.org/1AXCYRA5F0> (accessed April 10, 2012).

¹⁴ Ibid

¹⁵ Ibid

systems. As donors become increasingly aware of the linkages between aid effectiveness, governance and corruption, more aid should be directed to where it has the most impact. Assisting countries in combating corruption as well as aid aimed at improving governance combined with efforts to reduce corruption in projects are essential in tackling the challenge corruption poses to development aid.

In understanding the political economy of foreign aid and how corruption undermines aid effectiveness, one can argue that, “the effectiveness of aid revealed that aid can be ‘highly effective, totally ineffective, and everything in between,’ depending on the quality of policy-making and institutions.”¹⁶ Moreover, the Bank argues, “In countries with poor management, the amounts of aid have not affected the levels of economic growth. There are several channels through which the effectiveness of aid is undermined.”¹⁷

The most direct effect is plainly the leakage of funds in development projects. And this the World Bank¹⁸ highlights as:

The distorting effects of corruption on projects takes effect as early as the project design phase where project requirements are overstated or tailored to fit one specific company, they reach into the bidding process where collusion amongst firms or between public officials and bidders renders competition ineffective, leading to assigning of contracts to underperforming firms at inflated prices. (World Bank, “Corruption and Development Assistance”)

Not surprisingly, bribes are needed to release funds.

¹⁶ Ibid

¹⁷ Ibid

¹⁸ World Bank, “Corruption & Development Assistance,” <http://go.worldbank.org/1AXCYRA5F0> (accessed April 10, 2012). See also Paul McCarthy 2001, who uses the case of Indonesia for how corruption in aid projects works and why it persists. “Corruption in Indonesia’s Foreign Aid Programs: Naivety, Complacency and Complicity within Donor Agencies”, in: *Stealing from the People*, Partnership for Governance Reform. Indonesia. 2002.

“Kick-backs further persuade government officials to turn a blind eye to sluggishly implemented projects, staying behind contract requirements, leaving roads unfinished and aid not delivered. Bribes also help to smoothen financial and technical audits and to falsify bills and payrolls. Corruption at the village level includes disappearing aid deliveries or mistargeting, where not the poorest but the best connected and those willing to pay receive aid. (World Bank, “Corruption and Development Assistance”)

Subsequently in assessing the work of some researchers that examine aid flows with the aim of determining whether donors give more aid to countries that have better governance ratings, the literature indicates that “some donors, but not all donors, do consider democracy, governance and rule-of-law issues when making their lending decisions.”¹⁹ Authors such as Steven Radelet are convinced that donors can improve the performance of foreign aid. He argues, “Aid delivery mechanisms should differ significantly between well-governed and poorly governed countries.”²⁰ On this premise it would seem to indicate that well-governed countries should receive programmatic aid and budgetary support since they have a well-functioning government that can efficiently allocate this money to appropriate and proper areas of development. Therefore, Radelet’s position is critical and to some extent makes logical sense;

Providing recipients with more flexibility, greater latitude, and more ownership is precisely the right way for donors to move in well- governed countries, but not necessarily in poorly governed countries. In weak, failing, and poorly governed countries, donors should retain a strong role in setting priorities and designing programs. (Radelet 2004, 11)

Consequently, “countries with high levels of corruption, opaque budget procedures, and poor monitoring and auditing, to provide budget support... where there is

¹⁹ See for instance Jean-Claude Berthelemy and ArianeTichit, “Bilateral Donors’ Aid Allocation Decisions—A Three-Dimensional Panel Analysis,” *International Review of Economics and Finance*, 13 (2004):253-274; David Dollar and Victoria Levin, “The Increasing Selectivity of Foreign Aid, *World Development* 34, no.2, (2006):2034-2046; William Easterly, “Are Aid Agencies Improving?” *Economic Policy* 22, no. 52 (2007) 633-678.

²⁰ Steven Radelet, “Aid Effectiveness and the Millennium Development Goals.” *Centre for Global Development Working Paper* no.39, (2004): 11.

little confidence that funds will be used appropriately, would be irresponsible.”²¹ But this also raises the issue of trust, given that the premise would seemingly lead to the correlation that in well governed countries the national government can be trusted by international donors to spend money in a way that best meets the needs of its citizens. Therefore, if governments were presumed to be rational actors, impartial, and corruption wasn’t a cause for concern, a donor could then expect that aid funds would be used to build and maintain schools, health centers, roads, and more efficiently allocate the resources than an international donor could. This stands in stark contrast to a country that is poorly governed where the likelihood of the aid going towards the specified and intended project would be significantly lower. In poorly governed countries, more often than not it is found that a large portion of aid wound up in the pockets of political allies, and the President or Prime Minister’s personal bank accounts.

Theoretically, it sounds polished to argue that countries which are well-governed and have less corruption should receive more aid compared to countries which are seen as more corrupt but, based on Alesina and Weder’s work, there is no evidence that less corrupt governments receive more foreign aid. As they stated: “our vast exploration of the data never uncovered any even weak evidence of a negative effect of corruption on received foreign aid. The same result applies to debt relief program, an additional form of aid.”²² But as it regards individual donor countries, Alesina and Weder found “significant differences across donors. Scandinavian donors (the most generous in per capita terms) do reward less corrupt receivers. On the other hand, the United States appears to favor

²¹ Ibid., 12-13.

²² Alberto Alesina and Beatrice Weber, “Do Corrupt Governments Receive Less Foreign Aid?” *The American Economic Review*, Vol. 92, No. 4 (Sept., 2002): 1136.

democracies, but seems to pay no attention to quality of government of receiving countries.”²³ Easterly’s work also supports this point, in that while “there is some evidence that aid flows have become more sensitive to the extent of corruption in recipient countries, and perhaps more sensitive to political rights, but these tendencies are far from uniform.”²⁴

Subsequently, it is worth mentioning that the literature on foreign aid and growth points to the importance of good governance. Stephen Kosack’s research has shown that “foreign aid leads to higher human development index growth rates in more democratic countries, whereas it might be harmful to human development in autocratic countries.”²⁵ Rajkumar and Swaroop, in examining the impact of public spending on health and education outcomes, found that “increased public spending leads to improved development outcomes only in countries with good governance.”²⁶ Additionally, while Burnside and Dollar’s hypothesis, “that the impact of aid is conditional on policy.”²⁷ It is important to note that in subsequent research the authors have revisited their original findings and have shifted the focus from policies to institutions and argue that aid results in economic growth conditional on good governance institutions.

²³ Ibid.

²⁴ Easterly, 673.

²⁵ Stephen Kosack, “Effective Aid: How Democracy Allows Development Aid to Improve the Quality of Life.” *World Development* 31, no.1, (2003): 20.

²⁶ Andrew Sunil Rajkumar and Vinaya Swaroop. “Public Spending and Outcomes: Does Governance Matter?” *Journal of Development Economics* 86 (2008): 110.

²⁷ Burnside and Dollar, 849.

Development Agencies

Undoubtedly, a major achievement of the past decade has been the adoption of several international treaties devised to fill gaps in existing national anticorruption laws. These include but are not limited to an OECD convention that applies to industrialized countries; three regional conventions covering Europe, the Americas, and Africa; and, most recently, the UN Convention Against Corruption (UNCAC). Therefore, ensuring compliance with these treaties is critical. Of significance is that the bodies overseeing the conventions have no enforcement powers. Therefore follow-up monitoring programs are essential to determine whether governments fully enact and implement the conventions' provisions. Such monitoring, which would involve disclosing governments' failures and calling for corrective action, creating publicity and peer pressure is the only tool available to hold member states to their undertakings. This could be conducted with small staffs and modest budgets.

Arguably, "fighting corruption is not only about signing international agreements. It is also about the daily struggle of ordinary citizens who face major obstacles to expose wrongdoing and bring about change."²⁸ The Organization for Economic Co-operation and Development (OECD) is a large provider of multilateral aid donation to Jamaica. The scope of the OECD convention—which criminalizes the bribery of foreign public officials—is narrow, but the document is essential nonetheless because the 36 states that have signed it are home to most of the world's major multinational corporations (MNCs). This is important as Jamaica, like other developing economies, is constantly trying to attract foreign direct investments to enable economic growth. Thus, if the OECD

²⁸ TI, *Annual Report* (2001): 3.

members pay attention to corruption, and furthermore if the OECD pays attention to TI's CPI, then it is in Jamaica's interest to make an effort to improve its CPI score.

The OECD in a number of instances uses TI's CPI when making comparative analysis as it relates to corruption perceptions in member states. In its *Public Sector Transparency and International Investor*²⁹ booklet the OECD brings together the results of work conducted in 2003 by the OECD Committee on International Investment and Multinational Enterprises (CIME) on the issue of public sector transparency in international investment policy. The OECD regulatory reform project has provided a detailed look at transparency practices and problems within the OECD area. TI's CPI was one of the three indices used to arrive at these findings. The other two were Freedom House Index for political and civil rights, and Opacity Index.³⁰ This shows that policymakers are incorporating into their decisions TI's CPI.

The role of the OECD members in aiding developing countries is significant. Subsequently TI's partnership with OECD could undoubtedly have some impact and or influences on its policies towards developing countries. The OECD has jointly held forums with TI to promote transparency in aid effectiveness and reducing corruption. The Development Partnership Forum: Improving Donor Effectiveness in combating Corruption is an example.³¹ The Forum, which was hosted by the French Ministry of

²⁹ OECD, "Public Sector Transparency and International Investor" (2003).

³⁰ OECD, 28.

³¹ The Development Partnership Forum on Improving Donor Effectiveness in Combating Corruption, organized jointly by the OECD Development Assistance Committee (DAC) and Transparency International took place at the Pierre Mendès France Conference Centre at the French Ministry of Economy and Finance (Bercy) on 9-10 December 2004. Aimed to improve donor effectiveness in combating corruption and was built around three specific themes: improving donor action in supporting anti-corruption programmes in partner countries; assessing donor practices and aid modalities in a corruption perspective; taking concerted action.

Finance “brought together political leaders and senior officials from governments, civil society, bilateral donors, multilateral organizations, international NGOs, national anti-corruption organizations and the private sector in OECD countries and non-OECD countries.”³² The OECD pays attention to TI’s and its work on corruption but there is no clear evidence that the OECD actually gives less to Jamaica based on any correlation with TI’s CPI score.³³

The OECD forum is important as it shows that TI is a respected organization and the OCED pays attention to TI. The final report from the forum states,

Corruption is a major impediment to development and growth. It is a universal threat to social cohesion and political stability, undermining public confidence and good governance in all countries. It directly impedes progress towards the Millennium Development Goals and hampers long-term growth and job creation. Increasingly, donor agencies, partner country governments and institutions, international and intergovernmental organizations, civil society and the private sector understand the serious negative impact of corruption on their programs, projects and populations. In response, many have intensified their work to combat corruption. (OECD 2004, 2)

The forum brought together political leaders and senior officials from governments, civil society and the private sector in OECD countries and non-OECD countries, bilateral donors, multilateral organizations, international NGOs, and national anti-corruption

³² Ibid.

³³ For a more in-depth analysis see “International Cooperation to fight Corruption in South Eastern Europe: Achievements, lessons learned and future challenges,” Paris, 2005. Jamaica and other developing countries should take note of a study commissioned by the Anti-Corruption Network for Transition Economies based at the OECD “International Cooperation to fight corruption in South Eastern Europe: Achievements, Lessons Learned and Future Challenges.” In this study of countries in South Eastern Europe, TI’s CPI for each country was referred to in making analysis of corruption and what was needed to reform these countries’ economies. This confirms that policymakers are paying attention to TI’s CPI as the 253 pages document was presented to “representatives of Bosnia and Herzegovina, Croatia, the FYROM, Moldova, Montenegro, Romania and Serbia; donor countries and international organizations including the OECD, the Council of Europe, the World Bank, Norway, Switzerland and the United States were also represented.

organizations. This can be considered to be another milestone for TI in jointly hosting forums on development policies.

The World Bank and International Monetary Funds are crucial International Financial Institutions (IFIs) in the development policies of Jamaica and other developing countries. The World Bank, especially in the 1990s, started incorporating a strong anti-corruption stance. “World Bank Group President James D. Wolfensohn welcomed the release of Transparency International’s annual report on March 16, 2005 and described it as an important contribution to fighting corruption.”³⁴ In his remarks Wolfensohn went on further to state, “TI has once again shown its ability to combine research and policy analysis not just to shine a light on the deeply embedded problems of corruption in the international construction industry, but to propose progressive solutions to safeguard public monies and public trust.”³⁵ The World Bank President’s accolade is probably as profound of an endorsement TI would ever need or receive. In reference to TI’s 2005 Annual Report Wolfensohn noted, “the publication today by Transparency International of its annual report on global ‘corruption is an important contribution toward curbing corruption. ... The report has again shown the vital role TI plays the international debate about how to clean up public procurement projects.”³⁶

The diversion of funds from publicly financed projects represents an unacceptable tax on the poor. In the construction sector, it represents a deplorable opportunity lost for the delivery of essential services, and it undermines citizen trust in government. The information in this report should be widely read and discussed. We will certainly be examining how the findings and recommendations can be

³⁴ World Bank, Press Release, “World Bank Hails Transparency International’s Annual Report” <http://go.worldbank.org/WA8QXX5JX0>(accessed March 18, 2012).

³⁵ Ibid.

³⁶ Ibid.

applied in the World Bank's work in development lending and post-conflict reconstruction. These are issues of deep concern to us. (Wolfensohn, 2005)

The World Bank's President, by referring to TI's Annual Report, indicated that Jamaica and other countries ranked as highly corrupt should pay closer attention to their CPI ranking as influential policymakers such as the head of the World Bank pays attention to TI's report and CPI. Wolfensohn, in commending TI chairman Peter Eigen's acknowledgment of the World Bank's adoption of an integrity clause for all companies bidding on large World Bank financed projects, called a 'major breakthrough.' This integrity clause requires companies to certify that they "have taken steps to ensure that no person acting for [them] or on [their] behalf will engage in bribery."³⁷ The report also notes the Bank's leadership in the use of investigations and debarments as tools in anti-corruption work. Wolfensohn further stated, "In the report, Transparency International also proposes Minimum Standards for Public Contracting and makes recommendations for compliance systems and codes of conduct for business, governments, international lenders, shareholders and auditors, among others."³⁸ This is important as it helps to solidify the fact that policymakers are paying attention to TI's CPI. While there is no direct evidence to show that the World Bank uses TI's CPI directly as it relates to development policies with Jamaica, it would be foolish of Jamaica to not pay attention to TI's ranking. It is clearly obvious that the World Bank pays attention to TI's reports and CPI.

Subsequently, at the *Opening Plenary of the 14th International Anti-Corruption Conference*, November 2010, the World Bank's Managing Director Sri Mulyani

³⁷ Ibid

³⁸ Ibid

Indrawati, in his opening remarks, highlighted a number of important points that resonate with development policies and the importance of Transparency International in development policies. In extrapolating on the role of the private sector, Indrawati articulated ways in which businesses have a role to play in curbing corruption. From the point of view of businesses, “combating corruption is about leveling the playing field, seeing fair competition and, above all, about managing costs – specifically, individual costs and company level costs. Every bribe taken is a bribe paid, and more often than not it is a company official delivering the envelope.”³⁹ Moreover Indrawati cites some of the effects of corruption noting that,

While corruption may benefit individual companies in the short run, over time it becomes a real barrier to development, innovation and business growth. Because sometimes the corruption is in the form of counterfeit drugs, so people don’t get better, or they die. Sometimes corruption is a building that collapses in the face of a natural disaster, because the quality inspector took a payment from the construction contractor to falsify an inspection. Corruption can kill. (Sri Mulyani Indrawati, World Bank Managing Director, Bangkok, Thailand: 2010)

Probably a key insight into whether policymakers pay attention to TI’s CPI is the four points by Indrawati highlighted below with his emphasis on TI:

By putting in place company-level *anti-corruption programs*; By committing collectively to a *statement of commitment* to a set of ethical principles; (for example the World Economic Forum’s Collective Action Against Corruption Initiative), with enforcement honor-based; By agreeing to participate in *integrity pacts* – where bidding and implementation processes are observed by an independent monitor (Transparency International sponsored Integrity Pacts have shown the way globally here); and By establishing *certifying business coalitions*, with collective enforcement of compliance with these commitments by the coalition as a whole. (Sri Mulyani Indrawati, World Bank Managing Director, Bangkok, Thailand: 2010)

³⁹ Sri Mulyani Indrawati, “Remarks for Opening Plenary of the 14th International Anti-Corruption Conference,” (paper presented 14th International Anti-Corruption Conference, Bangkok, Thailand, November 2010), <http://go.worldbank.org/3S2S7396J0> (accessed March 15, 2012).

TI sponsored Integrity Pacts are particularly important as they illustrate that firms would be willing to have an NGO be the monitor of their activities. Nonetheless, that said, the World Bank and other institutions are well aware of the fact that many of these initiatives lack the teeth of enforcement. The Bank, in assessing corruption from different angles, also stressed the demand side approach to the debate.

THE UNITED STATES POLITICAL RESPONSE TO TI'S CPI

The relationship between the United States and Jamaica cannot be overstated. The United States is Jamaica's largest trading partner with annual two-way trade totaling \$1.9 billion in 2009. U.S. goods exports to Jamaica totaled \$1.4 billion.⁴⁰ Jamaica relies on the US for not only trade but also economic assistance. It is of particular importance to note the make-up of different policy advisory boards and whether Transparency International has a member as a board representative. This is particularly important, as it would address the argument as to whether or not TI influences policy developments. In the case of Jamaica, and or other developing countries, that rely on the US for trade, it is significant if TI as a NGO has a representative on a government board and what this might mean for policy decisions.

The Office of the United States Trade Representative⁴¹ (USTR) reiterates the known fact, "the United States is the world's largest economy and the largest exporter

⁴⁰ Office of the United States Trade Representative, "Ambassador Kirk Meets with Jamaican Ambassador Audrey Marks" <http://www.ustr.gov/about-us/press-office/blog/2010/july/ambassador-kirk-meets-jamaican-ambassador-audrey-marks> (accessed March 31, 2012).

⁴¹ The Office of the United States Trade Representative (USTR) is an agency of more than 200 committed professionals with decades of specialized experience in trade issues and regions of the world. Office of the United States Trade Representative, Executive Office of the President, "About Us" <http://www.ustr.gov/about-us> (accessed March 31, 2012).

and importer of goods and services.”⁴² Extrapolating further, “Trade is critical to America’s prosperity fueling economic growth, supporting good jobs at home, raising living standards and helping Americans provide for their families with affordable goods and services.”⁴³ Taking into consideration, the U.S. is the world’s largest trading nation, with “exports of goods and services of nearly \$1.6 trillion in 2009. For the first half of 2010, it was \$890 billion,”⁴⁴ it would be prudent of other countries, especially developing countries, to pay attention to the different organizations that forms board membership. “The Office of the USTR office negotiates “directly with foreign governments to create trade agreements, to resolve disputes, and to participate in global trade policy organizations. We also meet with governments, with business groups, with legislators and with public interest groups to gather input on trade issues and to discuss the President's trade policy positions.”⁴⁵

The Caribbean Basin Initiative (CBI) is a crucial area of trade relations with the US and the Caribbean. The trade programs known collectively as the CBI remain “vital elements in U.S. economic relations with our neighbors in Central America and in the Caribbean. The CBI is intended to facilitate the economic development and export diversification of the Caribbean Basin economies.”⁴⁶ Having stated the significance of

⁴²Office of the United States Trade Representative, “Benefits of Trade,” <http://www.ustr.gov/about-us/benefits-trade> (accessed March 31, 2012).

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ A brief background analysis on the CBI would surmise that it was initially launched in 1983, through the Caribbean Basin Economic Recovery Act (CBERA), and substantially expanded in 2000 through the U.S.-Caribbean Basin Trade Partnership Act (CBTPA), the CBI currently provides beneficiary countries with duty-free access to the U.S. market for most goods. Office of the United States Trade Representative, Executive Office of the President, “Caribbean Basin Initiative (CBI)”,

the trade relationship between the US and Jamaica and the region, it is prudent to assess the composition of policy boards and to ascertain whether TI matters in the policy development of Jamaica and the region.

The Trade and Environment Policy Advisory Committee (TEPAC) whose duties, functions and administrative provisions entail being “designated as the Trade and Environment Policy Advisory Committee.”⁴⁷ With a committee of such importance and its connections as it pertains to trade, it should be highlighted that Transparency International representative Nancy Zucker Boswell⁴⁸ is a member of this committee. Ms. Boswell serves on the Board of Directors of Transparency International (TI) and has been the Managing Director of the U.S. chapter, TI-USA, since its inception in 1994.⁴⁹ With this said, and the level of importance of the Office of the USTR, and referring to the duties and scope of the board it is indeed evidence that US government pays attention to

<http://www.ustr.gov/trade-topics/trade-development/preference-programs/caribbean-basin-initiative-cbi> (accessed March 31, 2012).

⁴⁷ Office of the United States Trade Representative, Executive Office of the President, “Trade and Environment Policy Advisory Committee (TEPAC),” <http://www.ustr.gov/about-us/intergovernmental-affairs/advisory-committees/trade-and-environment-policy-advisory-committ> (accessed March 31, 2012). The Committees’ objectives and the scope of its activity are as follows: The Committee will provide the U.S. Trade Representative with policy advice on issues involving trade and the environment. It is anticipated that the U.S. Trade Representative will share the advice received with other relevant agencies interested in the subject matter. The Committee shall at the conclusion of negotiations for each trade agreement referred to in Section 102 of the Act, provide to the President, to Congress, and to the U.S. Trade Representative a report on such agreement which shall include an advisory opinion on whether and to what extent the agreement promotes the interests of the United States.

⁴⁸ According to her Organization of American States biography, previously, Ms. Boswell practiced law at Steptoe & Johnson in Washington, D.C., where she focused on international legal and regulatory matters, including extraterritorial jurisdiction, export controls, and customs and trade disputes. She has also acted as director for congressional liaison at the American Association of University Women and was in the International Division at Citibank. Additionally, “Ms. Boswell is a member of the Executive Council of the Securities Law Committee of the Federal Bar Association and a member of the board of directors of PACT. She is also a director on the board of the International Senior Lawyers Project. Organization of American States, “Lecture Series of the Americas,” Nancy Zucker Bowell http://www.oas.org/catedra/english/bio_NANCY_ZUCKER.asp (accessed April 01, 2012).

⁴⁹ Organization of American States, “Lecture Series of the Americas,” Nancy Zucker Bowell http://www.oas.org/catedra/english/bio_NANCY_ZUCKER.asp (accessed April 01, 2012).

TI and it further indicates that TI is in the position to influence development policies for Jamaica and or other countries. While one board member cannot solely make a decision, the mere fact that a TI representative is on the board is clear that policymakers acknowledge and pay attention to the Global Civil Society on corruption—Transparency International.

Additional evidence to suggest that the US pays attention to TI's CPI is the *Annual International Narcotics Control Strategy Report* (INCSR) published yearly by the Department of State. The INCSR's annual reports refer to TI's CPI not only as it relates to the corruption score of Jamaica but it also cites TI's CPI in relations to other countries. With this said it could be argued that TI matters and developing countries like Jamaica should aim to at least improve the perceptions of corruption.

The Department of State's acknowledgement of TI's CPI is important as it indicates policymakers are paying attention to countries' CPI score but whether TI's CPI translates to affecting policymakers' decisions is yet to be determined. In 1999 with a CPI score of 3.8 and 50th rank, the INCSR notes "Transparency International and other organizations have reported that corruption is viewed as a grave problem in Jamaica; drug trafficking adds to the problem."⁵⁰ Again in 2001, the INCSR notes, corruption continues to undermine law enforcement and judicial efforts against drug-related crime in Jamaica.⁵¹ Subsequent yearly reports by the INCSR have cited efforts Jamaica has made

⁵⁰United States Department of State, *International Narcotics Control Strategy Report* 1999.

⁵¹ The 2001 INCSR assessed some of the legal provisions in Jamaica as it relates to corruption. "On May 1, 2001, the Government of Jamaica (GOJ) brought into force the Corruption Prevention Act and a bill strengthening the Parliament (Integrity of Members) Act. The Corruption Prevention Act defines acts of corruption by public servants, mandates asset declarations, and establishes a commission to investigate corruption charges. Implementing regulations, however, have not yet been drafted. In March 2001, the GOJ ratified the Inter-American Convention against Corruption and, in 2001, signed the consensus agreement on

to address corruption. The INCSR in its reports on Jamaica pays attention not only to TI's CPI but also what measures if any the government of Jamaica is taking to address the issue of corruption. Acknowledging corruption as a grave problem compounded by drug trafficking I will test assess whether Jamaica's CPI ranking correlates with the aid the country receives from the US. Hence I hypothesize: there is an inverse relationship between TI's CPI score of Jamaica and U.S. Department of State aid to Jamaica.

In assessing relevant analytical documents and third-party assessment of country performance and conditions in its Country Assistance Strategy 2010 - 2014 of Jamaica USAID cites TI's CPI, as it relates to Jamaica's corruption score, by stating "According to Transparency International's 2008 Corruption Perception Index (CPI), Jamaica's rank continues to fall, placing 96th out of 180 countries with a 3.1 score compared to 86th position in 2006."⁵² The report also points out that, "In highlighting the priority goals, Priority Goal 1 was listed as "increasing Peace and Security by Reducing Crime and Corruption."⁵³

establishing a mechanism to evaluate compliance with the Convention." United States Department of State, *INCSR*, 2001, p.40.

⁵² USAID, *Country Assistance Strategy 2010-2014*, (2009): 2.

⁵³In situating corruption and its effects within Jamaica's context the USAID report notes, In September 2007, the island's political landscape changed dramatically when Prime Minister (PM) Bruce Golding's Jamaica Labor Party (JLP) won national elections after 18 years in opposition. The Government of Jamaica (GOJ) is constrained by a lack of resources, anemic economic growth, high unemployment and inflation, and a debt-to-GDP ratio of 126%. Progress on debt repayment and modest budgetary efficiencies is stymied by recent recurrent natural disasters as well as catastrophic increases in global food and fuel prices. With over 1,400 murders committed since January 2008 (including 77 children), the high levels of violent crime compounded by deep and entrenched corruption also pose severe threats to stability in Jamaica. USAID, *Country Assistance Strategy 2010-2014*, (2009): 2-3.

Table 4.2. ODA from the US to Jamaica 1995-2011

Year	United States	CPI
1995	28.812	
1996	7.811	
1997	21.031	
1998	17.849	3.8
1999	23.662	3.8
2000	21.922	
2001	24.816	
2002	20.892	4
2003	22.859	3.8
2004	37.26	3.3
2005	34.369	3.6
2006	31.192	3.7
2007	32.042933	3.3
2008	19.333618	3.1
2009	24.406588	3
2010	33.608929	3.3

Source: OECD

Based on the Table 4.2 above it would appear that in 2004 Jamaica received, in terms of official development assistance (ODA) from the U.S. a significant increase from the previous year 22.86 in 2003 to 36.26 million. In 2003 Jamaica's CPI was 3.8 and 2004 it was 3.3.

In 2007 with a new party elected to government, and a party which campaigned heavily on reducing corruption, there were high hopes not just locally but also internationally for the Bruce Golding led administration.⁵⁴ The Country Assistance Strategy 2010 – 2014 using TI's CPI score as an indication of Jamaica's perceived corruption level, goes on further to argue "there is concern that as security is tightened in Mexico and Central America that narcotics traffickers will view the Caribbean as an

⁵⁴ Emphasizing that the new government "has appointed energetic reformers to key positions and placed critical champions of national integrity in important agencies. With the help of foreign experts and public opinion increasingly intolerant of high-level corruption, these reformers are beginning to use their legislative and statutory authority to act as change agents in a country long accustomed to "business as usual". USAID, *Country Assistance Strategy 2010-2014*, (2009): 1.

exploitable weak link in the drug and larger governance enforcement chain in the Americas.”⁵⁵ In making the connection and link between crime and corruption further, the report made reference to “efforts to clean up ghost employee and sub rosa procurement mechanisms have resulted in at least one well-publicized assassination.”⁵⁶ The report nonetheless did not name the official who was, in its terms, “assassinated”. The US is paying attention to TI’s CPI and Jamaica because of its key geographic location—and the potential role in the transshipment of drugs from South America. It would be in Jamaica’s interest to increase actively its efforts to reduce the perception of corruption within the country. Growth and maturity in any society is important.

State and society appear to be reaching a new tipping point: either they go forward with new energy not seen thus far or continue to tolerate the presence of rogue elements within the state, which will inevitably lead to criminal networks penetrating and weakening the justice system, government and the political process; a condition that could eventually lead to the demise of the state. (USAID 2009, 2)

In addressing how the government of Jamaica responds to corruption and crime, the Country Assistance Strategy highlights that this is “critical for Jamaica’s economic recovery.”⁵⁷ With no changes to the political status quo “a high proportion of economic activity will remain outside the formal sector.”⁵⁸ Poor social and economic issues are contributors to the high level of violent crime and increase the scope and vulnerability to transnational criminal activity. Thus increasing peace and security by reducing crime and

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Ibid., 2

⁵⁸ Ibid.

corruption work in the interest of both the US and Jamaica.⁵⁹ To which it has stated its commitment:

It will facilitate the capture, extradition, and prosecution of major criminals engaged in organized crime. Resources will be used to further institutionalize community policing within the Jamaica Constabulary Force and expedite its expansion island-wide. As part of community policing efforts, U.S. assistance will strengthen civil society's role in community transformation and in fostering partnerships with the police, with the ultimate goal of managing conflict and crime at the community level. (USAID 2010, 4)

USAID's reference to TI's CPI pertaining to its country assistance strategy for Jamaica adds support for the hypothesis that policymakers are paying attention to TI's CPI. It is also important to highlight that USAID is one of TI's longest benefactors. As TI's Annual Report indicates the USAID has been one of its earliest donors and a repeat donor. In fact, from the 1999 - 2011 report, the USAID has been an annual donor. The US acknowledges TI's yearly CPI and it is thus prudent that Jamaica and other countries, especially countries reliant on the US for aid, demonstrate that they are actively trying to improve the perceptions of corruption within their countries. While the US talks about the CPI for Jamaica and other countries, there is no evidence of absolute change as it regards the level of foreign aid from the US to Jamaica.

⁵⁹ The USAID *Country Assistance Strategy* 2010-2014 emphasized that the US assistance, through Narcotics Affairs Section (NAS), Immigration Customs Enforcement (ICE), Military Liaison Office (MLO) and United States Agency for International Development (USAID), will strengthen Jamaica's capability to fight domestic and transnational crime and corruption and counter terrorism by focusing on programs that build institutional capacity and support security sector within the ministry of National Security and the Jamaica Constabulary Force.

THE EUROPEAN UNION

The delegation of the European Union was first established in Jamaica in April 1976 as the European Commission but the Lisbon Treaty on 1st December 2009 led to a name change.⁶⁰ Amongst the areas of development the programs of the EU delegation to Jamaica are diverse and tailored to meet the priorities of the different countries. The assistance of the delegation is focused on key development issues such as “debt reduction, crime fighting, corruption, reform of the justice sector, human rights, migration and asylum, agricultural diversification, private sector development, infrastructure as well as social and rural development.”⁶¹

A partnership for over 35 years, the European Union highlights that it “is not only a key political and trade partner for Jamaica, but through its external cooperation programmes is also the country’s largest grant partner for development.”⁶² Jamaica and the EU’s relations is imbedded in several legal documents: the four Lome Conventions, first signed in Togo, Western Africa in 1975; the African, Caribbean Pacific ACP-EU partnership Agreement, signed in Cotonou, Benin, Western Africa on 23 June 2000; and the CARIFORUM-EU Economic Partnership Agreement EPA signed on October 15,

⁶⁰ The European Union is a key development partner in the Caribbean. Through its programmes, the EU assists not only the government of the respective territories but offers aid to non-governmental organizations and social upliftment entities. Paola Amadei, "Welcome, Delegation of the European Union to Jamaica, Belize, the Bahamas, Turks and Caicos Islands and Carman Islands" http://eeas.europa.eu/delegations/jamaica/about_us/welcome/index_en.htm (accessed March 25 2012).

⁶¹ Paola Amadei, "Welcome, Delegation of the European Union to Jamaica, Belize, the Bahamas, Turks and Caicos Islands and Carman Islands" http://eeas.europa.eu/delegations/jamaica/about_us/welcome/index_en.htm (accessed March 25 2012).

⁶² European Union, "Political & Economic Relations" (Delegation of the European Union to Jamaica, Belize, The Bahamas, Turks and Caicos Islands and Cayman Islands) http://eeas.europa.eu/delegations/jamaica/eu_jamaica/political_relations/index_en.htm (accessed March 25 2012).

2008.⁶³ These documents along with the Paris Declaration determine the disposition and substance of cooperation between Jamaica and the EU.

The EU cites corruption as one of the priorities areas regarding Jamaica, with TI's CPI being the leading corruption watchdog group. Therefore, if the EU pays attention to TI's CPI it is within Jamaica's interest to improve its score. Bilateral trade between Jamaica and the EU has not been consistent. According to the EU's mission to the Jamaica, "the value of trade in goods between Jamaica and the EU has seen a decline between 2005 and 2009 with the exception of 2008."⁶⁴ Adding that,

In terms of total import of goods to the EU Jamaica ranked 110 in 2009, as an export partner the equivalent number was 130. The value of trade in goods between EU and Jamaica amounted to €396 in 2009 down from €862 million in 2008. Whereas the value of Jamaican goods export to the EU grew from €470 in 2006 to €576 2008 million subsequently declining to €206 in 2009, goods imports from the EU to Jamaica have declined from €407 million in 2005 to €190 million in 2009.⁶⁵

TI's CPI for Jamaica from the period 2005 to 2010 showed a .1 point improvement between 2005 and 2006. A significant decline the next two years and modest improvement in 2010 CPI score. This pattern on TI's CPI score also reflects a pattern in the value of trade in goods between Jamaica and the EU. While there is a correlation with the trends in decline in the value of trade in goods between Jamaican and the EU in the said period it might not necessarily be solely attributed to TI's CPI, if anything it can be argued that TI's CPI correlates with the decline in trade with Jamaica. While corruption within across affects its market ability and in many cases it slows the wheel of the

⁶³Ibid.

⁶⁴European Union, "Bilateral Trade"
http://eeas.europa.eu/delegations/jamaica/eu_jamaica/trade_relation/bilateral_trade/index_en.htm (accessed March 25 2012).

⁶⁵Ibid.

development, the decline in goods and trade also coincide with the global slowdown in world and Europe's economies.

The EU's delegation to Jamaica indicates that it is focused on key development issues of which corruption is highlighted among the indicated areas. There is no indication however, that the EU pays attention to TI's CPI as it relates to Jamaica's ranking. But it behooves a country such as Jamaica, who relies on aid and solicit foreign direct investments to take the necessary steps to improve its CPI score.

THE CHINESE GOVERNMENT

China's political differences can be considered as a factor as to why China differs from western donors, in that, there is no expressed statement concerning political and or economic policies of the countries the Chinese government invest in. The Chinese government in the last decade or so has been heavily investing in Jamaica. Jamaica is China's biggest trading partner amongst English-speaking Caribbean countries. The major products China imports from Jamaica are cane sugar and bauxite.⁶⁶ The major products China exports to Jamaica are textiles, clothing and light industrial products.

According to statistics of China General Administration of Customs, bilateral trade volume in 2004 totaled US\$395.98 million, a 90.8% increase compared with the previous year. The Chinese export volume accounted for US\$126.13 million, a 23.6% increase as compared with the previous year; and the Chinese import volume was US\$269.85 million, a 155.9% increase as compared with the previous year. (Embassy of the People's Republic of China to Jamaica)

Over the last decade especially, China's level of investment in Jamaica has increased significantly. The level of bilateral aid with China and Jamaica and the

⁶⁶Embassy of the People's Republic of China to Jamaica. "Bilateral Economic and Trade Relations, Economic and Technical Cooperation," <http://jm.china-embassy.org/eng/zygx/jmhzt211230.htm> (accessed March 20, 2012).

subsequent lack of transparency in many instances have led to cause for concern. The Jamaica Development Infrastructure Programme (JDIP)⁶⁷, created in 2010 is of importance. JDIP has been fraught with controversy from the onset. Many assertions of corruption have been levied at the agency. “JDIP is the result of an innovative partnership between the GOJ and Government of China and is singly the largest, most comprehensive infrastructural programme to be implemented in Jamaica.”⁶⁸

There is no evidence to suggest that China pays attention to TI’s CPI in dealing with Jamaica. China has been criticized by a lot of scholars and policymakers for not taking corruption and human rights issues seriously when investing and or dealing with developing economies. But it comes as no surprise that the Chinese government did not mention TI’s CPI and or corruption. Neither is there any indication that it would have an impact on China’s policymakers’ relations with Jamaica as China, generally does not pay attention to indexes regarding human rights and corruption ranking per se. China, ranked as a low-income country, but with a steady and growing economy and internal development within the country, continues to establish new external relationships to source raw materials amongst other goods. Therefore, in addition to no evidence of the Chinese Government paying attention to TI’s CPI, there is no mention of corruption being a factor in affecting development policies between Jamaica and China.

⁶⁷ The Jamaica Development Infrastructure Programme (JDIP) represents a major undertaking by the Government of Jamaica (GOJ) to significantly improve the island’s road network in order to enhance the quality of life of the citizens of Jamaica, and to stimulate economic development. Jamaica Development Infrastructure Programme <http://www.nwa.gov.jm/content/jdip.aspx> (accessed March 20, 2012).

⁶⁸ Ibid.

United Nations Office On Drugs And Crime (UNODC)

In its resolution 55/61 of 4 December 2000, the UN General Assembly recognized that an effective international legal instrument against corruption, independent of the United Nations Convention against Transnational Organized Crime (resolution 55/25, annex I) was desirable and the UN decided to establish an ad hoc committee for the negotiation of such an instrument in Vienna at the headquarters of the United Nations Office on Drugs and Crime. Jamaica became a signature to the UN Convention against Corruption on 16 September 2005 and ratified it on 5 March 2008. The UNODC⁶⁹ has launched a number of initiatives to deal with the issue of corruption and reduce its aggravating effects and acknowledges that corruption is a complex social, political and economic phenomenon that affects all countries. Furthermore,

Corruption undermines democratic institutions, slows economic development and contributes to governmental instability. Corruption attacks the foundation of democratic institutions by distorting electoral processes, perverting the rule of law and creating bureaucratic quagmires whose only reason for existing is the soliciting of bribes. Economic development is stunted because foreign direct investment is discouraged and small businesses within the country often find it impossible to overcome the ‘start-up costs’ required because of corruption. (UNODC 2008)

But ascertaining whether TI’s CPI impacts development policies of the UNODC is yet to be deciphered. From my research, as it relates to TI’s CPI, I have observed that the UNODC, on its “awareness-raising and outreach” page, lists Transparency International as one of the international organizations against corruption.⁷⁰

⁶⁹ UNODC, “UNODC’s Action against Corruption and Economic Crime” <http://www.unodc.org/unodc/en/corruption/index.html?ref=menuaside> (accessed March 12, 2012).

⁷⁰ For information on other international organizations cited by the UNODC please see “Anti-Corruption Links”, <http://www.unodc.org/yournocounts/en/resources/index.html> (accessed March 12, 2012).

Subsequently the UNODC refers to TI's CPI scores in its *Trafficking in Persons Global Patterns*, April 2006 report⁷¹ as it relates to the profile of countries. The UNODC bestow attention to TI's CPI, in that TI's CPI was the authority referred to pertaining to different countries corruption scores. While there is no outright development policy stated as it relates to Jamaica in the said report there is analysis provided for other countries and how the policies instituted enabled a particular country to improve its CPI score.

The UNODC, in its 2007 Annual Report, referred to the case of Nigeria in which it was implementing a project funded by the European Commission to combat corruption. In Nigeria's case the UNODC notes that it is implementing a project funded by the European Commission to combat corruption in Nigeria and recover assets stolen from the country by supporting the Economic and Financial Crimes Commission (EFCC).

Since the inception of the EFCC in 2004, the Commission has prosecuted more than 400 cases; recovered or restrained assets valued at more than \$5 billion and helped Nigeria reach the 147th position in Transparency International's Corruption Perception Index from last in 2003 and third to last in 2005.(UNODC, *Annual Report*, (2008): 44)

This example of Nigeria is evidence that the UNODC gives credence to TI's CPI and how its policies were formulated to assist Nigeria reform in some instances and to at least improve its CPI score.

Another instance of the UNODC paying attention to TI, one could extrapolate on the following example and illustrate that TI matters. The UNODC, along with the United Nations Office for Internal Oversight Service, the Asian Development Bank and

⁷¹ The appendices to the report, "Trafficking in Persons: Global Patterns". The United Nations Office for Drugs and Crime, (April 2006): 132.
http://www.unodc.org/pdf/crime/trafficking_persons_report_2006-04_appendices.pdf (accessed March 15, 2012).

Transparency International jointly organized The Seventh Meeting of the International Group for Anti-Corruption Coordination (IGAC) in Bangkok, Thailand on 21-22 April 2005. Chief among the meetings' aims was to discuss ways and means to prevent and detect fraud and corruption in disaster and emergency relief operations. Amongst the recommendations coming out of the meeting were Recommendation 12: under the section *United Nations Convention against Corruption* notes: "UNODC, UNDP, UNDESA, UNICRI and TI to explore and report to next IGAC meeting on ways to coordinate and enhance technical assistance in relation to ratification and implementation of UNCAC, including effective review mechanisms."⁷² This case shows that TI plays a role in development policies and being the leading civil society group on corruption TI's involvement in the development and reconstruction policies showed that as a civil society group TI matters.

Another key area in which TI seemed to matter was in the corruption prevention in the tsunami relief. TI as being the leading organization on corruption its input is not only taken into consideration by development policymakers, but also, TI was a joint coordinator of the workshop on reconstruction policies for Indonesia after the tsunami. This is especially significant; hence Jamaica and other developing countries should pay attention to TI's position and influence. In the aftermath of such a natural tragedy TI, because of its prestige on corruption, was a part of the policy recommendation efforts in the reconstruction development policies of Indonesia. Following one of the most tragic natural disasters in the 21st century, the Tsunami, TI had a role in the development policies being crafted. Point 14 of the report states:

⁷² UNODC and Asian Development Bank, "Report on the Seventh Meeting of the International Group for Anti-Corruption Coordination (IGAC)" (Bangkok, Thailand April, 2005): 15-16. http://www.unodc.org/pdf/corruption/7th_interagency_meeting.pdf (accessed March 28, 2012).

Mr. Peter Rooke of Transparency international (TI) and Mr. Patrick Moulette (OECD) informed participants about the outcomes of the Expert Meeting on Corruption Prevention in Tsunami Relief, held on 7-8 April 2005 in Jakarta, Indonesia (Annex 3). The workshop, which was jointly organized by the ADB/OECD Anticorruption Initiative and TI, was designed to bring together affected Governments, nongovernmental organizations, the private sector, donors and international governmental organizations with a view to designing general principles for action to ensure that aid delivery and reconstruction efforts are not tainted by corruption. (UNODC and Asian Development Bank Report 2005, 6)

The above-mentioned report reiterates with the statement;

Humanitarian relief and reconstruction following natural disasters is particularly vulnerable to corruption. Sudden flows of large amounts of money, goods, and services, pressure to deliver aid quickly, as well as the substantial economic opportunities that arise from large-scale reconstruction, all contribute to increasing the risk of corruption, waste and mismanagement. (UNODC and Asian Development Bank Report 2005, 26)

It is evident that TI matters and it plays a role in development policies in some instance.

The framework for action embraced some key measures that main stakeholders should take to assist affected countries in humanitarian relief and reconstruction efforts.⁷³ With TI being a joint organizer and participant in the policies, this tragic incident should be a signal to developing countries to pay closer attention to TI's CPI as policymakers are paying attention to TI.

Given the scale and scope of the relief and reconstruction required following the Indian Ocean Tsunami of 26 December 2004, the Asian Development Bank (ABD), the Organisation for Economic Co-operation and Development (OECD), Transparency International (TI) and the Indonesian Government jointly hosted a two-day meeting on preventing corruption in tsunami relief. (UNODC and Asian Development Bank Report 2005, 26)

It is particularly important that Jamaica, not only because it is a developing country, pays attention to TI's CPI, but also it is prudent as Jamaica is prone to natural disasters and

⁷³ The meeting, held in Jakarta on 7-8 April 2005, was attended by representatives of six tsunami affected countries (India, Indonesia, Malaysia, Maldives, Sri Lanka and Thailand), bilateral and international donor organizations and civil society, who discussed risks of misuse of funds and identified concrete ways to mitigate these risks.

relies heavily on the international community for aid relief whenever hurricanes and or heavy flooding occurs. Hence, in the event of an unfortunate episode such as the tsunami were to befall Jamaica and based on past experience with TI being a key player in the corruption prevention in the tsunami relief efforts in Indonesia, it is highly likely that TI would play a role in the reconstruction and development policies of Jamaica. Emerging out of the report, “ADB, OECD and TI were considering the development of a set of operational guidelines that can be used for planning, tracking, monitoring and evaluating aid flows with a view to preventing corruption in humanitarian relief and reconstruction.”⁷⁴ This is further evidence that policymakers pay attention to TI. Consequently, given the role of TI along with key and influential development policymakers such as OECD, ADB, World Bank and all the other players⁷⁵ who were at the jointly organized meeting, it behooves countries like Jamaica to pay closer attention to TI’s CPI and how, in the future, TI might influence development policies in the event that such tragedy were to occur in Jamaica.

International Narcotics Control Board

The International Narcotics Control Board has expressed its deep concerns about the many ways in which the illicit drug trade is facilitated by violence and corruption. In addressing how widespread corruption is the report of the INCB acknowledges that “Corruption is secretive; the persons affected by corruption may be unaware that they

⁷⁴ United Nations. International Narcotics Control Board 2010 Report, http://www.unodc.org/documents/eastasiaandpacific/Publications/2011/INCB_2010_Report.pdf p 1 (accessed March 28, 2012).

⁷⁵ See appendix I for a list of all the participants in the meeting.

have been victimized. For that reason, the problem is extremely hard to quantify. It has been argued that it is not possible to accurately measure the prevalence of corruption, as most methods used to measure it are inherently flawed.”⁷⁶ In its comments on drugs and corruption The International Narcotics Control Board 2010 Report reaffirms,

Nothing has a more debilitating effect on efforts to curtail the illicit drug trade than the successful attempts of criminal organizations to intimidate and corrupt public officials. Nothing undermines international drug control efforts as much as the numerous cases of corrupt officials who facilitate or participate in drug trafficking. Yet violence and corruption are integral parts of illicit drug markets. (United Nations, *International Narcotics Control Board 2010 Report*, 1)

The report highlights that surveys are often used to measure or estimate the prevalence corruption based on the experiences and/or perceptions of respondents. It also emphasized,

Those indicators are often aggregated into composite indices, such as the annual Corruption Perceptions Index, published by Transparency International, the World Bank’s governance indicators, which also measure the ability of countries to control corruption, and the indices prepared by the World Economic Forum to identify obstacles to business. (United Nations, *International Narcotics Control Board 2010 Report*, 4)

TI’s CPI is acknowledged as a tool for assessing corruption. As it relates to Jamaica and more broadly, Central America and the Caribbean, the report of INCB states, “despite the considerable efforts made by governments in the region, the drug problem facing Central America and the Caribbean has been exacerbated by endemic corruption, widespread poverty and high unemployment.”⁷⁷ The intricate links between corruption, poverty, unemployment and high crime rates, and drug-related violence as debilitating factors in the development of many developing cannot be overlooked. The report of the INCB highlights,

⁷⁶ Ibid., 4.

⁷⁷ Ibid, 56.

It is estimated that the street value of all drugs transiting through the Caribbean alone exceeds that of the legal economy. Proceeds of drug trafficking have been used to bribe public officials, increasing corruption within government, law enforcement agencies and the judiciary and further undermining already weak institutions. (United Nations *International Narcotics Control Board 2010 Report*, 56)

To date, probably Jamaica's biggest incident of the impact of drug-related crime is the apprehension of Mr. Christopher Coke in 2010. As the INCB report states,

Jamaica has also been affected by significant drug-related violence. In the summer of 2010, a police operation aimed at arresting the alleged head of a drug trafficking ring led to a stand-off between heavily armed gang members and police. The gravity of the ensuing violence, which caused over 70 deaths, prompted the Government of Jamaica to declare a state of emergency in Kingston and mobilize the largest contingent of armed forces in the history of the country. The suspect was eventually arrested by police and extradited to the United States to face drug trafficking charges. (United Nations *International Narcotics Control Board 2010 Report*, 56)

The INCB report also reiterates similar points highlighted by the US Department of State Annual International Narcotics Control Strategy Report 1999-2011. Both use TI's CPI as the source for corruption rating of Jamaica and other countries. The effects of the INCB 2010 report as it regards TI's CPI and policymakers' decisions regarding Jamaica show that TI's CPI is used to assess countries corruption score.

Conclusions

The world's political responses to TI's CPI show that policymakers give credence to TI. Governments and international institutions cite the index. Nonetheless, while TI is referred to as the authority on corruption perceptions, there is a lack of evidence to prove whether or not acknowledgment of the CPI actually leads to changes in policies with relations to Jamaica. The political responses to TI's CPI seemed to have moved from lip service to policies in the tsunami relief efforts and also the case of Nigeria where TI's

recommendations were implemented as policies. The Department of State's International Narcotics Control Strategy report, along with the USAID Country Assistance Strategy gives credence to TI. USAID, over an extended period, is also another major donor to TI, which suggests that they pay attention to TI.

TI's representative, Deborah Hardoon position on whether international aid donors should pay attention to TI's CPI when donating to developing countries is significant. As Hardoon notes,

The CPI is a relative index, that is, it compares perceptions of corruption in each country relative to the other countries scored and ranked. *It can be a powerful general indication of the extent of the problem in developing countries.* It draws attention to the fact that aid donors should consider the governance issues throughout the supply chain of aid, the CPI effectively highlights countries where corruption risks may be particularly high and therefore where further risk assessment and analysis would be necessary. (*Emphasis added* Hardoon, 2011)

This developing countries need to pay attention to. Hardoon argues further that, "as the CPI does not measure absolute levels of corruption, it should not be used as a benchmark to decide whether or not a particular country should receive aid."⁷⁸ Another point which Hardoon illustrates that which domestic and international policymakers needs to pay attention to is that,

It (the CPI) also cannot be used to identify exactly where the corruption risks for development assistance are and where anti-corruption efforts should be targeted." For this a much more in depth analysis is needed and for this you need tools other than the CPI. Transparency International conduct public opinion surveys, the Global Corruption Barometer, which amongst other things asks the general public to which institutions they have paid bribes in the past 12 months, and National Integrity Systems (NIS) assessments go into even more qualitative detail in terms of the integrity mechanisms in a country's institutions. *So yes, international aid donors should pay attention to the CPI,* but as a trigger to investigating the particular in country corruption dynamics in more detail, rather than as a stand-alone diagnosis on which to act. (*Emphasis added* Hardoon, 2011)

⁷⁸ Deborah Hardoon, Senior Research Coordinator, Transparency International, email to the author, March 13, 2012.

Subsequently, the political responses to TI's CPI indicate that in this case the global civil society group matters. The EU highlights corruption as a priority area in Jamaica's development but there is no direct evidence that the European Commission pays attention to TI's CPI rating of Jamaica. But it can possibly be deduced that the EU rely upon TI, as the European Commission is one of the most generous donors to TI. The International Narcotics Board 2010 report⁷⁹ refers to TI's CPI. It also makes the important linkage between corruption and other crimes. Intimidation and corruption are the most effective tools used by organized criminal groups to counter the drug control efforts of law enforcement agencies. They are two sides of the same coin.

Corruption, whether it is curbing and or eliminating it, is not an easy task for policymakers. Hence, the Managing Director of the World Bank, Bangkok, Thailand recognition that "The Bank and the development community more generally, still have a lot to learn in this area,"⁸⁰ is prudent. Consequently, in looking ahead, the commitment that, "we will continue to investigate more systematically what works when and under what conditions to enable us to better design and implement such interventions."⁸¹ In addition, the challenge postulated offers resounding news for civil society groups such as

⁷⁹ An organized criminal group can purchase the complicity of a public official just as easily as it can pay for his or her assassination. The intimidation or corruption of public officials is ultimately what empowers criminal organizations, often placing the organizations beyond the reach of the law. Corruption is a pernicious phenomenon that has a deep and detrimental effect on people, societies and social institutions. It is frequently responsible for the disappointing results (or outright failure) of drug control efforts.

⁸⁰ Sri MulyaniIndrawati, "Remarks for Opening Plenary of the 14th International Anti-Corruption Conference," November 2010, <http://go.worldbank.org/3S2S7396J0> (accessed March 15, 2012).

⁸¹ Ibid

TI to continue its concerted efforts to fight corruption and demands for transparency and accountability. To which the World Bank's Managing Director extrapolate:

On this note, I would like to offer a challenge to my civil society friends. Help us. Bring us practical solutions. Not to have a victory against corruption, but to find the next steps to solve some of the difficult problems we all face. And I don't just mean in prevention – though prevention is important. But prevention must be additional to enforcement. (Indrawati, 2010)

Overall, having assessed the world's political responses to TI's CPI, it is clear that political policymakers are aware of the CPI, they refer to it and to some degree the CPI is used as the authority when referring to countries corruption perceptions. However, while the rhetoric about the importance of CPI is high, there is not really much concrete evidence that it matters. Political policymakers considers it, but the evidence to show that yes, policymakers penalize Jamaica per se because its CPI is not favorable, the evidence did not show that.

Having assessed the world's political responses to TI's CPI here, the following chapter will assess the economic responses and measure whether the CPI has any economic effects. Hence what is the correlation between the CPI and Jamaica's bond rating; additionally, Jamaica's Standard and Poor's credit rating? Does the publication of the index lead to a reaction from the S&P? On the other hand does the CPI correlate with existing economic trends rather than causing an effects?

CHAPTER V

WORLD'S ECONOMIC RESPONSES

The World Bank calls corruption “the single greatest obstacle to economic and social development. It undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends.”¹ The economics literature as well as popular press has begun to focus on the central role of corruption in economic development and financial market performance. Corruption has been shown to be associated with less foreign direct investment,² lower levels of investment and growth³ lower stock values,⁴ and the overall decline in some productive sectors of local economies. Other studies have analyzed the consequences or causes of corruption in a cross section of countries.⁵

One of the aims of businesses is to secure investments. However, adding corrupt rent-seeking bureaucrats may not be effective in securing the political conditions; investors would simply prefer a non-corrupt environment in which to invest. With this said, and since TI's CPI is the most noted corruption index, estimating the impact of the

¹World Bank, “Fraud & Corruption: What is the World Bank doing to fight corruption?” <http://go.worldbank.org/JF938Z5CU0>(accessed March 12, 2012).

² Shang-Jin Wei, “How Taxing is Corruption on International Investors?” *Review of Economics and Statistics*.82, no.1, (2000): 1.

³ Paolo Mauro, “Corruption and Growth,” *Quarterly Journal of Economics*, 110 (1995): 681.

⁴Charles M.C. Lee and David T. Ng. “Corruption and International Valuation: Does Virtue Pay?” Cornell University, Working Paper, Nov., (2002).

⁵ See Mauro, 1995; also Alberto Ades and Rafael di Tella. “The Causes and Consequences of Corruption: A Review of Recent Empirical Contributions.” *IDS Bulletin*, 27, no. 2 (1996): 6-11; and Daniel Kaufmann and Shang-Jin Wei. “Does ‘Grease Money’ Speed up the Wheels of Commerce?” *NBER Working Paper*, no. 7093 (1999).

world's economic responses to TI's CPI is important. Therefore, there is yet to be a study to assess whether TI's CPI affects the market. Do investors and policymakers react to TI's CPI when it is published yearly? If so, what impact does the CPI have, if any, on the behavior of economic policymakers? In order to determine the world's economic responses to TI's CPI the following will be examined. 1). Does an increase in TI's CPI ranking correlate with less foreign direct investment to Jamaica? 2). Does the publication of TI's CPI impact the credit rating of Jamaica on Standard & Poor's credit weekly one to two weeks before and or after the release of the CPI? 3). Does an increase in TI's CPI ranking correlate with an increase in Jamaica's market bond spread? 4). Does the publication of TI's CPI affect the exchange rate of the Jamaican dollar?

In many instances, corruption negatively affects businesses in a number of ways. Assessing from the investment perspective, corruption converts into high transaction costs for the business.⁶ This ultimately reduces investors' competitiveness within the host country. The extra payment that corruption adds to business transactions creates an unfriendly atmosphere for investors to operate in. this has the potential to affect performance, and as Richard Jerram note, "performance has diverged sharply over the past few years, in line with the divergence of corruption perceptions."⁷ Furthermore, "academic research generally fails to show a link between economic growth and equity market performance; hence the corruption perception index might offer the missing

⁶ John Hongxin Zhao, Seung H. Kim and Jainjun Du, "The impact of corruption and transparency on foreign direct investment: An Empirical Analysis," *Management International Review*, 43, no. 1, (2003): 42.

⁷ For more see Richard Jerram, Chief Economist, Bank of Singapore, "Economics Research Honesty, Growth and Markets," 13 February 2012, Bank of Singapore. The Bank of Singapore was voted Outstanding Private Bank—Asia Pacific 2011 by Private Banker International. Additionally, a subsidiary of OCBC Bank voted World's Strongest Bank 2011-2012 by Bloomberg Markets.

ingredient.”⁸ Adding that, “The general literature shows corporate governance is worse under corrupt governments and firms from more corrupt countries trade at lower market multiples (such as price-to-earnings or price-to-book).”⁹ This is because higher corruption results in lower expected cash flows. This adds to Mauro’s work, which demonstrated through empirical evidence that high levels of corruption are associated with lower levels of investment and GDP. Corruption may be interpreted to act as a tax, which correspondingly reduces incentives to invest.¹⁰

There are a few fundamental statistical issues with this chapter. The number of observations is relatively few and this increases the chance of type II error. TI only started publishing the CPI in 1995; Jamaica first appeared on the index in 1998 and for the years 2000 and 2001 there was no ranking. In addition to the increased likelihood of type II error because of the limited number of observations it also makes it difficult to potentially control for competing factors. With this said correlation analysis instead of regression analysis is used. With regression analysis and fewer observations there is a greater risk of using variables, which would be measuring the same factors. Correlation is preferable to regression analysis because correlation analysis makes no *a priori* assumption as to whether one variable is dependent on the other and it is not concerned with the relationship between the variables. It gives an estimate as to the degree of association between the variables. On the other hand, regression analysis attempts to describe the dependence of a variable on one or more explanatory variables. The

⁸ Ibid

⁹ Ibid

¹⁰ Paolo Mauro. “The Effects of Corruption on Growth, Investment, and Government Expenditure,” *IMF Working Paper*, September, (1996): 17.

assumption that there is a one way casual effect from the explanatory variable(s) to the response variable, regardless of whether the path of effect is direct or indirect. The few observations might lead to some deficiencies of the data.

FOREIGN DIRECT INVESTMENTS

The determinants and motivations of foreign direct investments (FDI) inflows into a country often vary. But quite often it is related to growth and development of an economy, the ability to make a profit on an investment and other factors associated with potential new markets. Thus a competitive advantage within the global marketplace is important. Corruption, it is often said, increases the cost of doing business. Therefore, since TI's CPI is the most widely used corruption ranking index, ascertaining the relationship between TI's CPI and FDI to Jamaica to assess whether there is a correlation with TI's CPI.

According to World Development Indicators (WDI) estimates, the net inflows of FDI to Jamaica over the period of 1995-2011 have been close to USD 9 billion dollars (8,949,081,680).¹¹ Nonetheless, in a globally competitive environment there are a number of factors, which might prove advantageous to one country's economy compared to another. Since corruption is said to increase the cost of business—my expectations are that when Jamaica's CPI increases it becomes less attractive to foreign investors and thus there should be a lagged effect in terms of FDI the following year. As Habib and Zurawicki elaborate, “understanding the role of corruption on FDI is important since

¹¹Calculated from World Development Indicators & Global Development Finance

corruption produces bottlenecks, heightens uncertainty, and raises costs.”¹² FDI inflows can contribute to economic development. It can also boost domestic investment, and add to investible resources and capital formation. Another factor of why FDI is important for developing countries is that it also leads to transferring production technology, innovative capacity, and organizational and managerial practices between locations.

H_0 : A change in TI’s CPI of Jamaica correlates with changes in Foreign Direct Investment in the following year.

Probably the best way to determine if the CPI has any impact would be to examine the effects the year after the CPI is published. In that, give or take a few months, the year later would be a better measure than the current year in affecting investors’ decisions. However Table 5.1. shows that the Pearson’s r of $-.041$ is not statistically significant, ($p = .904$). One of the issues with this findings is the very small number of observations $n = 12$.

Table 5.1 Correlations between CPI and FDI, net inflows (% of GDP)

		Correlations	
		CPI Score	Foreign direct investment, net inflows (% of GDP)
CPI Score	Pearson Correlation	1	-.041
	Sig. (2-tailed)		.904
	N	12	11
Foreign direct investment, net inflows (% of GDP)	Pearson Correlation	-.041	1
	Sig. (2-tailed)	.904	

¹²Mohsin Habib and Leon Zurawicki, “Corruption and foreign direct investment,” *Journal of International Business Studies*, 33, no. 2, (2002): 295.

Additionally, with this small number of observations, the statistical tests have large standard errors as shown in Table 5.2 below. The limited number of observations can possibly lead to a type II error, as in; to find no effects when in fact there might be some. Another issue with this test is that due to the relatively small number of observations there is the increased possibility that it misrepresents the relationship. In that, a higher score on TI's CPI implies less corruption, and a negative correlation would indicate less corruption reduces FDI inflows.

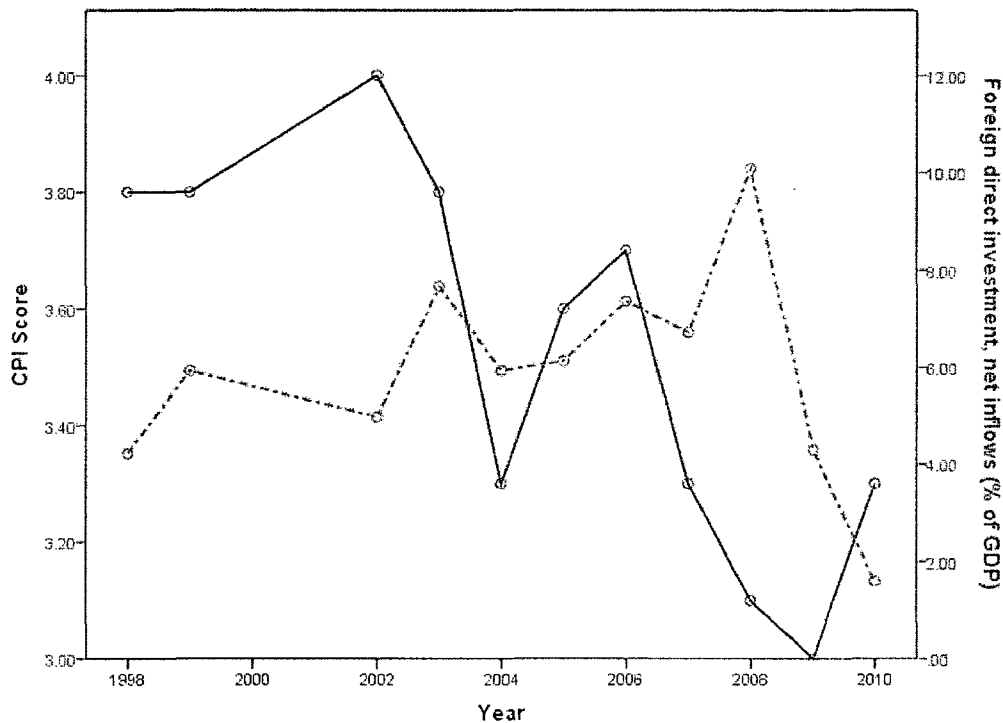
Table 5.2 CPI and FDI Standard Error

	Descriptive Statistics				
	N	Mean	Std. Deviation	Variance	
	Statistic	Statistic	Std. Error	Statistic	Statistic
CPI Score	12	3.5000	.09293	.32193	.104
Foreign direct investment, net inflows (BoP, current US\$)	16	559317604.982	82002268.73787	328009074.9514	107589953250521968.000
Valid N (listwise)	12	2		7	

Additionally, Figure 5.1 below demonstrates that there is no significant correlation between CPI score and FDI. Hence, there is a possibility that Jamaica has the capacity to attract FDI whether or not it has a favorable CPI score. The higher the CPI score indicates a lower perception of corruption in the country. On TI's CPI 1 to 10 with ten indicating less corruption perceptions and one signifying high levels of corruption perceptions. Jamaica's FDI changed over the years but the net inflow of FDI is not significantly correlated with the country's CPI score thus indicating that potentially other

factors drive investors to invest in Jamaica. Noting especially that in spite of declining CPI scores, particularly over the period 2004 to 2009 with improvements in 2006, the FDI net flow % of GDP saw increases during the period despite the drastic fall in 2009 and 2010.

Figure 5.1 Jamaica's CPI score and FDI, net inflows (% of GDP 1995-2011)



In 2007 Jamaica's CPI was 3.3 and ranked 84th in the world. But the FDI as a % of GDP to Jamaica in the following year, 10.08%, was the highest over the period of focus for this study. There are a number of possible analyses that can be used to explain this significant change in FDI into Jamaica. The changes in the global economic market, competitiveness of the country to other economies, and or the change in political leadership in the September 2007 general election might provide some context to the change. A change in political leadership quite often has the possibility to influence

confidence in a market. The September 2007 election was important, in that, “the island’s political landscape changed dramatically when Prime Minister (PM) Bruce Golding’s Jamaica Labor Party (JLP) won national elections after 18 years in opposition.”¹³

The perceptions of change in domestic politics might have been a casual factor in impacting investors’ decisions. The previous government, the PNP, in addition to being in power for 18.5 years, was rocked by numerous corruption scandals. There were general sentiments that change was needed and the Bruce Golding led JLP campaigned strongly on corruption reform, attracting foreign investment and cutting the bureaucratic processes and making the country more attractive to foreign investors. Hence the perceived impending improvement in business conditions from the newly elected government could have boosted investment and helped to put Jamaica on a stronger growth path. As the USAID “Jamaica Country Assistance Strategy 2010-2014” notes,

The new government has appointed energetic reformers to key positions and placed critical champions of national integrity in important agencies. With the help of foreign experts and public opinion increasingly intolerant of high-level corruption, these reformers are beginning to use their legislative and statutory authority to act as change agents in a country long accustomed to ‘business as usual’.¹⁴

The changes in CPI scores do not correlate with the level of FDI into Jamaica. This suggests that the CPI might not be impacting an investor’s decision to invest in Jamaica. But due to the limited observations, which lead to statistical issues, the no correlation between CPI score and FDI net inflows, the standard errors makes it unlikely to find significant effects.

¹³USAID, “Jamaica Country Assistance Strategy 2010-2014,” (2009), 1.

¹⁴ Ibid

CREDIT RATING—STANDARD & POOR’S

“In today’s financial marketplace, information moves fast. Those who fail to do their homework may not realize their full investment potential.”¹⁵ Credit risk analysis provides a valuable business tool. It informs investors and the markets alike. As Standard & Poor’s¹⁶ boasts “Behind every sound investment lies careful analysis.”¹⁷ Ideally an ‘AAA’ rating is the best a country could score. The AAA ratings indicate the obligor’s capacity to meet its financial commitment on the obligation is extremely strong. Obligations rated ‘BB’, ‘B’, ‘CCC’ and ‘C’ are regarded as having significant speculative characteristics. ‘BB’ indicates the least degree of speculation and ‘C’ the highest.¹⁸

Additionally, for short term issue credit ratings ‘A-1’ the obligor’s capacity to meet its financial commitment on the obligation; ‘B’ is regarded as having speculative characteristics; ‘C’ is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions; and ‘D’ which indicate the short-term obligation rated ‘D’ is in payment default.¹⁹ As it relates to outlook assessments,

¹⁵Standard & Poor’s “Rating Research” Standard & Poor’s *CreditWeek* Issue.

¹⁶A Standard & Poor’s credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium term note programs and commercial papers programs). For more reading see any Standard & Poor’s *CreditWeek* Issue, “Issue Credit Rating Definitions.”

¹⁷ For more see Standard & Poor’s Rating Definitions, Issue credit ratings are based, in varying degrees, on conditions such as: 1. Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of its obligations; 2. Nature of and provisions of the obligation; 3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors’ rights.

¹⁸For a more detailed analysis on the ratings definitions please see any issue of S&P *CreditWeek* particularly sections “Issue Credit Ratings Definitions” and “Issuer Credit Rating Definitions”

¹⁹Ibid.

positive denotes that a rating may be raised; negative signifies that a rating may be lowered; stable symbolizes that a rating is not likely to change; developing indicates a rating may be raised or lowered and N.M. represents not meaningful.²⁰

On 9th November 1999, for the first time, Standard & Poor's assigned long-term local and foreign currency sovereign credit ratings to Jamaica. Standard & Poor's also assigned a foreign currency senior unsecured debt rating to the country. As the S&P explains,

The higher local currency rating is based on the sovereign's powers of taxation and control over its financial system, in addition to Jamaica's progress in reducing inflation and its track record of managing the maturity structure of domestic debt. Inflation likely will average 6% in 1999, while the five-year average maturity of the general government's local currency debt compares quite favorably with the debt structure of similarly rated sovereigns. (S&P, *CreditWeek*, (Nov., 17, 1999): 84)

For the first year on the S&P Jamaica's credit ratings were: "local currency B+/Stable, foreign currency: B/Stable."²¹ Amongst the factors given for this rating were: "a very high public sector debt, 'high fiscal imbalances', 'a challenging monetary stance' and 'modest economic growth prospects'."²²

Jamaica aims to encourage foreign investors as a means for economic development and growth. Hence with S&P being the global leader in credit-risk analysis assessing whether there is a correlation between Jamaica's CPI and S&P's index is important. It would address the question of: what effects, if any, does TI's CPI have on risk rating agencies? Do they pay attention to TI's CPI? And if so, when TI publishes its CPI is there any change in the weekly credit rating?

²⁰ Ibid.

²¹ Standard & Poor's, *CreditWeek*, (Nov., 17, 1999): 84.

²² Summarized from S&P, *CreditWeek*, (Nov., 17, 1999): 84-85.

H_0 : There is no relationship between TI's CPI and S&P Credit Rating.

H_a : There is a strong positive relationship between TI's CPI and S&P Credit Rating.

The aim of this measure is to assess whether there is any impact of TI's CPI on the S&P index that could impact and or affect the credit rating of Jamaica. Here the movements in the S&P index before and after the CPI is published will be examined. The premise for this observation is simply that, the CPI is published at different times each year, thus if publication of the CPI were to have any major impact on Jamaica's credit rating there would be a shift after the index has been published. Thus the S&P will be examined one to two weeks prior to TI's CPI publication and one to two weeks after. Therefore, if TI's CPI were to impact the S&P, I expect a change in the credit rating one to two weeks after the publication of the CPI.

Table 5.3., below demonstrates that when TI's CPI is published it has no impact on the S&P rating. The credit rating of Jamaica is the same one to two weeks prior to the CPI's publication and it holds the same value one and two weeks after the publication. Hence the hypothesis has to be accepted that there is no relationship between TI's CPI and the S&P's credit rating. As my expectations before state, if TI's CPI had an impact on the S&P, a change would occur either in the immediate or subsequent week after the publication of the CPI. This finding is significant as the CPI is not published on the same date yearly, hence the variation in the publication dates would be of greater importance in effecting change as it pertains to credit rating.

Table 5.3. Jamaica's CPI Rank and S&P's Credit Rating 2 weeks before and after CPI release dates

Year	Date of Release	CPI Rank	2 wks prior		1 wk prior		wk of release		1 wk after		2 wks after	
			Local C L-TR/O/S- TR	Foreign C L-TR/O/S- TR	Local C L-TR/O/S- TR	Foreign C L-TR/O/S- TR	Local C L-TR/O/S- TR	Foreign C L-TR/O/S- TR	Local C L-TR/O/S- TR	Foreign C L-TR/O/S- TR	Local C L-TR/O/S- TR	Foreign C L-TR/O/S- TR
2000	09/13/00		B+/Stable	B+/Stable	B+/Stable	B+/Stable	B+/Stable	B+/Stable	B+/Stable	B+/Stable	B+/Stable	B+/Stable
2001	06/26/01		BB-/Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/ B
2002	08/28/02	45	BB-/Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/B	BB- /Stable/B	B+/Stable/ B
2003	10/07/03	57	B+/Stable/B	B/Stable/B	B+/Stable/B	B/Stable/B	B+/Stable/B	B/Stable/B	B+/Stable/B	B/Stable/B	B+/Stable/B	B/Stable/B
2004	10/19/04	74	B/Negative/ B	B/Negative/ B	B/Negative/ B	B/Negative/ B	B/Negative/ B	B/Negative/ B	B/Negative/ B	B/Negative/ B	B/Negative/ B	B/Negative/ e/B
2005	10/17/05	64	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B
2006	11/06/06	61	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B
2007	09/11/07	84	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B
2008	09/28/08	96	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B	B/Stable/B
2009	11/17/09	99	CCC+/Negat ive/C	CCC+/Negat ive/C	CCC+/Nega tive/C	CCC+/Negat ive/C	CCC+/Nega tive/C	CCC+/Negat ive/C	CCC+/Nega tive/C	CCC+/Negat ive/C	CCC+/Nega tive/C	CCC+/Neg ative/C
2010	10/26/10	87	B-/Stable/C	B-/Stable/C	B-/Stable/C	B-/Stable/C	B-/Stable/C	B-/Stable/C	B-/Stable/C	B-/Stable/C	B-/Stable/C	B- /Stable/C
2011	11/24/11	86	B- /Negative/C	B- /Negative/C	B- /Negative/C	B- /Negative/C	B- /Negative/C	B- /Negative/C	B- /Negative/C	B- /Negative/C	B- /Negative/C	B- /Negative/ C

*Local C= Local Currency; Foreign C= Foreign Currency;

*L-TR/O/S-TR=Long-Term Rate/Outlook/Short-Term Rate

* Jamaica first appeared in S&P's rating 1999. But ratings to coincide with TI's release date did not start until 2000.

Since there is no impact on the S&P by TI's CPI it can be argued that TI's CPI might simply be reflective and not causative of factors in this aspect of the global market. In that, it reflects what the global market already seemingly knows about Jamaica. When comparing the trends in TI's CPI and the credit rating during the period of publication it shows that from 2002-2004 when Jamaica declined on TI's CPI there was also a decline in those years on the S&P. However, from 2005-2008 the S&P rating remained constant while Jamaica's CPI varied between 64, 61, 84 and 96 position. Nonetheless, in 2009 when Jamaica received its worse rating on the S&P (CCC+/Negative/C) it coincides with the worse ranking on TI's CPI (99). Additionally, in 2010 when Jamaica's CPI improved to 87 its S&P improved to B-/Stable/C.

Table 5.4. TI's CPI and S&P Global Equity Indices (annual % change)

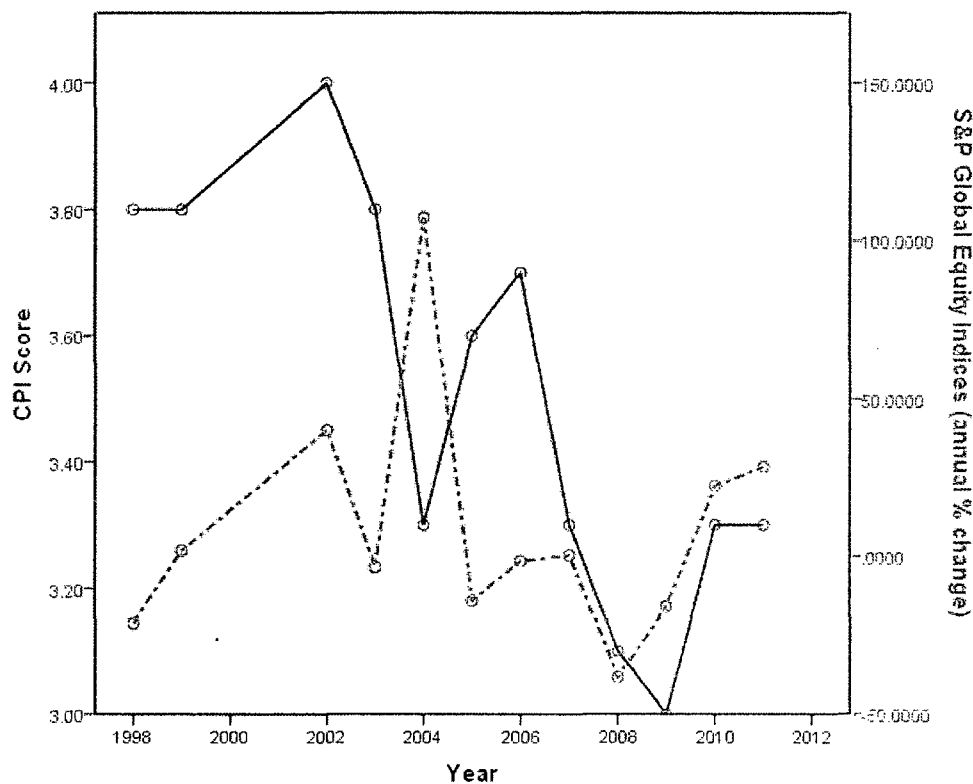
Correlations		S&P Global Equity Indices (annual % change)	CPI Score
S&P Global Equity Indices (annual % change)	Pearson	1	.022
	Correlation		
	Sig. (2-tailed)		.946
CPI Score	N	15	12
	Pearson	.022	1
	Correlation		
	Sig. (2-tailed)	.946	
	N	12	12

The S&P's rating just before and just after TI's CPI is released shows no change in the credit rating of Jamaica. To extrapolate and assess further the use of S&P's Global Equity Indices (annual % change)¹ was used to see if, overall, on a yearly basis whether TI's CPI have any correlation with the change in credit ratings. Largely, using Table 5.4. above,

¹S&P Global Equity Indices measure the U.S. dollar price change in the stock markets covered by the S&P/IFCI and S&P/Frontier BMI country indices.

the S&P's Global Equity Indices variable indicate that the correlation is not statistically significant $p = .964$; the small number of observations $n = 12$ indicates the statistical tests will have very large standard errors which make it unlikely to find significant effects.

Figure 5.2 Trends between TI's CPI score and S&P's Global Equity Indices



Subsequently, Figure 5.2 above illustrates the trends in CPI score and S&P's Global Equity Indices annual % change. Bearing in mind that the lower the CPI score the more corrupt Jamaica is perceived to be, the highest CPI the country has ever scored is 4, below the median on a scale of 1 to 10. The outlier in the chart is in seen in the years 2003 to 2005 noting a drastic difference when the CPI scores and S&P's equity indices is observed.

The conclusion which can be drawn from the relationship between TI's CPI and the S&P seems to indicate that the CPI does not have any impact as it relates to the publication of the CPI and the S&P's credit rating of Jamaica one to two weeks prior or after the CPI is released. Furthermore, when the S&P's Global Equity Indices and TI's CPI are assessed there is no significant correlation. In this instance it cannot be inferred that TI's CPI might have an impact on the S&P's Global Equity Indices.

TI'S CPI AND BOND SPREADS

Bonds are securities issued with a fixed rate of interest for a period of more than one year. They include net flows through cross-border public and publicly guaranteed and private nonguaranteed bond issues. Data are in current U.S. dollars.² In simple terms, a bond, is an 'I owe you' in which an investor agrees to loan money to a company or government in exchange for a predetermined interest rate. "A bond spread is a direct measure of the cost of risk."³ Also explained as the difference between yield to maturity on a zero-coupon corporate bond (corporate spot rate) and the yield to maturity on a zero-coupon government bond of the same maturity (government spot rate).⁴ The spread of bonds, especially in some developing countries, above those issued in developed countries reflects the higher default probability associated with many developing and or emerging market debt. For a developed economy other factors might be more important for investment. However, for developing countries like Jamaica, corruption perceptions

²World Development Indicators & Global Development Finance

³Fank K. Reilly *et al*, "An Analysis of Credit Risk Spreads for High Yield Bonds," *Springer Science + Business Media*, LLC (2010): 179.

⁴Edwin J. Elton, *et al* "Explaining the Rate Spread on Corporate Bonds," *The Journal of Finance*, Vol LVI, no. 1, (2001): 251.

might have a significant impact on the perceptions of an investment. Thus assessing the relationship between corruption perceptions and the perceived likelihood that a firm or government will default on its debt is relevant. Does TI's CPI correlates with bond spreads for countries such as Jamaica who are perceived to be highly corrupt? Citing Ciocchini *et al.*'s argument that countries that are perceived as more corrupt must pay a higher risk premium when issuing bonds is relevant. Adding further, the global bond market ascribes a significant cost to corruption.⁵

It is especially important in understanding how corruption affects bond spreads for reasons such as: first, "it contributes to one's understanding of what determines default probability in developing and emerging markets, a vital question in development finance."⁶ Most research on this question has generally focused on which macroeconomic factors contribute to the likelihood of sovereign default; with the crucial question being whether default risk arises from liquidity problems or insolvency. Thus, how important of a factor to default risk is corruption as measured through TI's CPI ranking in addition to those macroeconomic factors that have been identified?

Second, "looking at corruption and spreads improves one's understanding of how corruption matters for economic growth."⁷ Does higher corruption increase borrowing costs on the international market for both the government and businesses in Jamaica? Is there any channel through which corruption lowers investment in Jamaica's market? And how does it help us to understand more about the costs of corruption?

⁵ Francisco Ciocchini, Erik Durbin, and David T.C. Ng, "Does corruption increase emerging market bond spreads?" *Journal of Economics & Business* 55 (2003): 504.

⁶Ibid.

⁷Ibid.

Corruption can take many forms. Following TI's and other literature it has been defined broadly as the misuse of public office for private gain.⁸ Undoubtedly there are various ways that higher levels of corruption might lead to a higher likelihood of default. In the case of government debt, the impact of corruption is quite direct, in that, corrupt officials may confiscate loaned funds or other sources of government income and thereby limit the government's ability to meet debt obligations. Notwithstanding from direct theft, several researchers have shown that higher levels of corruption are associated with lower tax revenue, which would in turn lower the government's ability to repay loans.⁹ Public corruption can harm the economy in a variety of ways. Using Gunnar Myrdal and Mauro's analyses it can be assessed from the view that bureaucrats may over-regulate to increase the opportunities to collect bribes, thereby reducing the incentive to invest and diminishing overall economic performance.¹⁰

Subsequently, debt would be more costly for corrupt governments as the cost of government project(s) may be inflated if public corruption takes the form of kickbacks to the bureaucrat who awards the contract(s). Thus the more corrupt the government, the riskier is the debt it issues and the higher the premium the government must pay to borrow. As government debt is ultimately serviced through taxation, higher net interest

⁸ See Transparency International; Susan Rose-Ackerman, "The Political Economy of Corruption," Chapter in *Corruption and the Global Economy*, 31-60, *Institute for International Economics*; Andrei Shleifer and Robert Vishney. "Corruption" *Quarterly Journal of Economics* 108, no. 434 (August) 1993: 599-617.

⁹ Nadeem Ul Haque and Ratna Sahay, "Do Government Wages Cuts Close Budget Deficits? The Cost of Corruption", *IMF Staff Papers*, Vol. 43, no 4. (Jan., 1996): 754-778; Simon Johnson, Daniel Kaufmann, and Pablo Zoido-Lobaton. "Regulatory Discretion and the Unofficial Economy," Presented at the 110th Annual Meeting of the American Economic Association, January 3-5 (1998); Also Vito Tanzi and Hamid Davoodi. "Corruption, Public Investment, and Growth," *IMF Working Paper WP/97/139* (1997).

¹⁰ Gunnar Myrdal. *Asian Drama: An Inquiry into the Poverty of Nations*. (New York: Pantheon Books, 1968); Paolo Mauro, "Corruption and Growth," *Quarterly Journal of Economics* 110 (1995): 681-712.

costs impose an extra burden on a government's constituents, i.e., a negative pecuniary externality is created by public corruption.

For corporations, corruption may increase the likelihood of arbitrary government actions that reduce profits and leave the firm unable to repay loans. In the late 1990s when Jamaica had its financial crisis the government intervened and established FINSAC. In many instances private firms were taken over by the state and many resold when the owners could not repay their loans. Higher levels of corruption are also suggested as a correlating factor, which may lower the effectiveness of government services, making it even more difficult for firms to realize profits. In other cases corruption may reduce legal protection of bondholders.

H_0 : There is no correlation between TI's CPI and Jamaica bond spreads.

H_a : There is a strong positive correlation between TI's CPI and Jamaica's bond spreads.

The model will assess the correlation between TI's CPI and bonds. For bonds, the variable 'portfolio investment, bonds (PPG + PNG) (NFL, current US\$)' will be used. Bonds are securities issued with a fixed rate of interest for a period of more than one year. They include net flows through cross-border public and publicly guaranteed and private nonguaranteed bond issues. This variable was selected over PPG bonds¹¹, as it is more inclusive and it addresses both PPG and PNG type of bonds. Holding TI's CPI constant, I expect that when the CPI indicated increased corruption perceptions the 'portfolio investment, bonds' would increase likewise.

¹¹ Public and publicly guaranteed debt from bonds that are either publicly issued or privately placed. Interest payments are actual amounts of interest paid by the borrower in foreign currency, goods, or services in the year specified. Data are in current U.S. dollars. World Development Indicators & Global Development Finance

Table 5.5 R square of CPI and Portfolio Investments, bonds
R² of CPI and Portfolio Investments, bonds

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.597 ^a	.356	.195	522076016.137
a. Predictors: (Constant), Year, CPI Score				

With the CPI score and year held constant, as shown in Table 5.5 above, the adjusted *R* square of .195 indicates that TI's CPI accounts for 20% of Portfolio investments in Jamaica. Using Pearson's correlation, Table 5.6., shows the CPI score and 'portfolio investment bonds' of -.494, and *p* is .122 indicating that it is not statistically significant. However with the very few observations, *n* = 11, indicates a deficit in the data, hence one cannot claim with certainty that the reported Pearson's *r* is statistically different than zero. Hence, there is no correlation between the CPI score and portfolio investment, insofar as the very small sample on which the correlation coefficient is calculated.

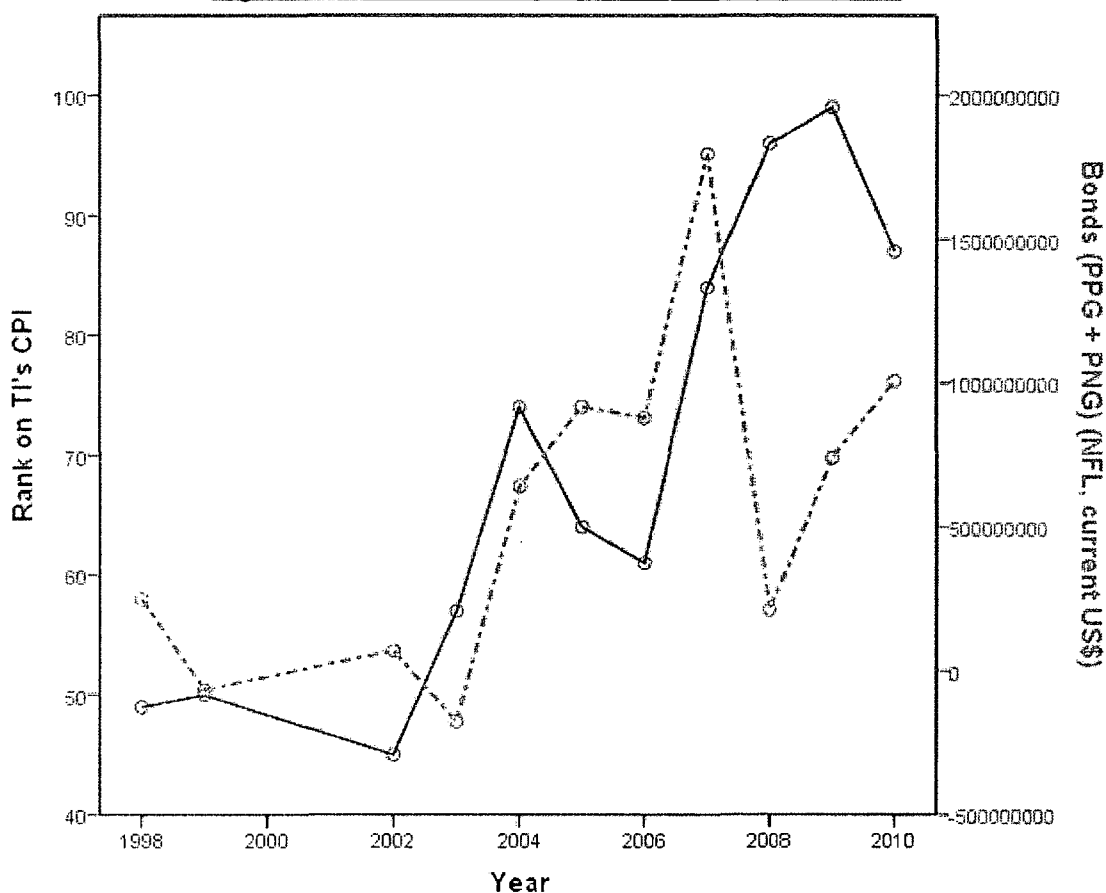
Table 5.6. CPI Score and Portfolio Investment, bonds

Correlations				
		Year	CPI Score	Portfolio investment, bonds (PPG + PNG) (NFL, current US\$)
Year	Pearson	1	-.775**	.635**
	Correlation			
	Sig. (2-tailed)		.003	.008
CPI Score	N	17	12	16
	Pearson	-	1	-.494
	Correlation	.775**		
Portfolio investment, bonds (PPG + PNG) (NFL, current US\$)	Sig. (2-tailed)	.003		.122
	N	12	12	11
	Pearson	.635**	-.494	1
	Correlation			
	Sig. (2-tailed)	.008	.122	
	N	16	11	16

** . Correlation is significant at the 0.01 level (2-tailed).

Due to this problem with the limited observation there is a probability that it might have affected the findings; noting that with a smaller number of observation the standard errors will be large and therefore what is presented might lead to a type II error, as in, to find no effect when there might be some.

Figure 5.3 CPI Rank and Portfolio Investments bonds



Additionally, Figure 5.3 above indicates a pattern with the portfolio investment, bonds and TI's CPI over the years. The trend seems to indicate that changes in Jamaica's rank on TI's CPI reflect changes in bond spreads. Nonetheless, the change outlier in the model is between 2007 and 2008 and subsequently, 2009 changes. The 2007 to 2008

change could possibly be explained within the context of political changes at the domestic level. Additionally it can also be situated within international events, which transpired in the financial markets. Moreover, there is no one factor that caused and or influence change in the price of bonds spreads.

TI'S CPI AND THE EXCHANGE RATE

There are a number of factors that influence the exchange rate of a country. Jamaica operates on a flexible exchange rate and it is not pegged to the US dollar. Tornell and Velasco argue "flexible rates impose more fiscal discipline because fixed rates shift the costs of deficits into the future and thus induce reckless fiscal policy. Exchange rate instability deters international trade, and only central banks can offset this by stabilizing exchange rates."¹² Here an attempt is being made to assess the correlation between Jamaica's CPI rank and the country's exchange rate. Does TI's CPI lead to panic amongst speculators about the country's dollar? Since there are several factors that could affect the exchange rate of a country, assessing the correlation between Jamaica's exchange rate and TI's ranking will provide further analysis to test whether there are correlations between the changes in TI's ranking and the value of the Jamaican dollar.

¹² Aaron Tornell and Andres Velasco. "Fixed versus flexible Exchange Rates: Which Provides More Fiscal Discipline?," *NBER Working Paper* no.5108 May (1995).

H_0 : There is no correlation between Jamaica's exchange rate and TI's CPI Rank.

H_a : There is a strong positive correlation between Jamaica's exchange rate and TI's CPI rank.

One of the problems in assessing the correlation with Jamaica's exchange rate and TI's CPI rank is that it can reflect changes in other country's corruption and policing efforts as much as it reflects Jamaica's effort. In that, Jamaica might fall in ranking with no real change in corruption if other countries become better at reducing their corruption perceptions. Thus, the ranking does not represent the true picture of corruption perceptions changes in Jamaica overtime. For this purpose, I will use changes in rank to assess the correlation between TI's CPI and Jamaica's exchange rate. Hence a '-3 position' in the country's ranking would indicate an improvement, and a '+3 position' would indicate it fell in ranking. Therefore, when the CPI is published yearly does it correlate with changes in the Jamaican dollar exchange rate? As in, when the country improves in the ranking is there a correlation with the JMD. The premise for the correlation is the level of interconnectedness in the world's market and economy where the potential for a negative projection in one area might have an effect on other areas.

The findings presented in Table 5.7., above are intriguing. Bearing in mind that: 1) a 'minus position' on TI's ranking is favorable and indicates improvement compared to the year before. 2). a minus in the value change in Jamaican dollar (JMD) indicates the JMD has strengthened compared to the previous year. Based on the data the only year where there is a corresponding improvement in the CPI ranking and value in the JMD is 2010. The CPI ranking improved from 99th ranking to 87th and the JMD strengthened by \$3.75. Additionally, in spite of other years in which the CPI rank improved (2002*, 2005,

2006 and 201) compared to the previous year, 2010 is the only year in which the JMD made any gains in strengthening against the USD.

Table 5.7. Jamaica's Exchange rate and CPI Rank

Year	CPI release dates	CPI Rank	Rank position 1 yr later +/-	Forex day of release	Value change in Forex 1 yr later
1998	9/21/1998	49		36.69	
1999	10/25/1999	50	1	40.14	3.45
2002	8/28/2002	45	-5*	48.86	8.72
2003	10/7/2003	57	12	59.84	10.98
2004	10/19/2004	74	17	61.79	1.95
2005	10/17/2005	64	-10	63.52	1.73
2006	11/6/2006	61	-3	66.53	3.01
2007	9/11/2007	84	23	70.16	3.63
2008	9/29/2008	96	12	72.56	2.4
2009	11/17/2009	99	3	89.31	16.75
2010	10/26/2010	87	-12	85.56	-3.75
2011	11/24/2011	86	-1	86.71	1.15

13

Subsequently, when using the -3 (improvement) and +3 (worsen) difference in CPI ranking and exchange rate, in the years where the most improvement is made in the rank the corresponding changes in exchange rate is not significantly different except in one case from 2009 to 2010. For the year 2002 to 2003 the CPI rank worsens by 4 aggregated positions and the JMD correspondingly worsened by \$10.98. Additionally, for 2003 to 2004 when the CPI rank fell by 5.67 aggregated positions, the JMD only fell by \$1.95. In 2004 to 2005 when the ranking improved by 3.33 aggregated positions, the JMD

¹³The year 2002 has an * because it is reflecting the change between 1999 and 2002. There were no ranking on TI's CPI for Jamaica for the years 2000 and 2001. Additionally, the Table commence at 1998 in spite of TI's CPI start date of 1995 because Jamaica only started receiving a ranking on the CPI in 1998.

weakened by \$1.73. In the following year, 2006, when the CPI ranking improved an additional 1 aggregated position, the JMD weakened even further by \$3.01.

On the other hand when 2006 to 2007 is taken into account, the CPI ranking worsens by 7.67 aggregated positions and the JMD only depreciated by \$3.63.

Subsequently, for 2007 to 2008 when the CPI ranking worsens even further by an additional 4 aggregated positions the JMD depreciated by \$2.40. For 2008 to 2009 when the CPI rank worsen by 1 aggregated position the JMD weaken by \$16.75; the highest change in a 1 year period.

Overall the aggregated position in regards to changes in TI CPI rank does not correlate with changes in the value of the JMD for the corresponding period. In that, whether the CPI rank improves or worsen it generally does not correlate with the degree of change in the JMD. In fact the only year where an improvement in the country's ranking on the CPI and the JMD strengthening was 2010. In other years it did not matter whether the CPI rank improved or fell, the trend in the JMD value continued to weaken. Subsequently, while the value of the JMD depreciated every year minus 2010, the value change was significantly higher in some years compared to others.

Conclusions

As one of the most highly indebted countries in the world, ranked 7th in the world in public debt % of GDP; 157th/210 in terms of national government revenues and expenditures, as a % of GDP; 84th/203 for external debt. A country whose import bill in 2011 stood at \$6, 356, 000,000 and exports at \$1,650,000,000 ranked 115th/221 in terms of imports and 145th/222 for exports in the world. The GDP- real growth rate placed it at

171th/216 at 1.50% for 2011.¹⁴ Jamaica has been burdened by heavy debt servicing costs due to both the size of its debt and very high interest rates. Jamaica is a country with a history of indebtedness, hence it can be safely estimated that due to the country's trajectory the market will and has already factored in the changes in the economy.

Based on FDI inflow, bond rating, S&P's Credit Rating, and Exchange rate correlation with TI's CPI there seems to be indications that there is no significant correlation. Additionally, one should be cautious of the statistical tests as the limited observations $n = 12$ might enhance a type II error as indicated in the large standard errors. The deficiencies in the data are compounded by several factors; the CPI started in 1995, Jamaica's debut was 1998 and even then, there was no CPI for two years 2000 and 2001. Thus the limited amount of data might have some effect on the statistical findings. In light of the deficits in the data, such as very few observations and the lack of any statistical significance findings, it does not mean there are no correlations. It could possibly be explained that the findings do not rise to the level of statistical significance.

While the analyses on world's economic responses do not rise to the level of statistical significance, perceptions are a powerful tool. The lack of data could also mean that while statistically there is no significant correlation, economic policymakers could very well be paying attention to the CPI. Noting that corruption is often regarded as an added cost to business and the competitiveness of the global economy drives firms in ventures where it is more profitable. Thus, if a country is perceived to be highly corrupt when compared to another, which of the countries compared is more attractive to

¹⁴All figures were taken from CIA World Factbook estimates, <https://www.cia.gov/library/publications/the-world-factbook/geos/jm.html> (accessed June 10, 2012).

investors? It is likely that the investor will venture to where he will get more return on his investments.

In the following chapter I will assess Jamaica's reaction to the CPI and the extent to which policymakers pay attention to the CPI. Examine whether or not policies are drafted with the aim of improving the CPI score of the country and the possible effects of having a low CPI score. These and other issues will be addressed in the next chapter as it deals with Jamaican policymakers' reactions to TI.

CHAPTER VI

JAMAICA'S POLICY RESPONSES TO TI'S CPI

“The most important ingredient in the development of a nation is neither the amount nor the nature of foreign assistance. It is the will and commitment of the Government and people directly involved.”¹ (President Johnson)

This chapter assesses Jamaica's policy responses to TI's CPI and what impact, if any, does TI have on influencing policymakers and or development policies. In this chapter I will look at a number of areas to determine whether the Jamaican government responds to TI. It is therefore hypothesized that the Jamaican government changes its policies in responses to the CPI. It would be a surprise to many Jamaicans to learn that on paper, Jamaica has one of the most vigorous set of anti-corruption laws of any country in the western hemisphere. The perception of corruption in Jamaica hits at the core of the society and several studies² show evidence that corruption is perceived by citizens to be the biggest problem in Jamaica even though the country is struggling and grappling with one of the world's highest murder rates per capita. Jamaica is also perceived by TI as being highly corrupt.

The responses to TI's CPI, to some extent, seem to vary between different branches of government and it might also be related to the specific bureaucrat at the helm of a specific sector. The Office of the Contractor General, under Greg Christie, in addition to the Anti-Corruption Branch, under Assistant Commissioner of Police Justin

¹ President Johnson, cited by David Brown, “The Key to Self-Help: Improving the Administrative Capabilities of the Aid-Receiving Countries,” *Public Administrative Review*, Vol. 24, No. 2 (Jun., 1964): 67.

² See Lawrence Powell, Balford Lewis and Mitchell A. Seligson, *The Political Culture of Democracy in Jamaica, 2010 Democratic Consolidation in the Americas in Hard Times*. Centre for Leadership & Governance, University of the West Indies, Mona and Vanderbilt University, January 2011. See also Don Anderson 2008 and 2010 polls.

Felice, Mr. Leighton McKnight Chairman of the Audit Commission amongst other government officials have all espouse policies to reduce the perceptions of corruption in relation to TI's CPI.

Jamaica is the largest English-speaking Caribbean country with a population of 2.7 million.³ Jamaica relies heavily on development assistance from the international community. Accordingly, "Net official development assistance (ODA) to Jamaica in 2009 totaled USD 150 million.⁴ Since 2005, net ODA has averaged 1% of GNI and 3% of central government expense.⁵ The top five donors provided 60% of Jamaica's core ODA.⁶ As the Organization for Economic Co-operation and Development (OECD) notes,

Despite its rich natural assets and a period of robust development in mining, manufacturing, construction and tourism, the economy has in recent times experienced a prolonged period of negative growth, with a poverty rate of 16.5% in 2009 and an unemployment rate of 12.4% in 2010 (between 2007-10 there was a cumulative decline of 5.1%). The country was recently classified as an upper-middle income country, but it remains highly indebted with a debt to GDP ratio of 128%. (OECD, 2011)

In spite of its many problems and issues,

The country has made good progress in eight out of the fourteen MDG targets for 2012. Jamaica has already achieved the targeted reduction in absolute poverty, malnutrition, hunger and universal primary enrolment, and is on track for combating HIV/AIDS, halting and reversing the incidence of malaria and tuberculosis, providing access to reproductive health, and providing safe drinking water and basic sanitation. (OECD, 2011)

In a 2008 Don Anderson Poll, one of the most respected pollsters in Jamaica, Anderson stated that Jamaicans ranked "Too much corruption" as the "Main Thing

³World Development Indicator, 2011.

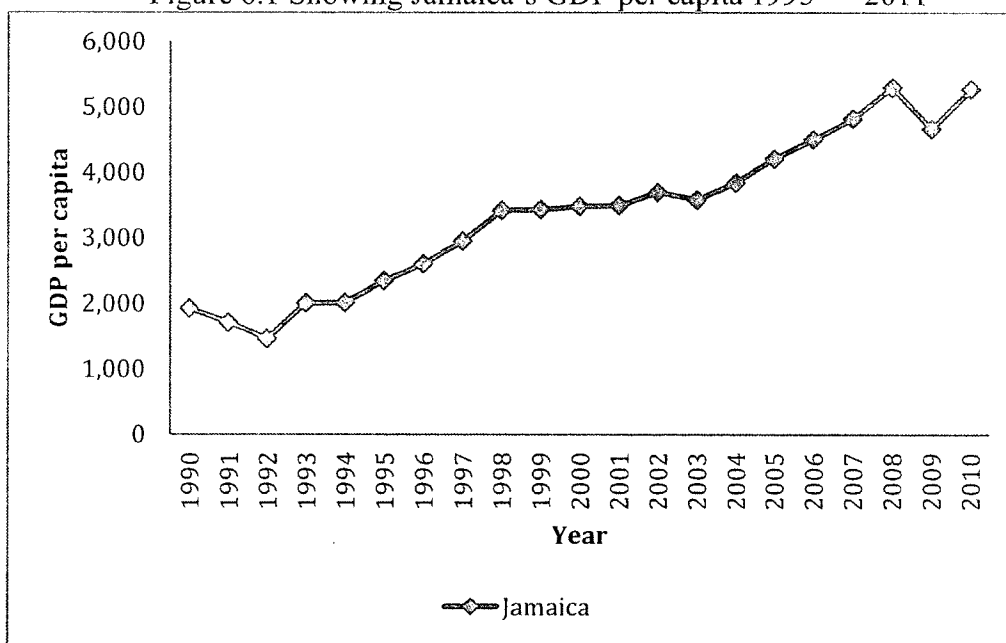
⁴Organization for Economic Corporation and Development, 2011.

⁵World Development Indicators, 2011.

⁶Organization for Economic Corporation and Development, 2011.

Wrong with Jamaica;” this being second only to “Too much crime and violence.”⁷ In 2010, in a “Most Negative Thing about Jamaica”⁸ Don Anderson Poll, corruption was viewed as the main “thing wrong” with the country; this was higher than public concerns such as breakdown in law and order, bad examples set by leaders, dishonesty in general, and crime and violence. The Don Anderson Polls, to a large extent, captured the general sentiment of the country. In general, it is not surprising that corruption is seen as the “main thing wrong with Jamaica” because, quite often, corruption leads to the perpetuation of other crimes.

Figure 6.1 Showing Jamaica’s GDP per capita 1995 — 2011



Source: WDI

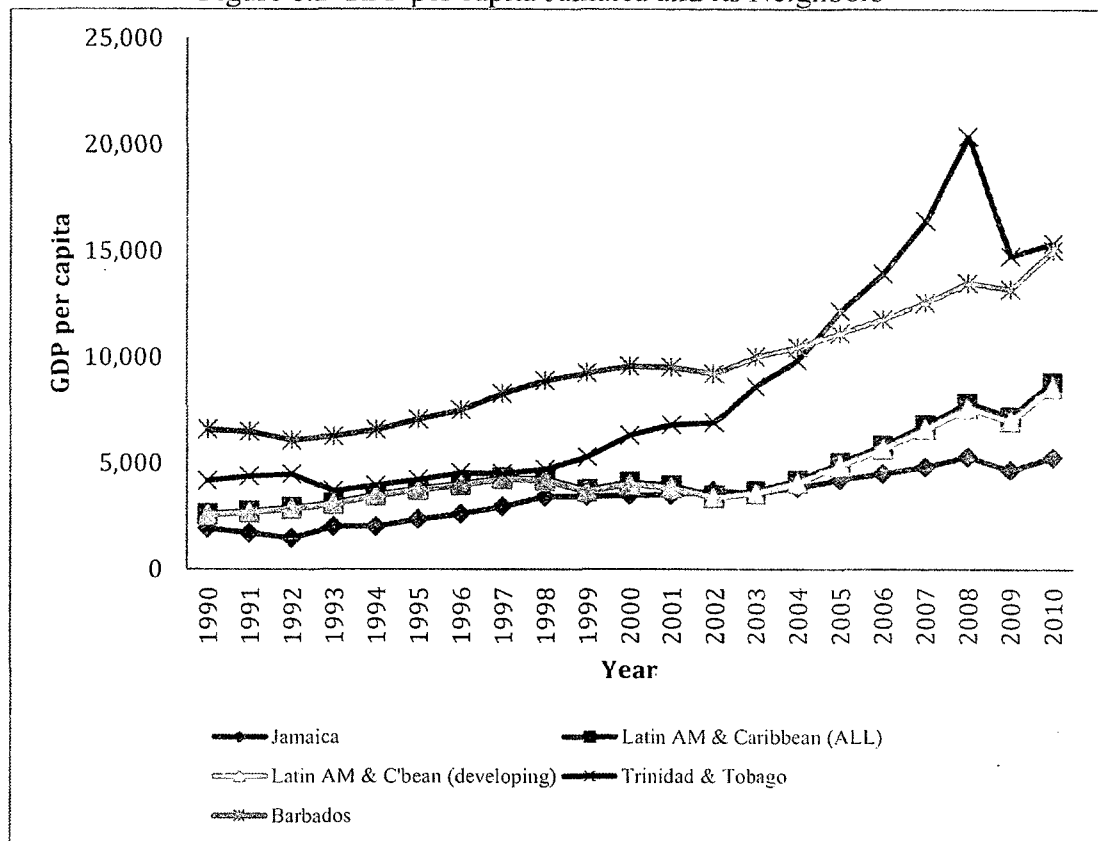
Jamaica, a country whose average GDP per capita from 1995-2010 has been \$3850.30, (See Figure 6.1 above) is behind many of its Caribbean and Latin American

⁷ 2008 Don Anderson Poll, “Main thing wrong with Jamaica,”

⁸ 2010 Don Anderson Poll, “Most Negative thing about Jamaica,”

neighbors (See Figure 6.2 below). In 2008 Jamaica had its highest GDP to date of \$5301.08; in 2010 its GDP was \$5274.62, an increase from \$4664.97 in the previous year 2009.⁹

Figure 6.2 GDP per capita Jamaica and its Neighbors

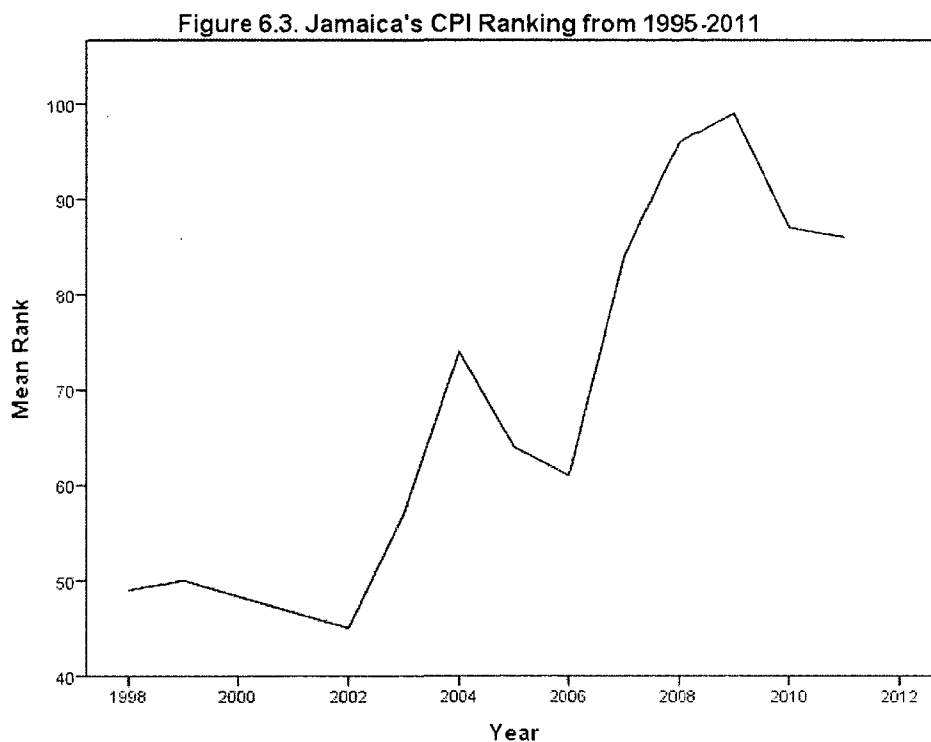


Source: WDI

Over recent decades Jamaica's has experienced a trend of little to negative economic growth, high inflation rates, weaker dollar, increased poverty, an increase in gangs, higher murder rates and illegal drug transshipments. Probably more importantly, Jamaica falls behind the rest of its peers in the Caribbean in a number of key areas. The painfully slow processing of persons charged with a crime might also be a factor in why

⁹ World Development Indicators (WDI) & Global Development Finance (GDF)

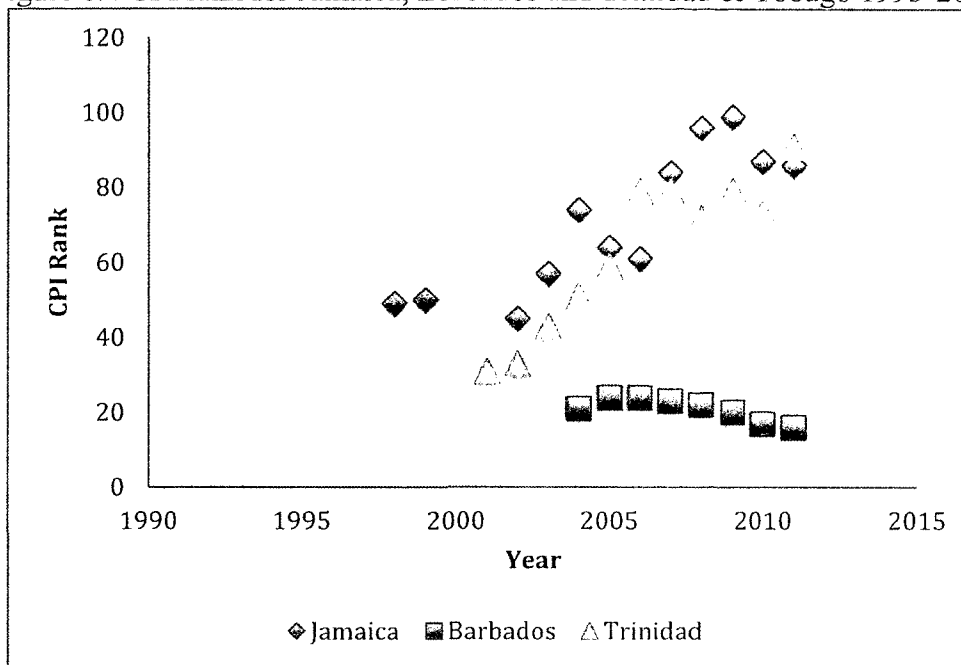
the corruption perception is so high. Although Jamaica made key legislative gains by passing a number of bills in parliament, the justice system continues to lag behind in terms of efficiency.



Source: Transparency International

Jamaica's ranking on TI's CPI has been below average and Jamaica has never received a score higher than 4 on TI's CPI (see Figure 6.3. above). Jamaica, when compared to its regional counterparts Barbados for example, is consistently rated more corrupt. In 2011 Barbados received a CPI of 7.8 with a ranking of 16 out of 180 countries and 2nd in the Americas while Jamaica received a CPI score of 3.3, ranked 86th in the world and 17th in the Americas (see Figure 6.4 below).

Figure 6.4 CPI rank for Jamaica, Barbados and Trinidad & Tobago 1995-2011



Source: Transparency International

Over the 15 years of the publication of TI's CPI, Jamaica has scored an average of 3.1 on TI's CPI. Figure 6.4 illustrates Jamaica's increased negative ranking on the CPI when compared to neighbors such as Barbados and Trinidad and Tobago. When one compares the corruption level and GDP of the three countries, Trinidad & Tobago, in spite of its high CPI, still maintains a GDP per capita on par with Barbados and in some years its GDP per capita is higher than Barbados. Jamaica, as both Figure 6.2 and 6.4 shows, has a high CPI and a low GDP per capita. While Jamaica has been represented on TI's index since 1998 and Trinidad & Tobago in 2001 Barbados only appeared on TI's CPI in 2004. But Barbados has consistently maintained a low corruption rank 16 – 24; whereas Jamaica has moved from 49 – 99 and Trinidad & Tobago 31 – 91.

Over several years Jamaican government administrations and different leaders have reiterated their strong sentiments on being tough on corruption, or at least have

espoused their views on how they will govern once elected to reduce the perceptions of corruption of the country. Minister of Justice, Senator Mark Golding, is the latest government official to emphasize strong anti-corruption measures and policies for the country. While addressing an anti-corruption forum held on March 19, 2012, Golding, in explaining the position of the current People's National Party led Government, stated that the government is looking to create a single anti-corruption body. He explained that the agency would provide "a concentrated focus on the problem."¹⁰ Senator Golding further stated, "Jamaica's track record in enforcing the law to bring corrupt public servants to justice is not impressive. Corruption is still rampant as evidenced in instances where apparent malfeasances in high places receive press coverage, but instances of effective corrective action have been few and far between."¹¹ The Minister of Justice expresses strong views on corruption, elaborating that, "corruption is the antithesis of a secure, cohesive and just society; it will negate the country's ability to attain its most desirable goals."¹² Given his statement against corruption, assessing whether the People's National Party (PNP) government pays attention to TI's CPI will be of significance.

Legislatively, over the years, the Jamaican government has made significant steps to deal with corruption. But if one were to account for every new bill passed in parliament and compare the timeline with the perceptions of corruption, it would appear that Jamaica takes two steps backward for each step forward in regards to the perceptions of corruption by citizens. Past US President Jimmy Carter's foreword for *Fostering*

¹⁰Minister of Justice, Senator Mark Golding, being quoted by Jamaica Information Service, "Gov't looking to Create Single Anti-Corruption Body," <http://www.jis.gov.jm/news/109-justice/30111-govt-looking-to-create-single-anti-corruption-body> (accessed April 07, 2012).

¹¹ Ibid.

¹² Ibid.

Transparency and Preventing Corruption in Jamaica (2002) noted, “Jamaica is leading the way with legislation that requires declaration of assets by Members of Parliament and civil servants, with the establishment of an anti-corruption commission, and with proposed legislation to provide citizens with access to information.”¹³ The extensive institutional and legal framework for fighting corruption in Jamaica has spanned almost forty years. The legal framework for fighting corruption, inhibiting the unjust enrichment of public officials, embraces a significant body of statutory and constitutional law provisions. Some of these include:

- (1) The Parliament (Integrity of Members) Act (1973) provides for the establishment of an Integrity Commission to investigate the assets, liabilities and income of Parliamentarians to determine, among other things, if they are enjoying any unexplained income which could be attributable to corruption.
- (2) The Contractor General Act (1983) provides for the establishment of an independent Commission of Parliament, to monitor and to investigate the award and implementation of Government contracts, and the issue of Government licences, with a view to ensuring that contracts are awarded, and licences are issued, impartially and on merit and in circumstances which do not involve impropriety or irregularity.
- (3) The Contractor General Act (1999) provides for the establishment of an independent National Contracts Commission (NCC) to evaluate and to register government contractors and to endorse all recommendations for the award of Government contracts which are \$10 Million and over in value.
- (4) The Finance Administration and Audit Act (1959) impose responsibilities upon the Financial Secretary, the Auditor General and the Accounting and Accountable Officers of Public Bodies, to secure public funds from irregular, improper and illegal expenditure.
- (5) The Representation of the Peoples Act (1944) seeks to prohibit corrupt and illegal practices in the conduct of political elections.
- (6) The Constitution of Jamaica (Sections 40, 41, 94 to 96) requires Members of Parliament to secure a Parliamentary exemption in respect of any interest which they have in a Government contract, failing which their seats are liable to be declared vacant. And make provision for the establishment of an Office of the Director of Public Prosecutions, who is vested with the independent authority to commence and to terminate criminal prosecution proceedings at his or her own discretion.

¹³ President Jimmy Carter, Foreword in *Fostering Transparency and Preventing Corruption in Jamaica*, edited by Laura Neuman, The Carter Center, February 2002, p5.

- (7) The Access to Information Act (2002) seeks to prohibit corruption in Government by facilitating access to certain Government documents, thereby ensuring transparency and accountability in Government.
- (8) The Public Bodies Management and Accountability Act (2001) seek to ensure minimum standards in the audits and reporting of accounts of certain Public Bodies and to impose upon the Boards of Directors of Statutory Corporations, certain fiduciary and statutory duties of care.
- (9) The Corruption (Prevention) Act (2001) gives effect to the 1996 Inter-American Convention against Corruption and seeks, among other things, to prohibit and criminalize corruption by public servants. Public servants, earning \$2 Million or above per annum, are required by this Act to declare, each year their assets, income and liabilities, together with that of their spouses and children. The Act also provides for several definitions of an “act of corruption”, inclusive of bribery, transnational bribery and “illicit enrichment”.
- (10) Other Crime Related Anti-Corruption Laws and Institutions include:
 - (a) The 2007 Proceeds of Crime Act – which deals with money laundering and makes provision for the forfeiture of assets and the proceeds of certain unlawful activities;
 - (b) The Anti-Corruption Division of the Jamaica Constabulary Force;
 - (c) The Financial Crimes Investigation Unit of the Ministry of Finance.¹⁴

These legislations highlight that Jamaica has been doing significant work in regards to enacting laws to reform government sectors and reduce corruption in all sectors of government. Legislatively, these Acts seem to be created to combat corruption but quite often when legislations are passed they come without the requisite tools and support granted to law enforcement agencies to effectively implement the legislations. Thus being strong on corruption at the legislative level without ample resources budgeted to enforce the laws can be interpreted as only addressing the perceptions of being strong on corruption reform but not being on enforcement.

¹⁴ Grég Christie, “Corruption and its Threat to Value Creation in Jamaica: Creating Value through Vision, Human Capital and Innovation” (14th Annual School of Business Administration, University of Technology, Jamaica, Students’ Conference, Jamaica Conference Centre, April 6, 2009).

JAMAICAN POLICYMAKERS' REACTIONS TO TI

Policymakers in Jamaica include government officials and civil servants in Ministries and agencies. This is not limited to merely elected officials, even though parliamentary bodies, i.e., Members of Parliaments and Senators, will indeed be a focus. Additionally, attention will also be placed to senior officials within different government Ministries and some of the agencies whose officials are in charge of key sectors regarding the economic, political and social development of the country.

Yearly, when TI's index is published, many countries in various sections of the world react differently to the index. As it so happens there is evidence from as early as 1999 when the Jamaica Gleaner, Jamaica's largest newspaper, ran as its 15th November 1999 headline "Transparency International Lashed."¹⁵ The accompanying story reports that the Manchester Parish Council¹⁶ has criticized TI. Accordingly, Councillor Gentles referred to TI as, "the organization that recently tagged Jamaica as being high in the ranking among those countries which are perceived to be corrupt."¹⁷ The report indicates that "Supported by fellow Councillors, both PNP and JLP, Councillor Errol Gentles of the Walderston Division told the Council that Transparency International was *damaging the good name of Jamaica* without any evidence to support its claim."¹⁸ Gentles, who is also an Attorney-at-law, was quoted as saying, "It would be naive for anyone to think there was no corruption in the Jamaican communities, be it government or the private

¹⁵ The Jamaica Gleaner, "Transparency International lashed", *Jamaica Gleaner*, November 15, 1999 <http://jamaica-gleaner.com/gleaner/19991115/f2.html> (accessed April 06, 2012).

¹⁶ A Parish Council is an elected local government authority dealing with issues as it relates to a particular parish (state).

¹⁷ The *Jamaica Gleaner*, November 15, 1999.

¹⁸ Emphasis added, The Jamaica Gleaner, Transparency International lashed," *Jamaica Gleaner* November 15, 1999 <http://jamaica-gleaner.com/gleaner/19991115/f2.html> (accessed April 06, 2012).

sector,”¹⁹ and “However, to label the country as high on the list of corrupt nations without any empirical evidence was not acceptable.”²⁰ In addition Gentles note, “The claim by Transparency International was offensive to the name and reputation of Jamaica, and questioned the ‘motive’ of the group.”²¹ As stated by Gentles, “the fact that the government has enacted legislation to deal with corruption and is party to the international convention against corruption, it should be clear that it intends to enforce strong measures against improprieties in governance.”²²

While Gentles was a government official at the local level of government, it should be noted that as early as 1999 in the rural parish of Manchester, its council members were paying attention to TI’s CPI and the potential impact it will have on the country’s image. After Gentles’ presentation, the *Jamaica Gleaner* reports, “the Council passed a resolution calling on government to take all available legal measures to remove what it termed the ‘perception’ of corruption as the norm in the running of the country’s affairs.”²³ In addition, “The Council, also by resolution, called on Prime Minister P.J. Patterson to revisit the contractual arrangement with highly paid officers of government who were ‘perceived’ by many to be receiving ‘extravagant and unreasonable emoluments’.”²⁴ In a move to affect the seeming perception of corruption the Councillors proposed the following recommendation: “in light of the state of the country’s economy

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

²³ Ibid.

²⁴ Ibid.

government should examine the terms and conditions of the engagement of each of the officers involved in a recently published salary figures with a view to negotiate the terms of their employment.”²⁵ It makes an interesting comparison that in 1999 Jamaica had a CPI of 3.8 and ranked at 50th out of 99 countries compared to the 2011 CPI where Jamaica is ranked 86th with a CPI of 3.3; a significant decline compared to when Gentles articulated his position.

Notwithstanding, a decade later, on November 17, 2009, the Office of the Contractor-General (OCG) issued a media release, “Transparency International Downgrades Jamaica on Global Corruption Perceptions Index—News comes as no Surprise to the OCG.”²⁶ The OCG notes that for the third consecutive year Jamaica had been downgraded;

Jamaica’s consistent decline in TI’s Annual Corruption Perceptions Index ratings over the past three years comes as no surprise to the Office of the Contractor General. It is the OCG’s considered view that enough is not being done by the State and, in particular, by the Cabinet and the Parliament of Jamaica, to aggressively, proactively and decisively combat corruption within its borders. (Office of the Contractor General, Nov. 2009)

Greg Christie’s 2009 Media Release in reaction to Jamaica’s ranking on the CPI suggests disagreement among actors in Jamaica as it regards combating corruption. To some extent this comes as no surprise as different government ministries and agencies are focused on different goals. The OCG for one has been praised and criticized equally for its heavy-handed approach when it comes on to allegations of corruption and

²⁵ Ibid.

²⁶ Office of the Contractor-General, Media Release, “Transparency International Downgrades Jamaica on Global Corruption Perceptions index—News Comes as no Surprise to the OCG” November 17, 2009.

investigating individuals for allegedly corrupt or irregular activities regarding government contracts.

In Jamaica some government agencies; for instance the OCG, the Audit Commission and the Anti-Corruption Branch of the Jamaica Constabulary Force, pay closer attention to TI's CPI than others. There is no single cause why these agencies pay closer attention to TI's CPI than others. Nonetheless, some factors which can possibly account for this phenomenon are: the actual head of the agencies, the area of focus, and resources allocated to these agencies.

In addressing one way in which to improve the perceptions score of the country, Chairman of the Audit Commission²⁷ Leighton McKnight, has said, "Jamaica's ranking in the Corruption Perceptions Index for the 2006/07 fiscal year could improve, if all audit committees in state agencies became operational by year-end."²⁸ Mr. McKnight in elaborating areas of improvement, made noted, "Eighty-five per cent of government ministries, departments and executive agencies have established audit committees, up from 25 per cent in September. To date, approximately 27 out of a possible 32 ministries, agencies and government departments have established audit committees."²⁹ McKnight, in answering questions as it pertains to Jamaica's 2005 CPI ranking of 64th out of 158 countries, was quoted as saying "many times, international bodies come to Jamaica to

²⁷ The Audit Commission operates as an oversight body for audit committees. When it was established in April 2005, it began to advise all government ministries, departments and executive agencies to take the necessary steps to ensure that audit committees were in place by April 2006 and that they were operating efficiently.

²⁸ Leighton McKnight, Chairman of the Audit Commission being quoted by Jamaica Information Service, "Govt. Puts Measures in Place to Fight Corruption," 04 November 2005, http://www.jis.gov.jm/news/104-finance-public-service/7253-finance_planning-govt-puts-measures-in-place-to-fight-corruption (accessed April 07, 2012).

²⁹ Ibid.

evaluate and conduct interviews to assess what procedures we have or do not have in place.”³⁰ To which he elaborated more and maintained, “It is another thing to have effective committees. If these and other initiatives are implemented and monitored consistently, Jamaica’s ranking ought to improve where corruption perception is concerned.”³¹ It is evident that the Chairman of the Audit Commission is espousing ways and means by which Jamaica could improve its ranking on TI’s CPI. It is also important to assess the ways in which he articulated steps the government can take to improve its CPI.

On March 4, 2011, the Planning Institute of Jamaica (PIOJ) published a key strategy document titled, *A Growth Inducement Strategy for Jamaica in the Short-and Medium-Term*.³² This document establishes a strategic framework for robust economic growth aligned with Jamaica’s National Development Plan, Vision 2030, and it does pay attention to Jamaica’s ranking on TI’s CPI. In assessing Jamaica’s overall competitive standing in the world economy, the Inducement Strategy used three sets of international indicators: Global Competitiveness Index (GCI), Doing Business Index (DBI) and Corruption Perception Index (CPI).³³ In its presentation of Jamaica’s competitiveness the strategy document notes:

From these three indices, it appears that Jamaica ranks relatively far behind the leaders, both in the subgroup of selected economies and in the full group of economies. Within the full group, it falls well below the median, by 25 slots on GCI, and by 10 slots on the CPI. It does relatively better on the DBI (17 slots above the median); but still remains far behind at the 75th position. (PIOJ 2011, 119)

³⁰ Ibid.

³¹ Ibid.

³² Planning Institute of Jamaica, *A Growth Inducement Strategy for Jamaica in the Short-and Medium-Term*. (Kingston: Planning Institute of Jamaica, 2011). 119.

³³ Ibid.

The strategy document also found that “these findings could be considered to raise an alert and cause concern regarding the current status of the Jamaican economy in the international arena. They have served to raise alarm in some quarters.”³⁴ Certainly, they must be taken to indicate that Jamaica still has a far way to go and a difficult road ahead if the national goal is “to reach development country status by the year 2030, as declared in the *Vision 2030 Jamaica National Development Plan*.”³⁵ This is significant as the PIOJ, which produces both short and long term development plans for Jamaica, uses TI’s CPI with other international rating agencies to create development policies for the country.

Further examples illustrating that the Jamaican government pays attention to TI’s CPI are: the reasons cited by the head of the Executive Agencies monitoring unit of the Public Expenditure Policy Division in the Ministry of Finance and Planning to host a corporate governance symposium on February 15, 2012. The Jamaica Information Service reports that, “Owen McKnight, head of the unit, explained that the event is being organized because of the emerging trends in the world and because of Jamaica’s rating on Transparency International’s list.”³⁶ The target group for the symposium includes chief executive officers, chief internal auditors, chairpersons and members of audit committees as well as directors of finance in executive agencies. McKnight was also quoted as saying, “What we have seen happening, for example in Liberia and in South Africa where

³⁴ Ibid.

³⁵ Ibid.

³⁶ Mr. Owen McKnight, Head of the Executive Agencies monitoring unit of the Public Expenditure Policy Division in the Ministry of Finance and Planning, quoted by Jamaica Information Service, “Finance Ministry to Host Corporate Governance Symposium February 15” February 14, 2006, http://www.jis.gov.jm/news/104-finance-public-service/8056-finance_planning-finance-ministry-to-host-corporate-governance-symposium-feb-15 (accessed April 06, 2012).

the former Deputy President has been removed and also current happenings in Trinidad, we find that it is important to sensitize our personnel, especially those in Executive Agencies.”³⁷

Not only does the Jamaican government respond to TI, but different government executives have demonstrated a concerted effort to address the country’s ranking on TI’s index and how to address the perceptions of not only corruption within the country but also in light of how other countries are dealing with corruption. McKnight, in stressing the importance of the symposium indicated that, “Based on the recent Auditor General’s report, participants need to be made more aware of their responsibilities to the citizens of Jamaica. They will benefit greatly as well from increased consciousness because often it is said that if there was not so much waste in the public sector, then the government would not need to borrow as much.”³⁸ With Jamaica’s continued low ranking on TI’s CPI McKnight’s emphasis that, “We just want to bring it home to them, their responsibilities to give citizens value for money,”³⁹ which is one of the key pillars of TI’s quest for transparency and accountability within countries and especially in countries seen as highly corrupt.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Mr. McKnight emphasized that the speakers will cover topics such as the role of corporate governance in ensuring the three Es - Economy, Efficiency and Effectiveness - the responsibility of the Government sector in facilitating the way forward; and accountability, probity and transparency - principles and practices. Among the line-up of speakers to address the symposium are, State Minister in the Ministry of Finance and Planning, Fitz Jackson; Financial Secretary, Colin Bullock; Technical Advisor on Corporate Governance, Vindel Kerr; Chairman of the Audit Commission, Leighton McKnight; and Deputy Financial Secretary of the Public Enterprise Division, Ann-Marie Rhoden

On September 27, 2007 the *Jamaica Gleaner*, ran a headline, “Jamaica more corrupts—Falls 23 places on International Perception Index.”⁴⁰ This has led to some speculation that “the Trafigura⁴¹ debacle, which engulfed the then People’s National Party (PNP) administration, may have had an impact on the present status.”⁴² Derrick Smith, Minister of National Security, in a response to the *Gleaner* report noted, “the new administration’s promise to appoint a Prosecutor General to probe acts of corruption is still on track.”⁴³ Additionally, Minister Smith note, “We are now looking at it, formulating it, the Prime Minister has had discussions regarding it”... “It is a firm commitment from the government; it is firmly on the agenda.”⁴⁴ Beth Aub, former general secretary of the Jamaican Chapter of TI noted,

Trafigura was a big thing, Trafigura was an international thing ... it was not transparent; we still don’t know what happened. If businessmen are reporting that they have to pay bribe money and they do, large companies will go to other countries where they know their expenses upfront and they don’t have to pay for security because of a high crime rate, we keep going down every year because the government and elsewhere is not any more transparent.⁴⁵

⁴⁰ Mark Beckford, “Jamaica more corrupt – Falls 23 places on International Perception Index,” *Jamaica Gleaner* September 27, 2007. <http://jamaica-gleaner.com/gleaner/20070927/lead/lead1.html> (accessed April 06, 2012).

⁴¹ Trafigura Beheer, the oil lifting company based in the Netherlands, caused outcry in Jamaica after it was discovered that they had given the PNP, then in government, a \$31 million donation. The money was reportedly returned, several commentators had suggested the contribution gave a perception of corruption.

⁴² Beckford, *Jamaica Gleaner*, Sept. 27, 2007. “Jamaica more corrupt – Falls 23 places on International Perception Index,” September 27, 2007 <http://jamaica-gleaner.com/gleaner/20070927/lead/lead1.html>

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Beth Aub, former general secretary of the Jamaican Chapter of TI being quoted Mark Beckford, “Jamaica more corrupt – Falls 23 places on International Perception Index,” *Jamaica Gleaner*, September 27, 2007 <http://jamaica-gleaner.com/gleaner/20070927/lead/lead1.html>

It must be pointed out that the Special Prosecutor which, then, Minister of National Security Derrick Smith made mention of, is yet to be appointed.

Transparency International is used to getting invitations from different government bodies and civil society groups from around the world to visit their countries. At the invitation of Professor and Former Senator, Trevor Munroe, Chair of the National Integrity Action Forum (NIAF) of Jamaica, two officials of TI Alejandro Salas, Director of the Americas department, and Zoe Reiter, Program Coordinator of the Americas Department, carried out a field mission to Kingston, Jamaica in September 15-20, 2009. In TI's report of the visit the two key components of the mission were stated as being: "1) a one-hour presentation by Alejandro Salas to the NIAF on September 17th, outlining both key corruption challenges in Latin America and 2) TI's bilateral meetings with key reformers in the country, private sector leaders, as well as international organizations working in the country."⁴⁶ What is probably the most interesting aspect of TI's visit to Jamaica is that TI representatives met with a broad cross-section of the Jamaican society; including individuals from the private and public sectors, as well as representatives from the civil society.

In its Appendix A of the 2009 visit report it showed TI representatives met with the President of the Private Sector Organization of Jamaica, (PSOJ), Mr. Joseph Matalon, The Commissioner of Customs; Mr. Danville Walker, The Contractor General; Mr. Greg Christie, the Chairman of the Electoral Commission of Jamaica; Professor Errol Miller, Civil society group Jamaicans for Justice; Dr. Carolyn Gomes, the British High Commissioner for Jamaica; Jeremy Cresswell, USAID Deputy Director Sean Osner and

⁴⁶ Transparency International Department of the Americas, "Report on Visit to Jamaica," September 15-20, 2009.

USAID/COMET Civil Society Specialist Sherine McKenzie. As TI states, “the meetings with key reformers in Jamaica consistently highlighted several key issues facing the country that weaken good governance.”⁴⁷ Of the issues, the two most urgent issues discussed were: “extensive drug and arms trading and associated gang operations which fuels corruption (through bribery, extortion, payoffs, etc.) and insecurity; and lack of transparency and accountability in political finance, which facilitates influence peddling by elites and corrupt economic interests.”⁴⁸ These conditions when combined, according to TI “suggest a clear and present danger of state capture⁴⁹ in the country”.... in addition “the extra burden of paying bribes, which amounts to a ‘corruption tax,’ affects major investment and hinders economic development.”⁵⁰ Significant is the meeting with the Contractor General Mr. Greg Christie whose office has repeatedly made reference to TI’s CPI as it regards Jamaica’s rank but also ways in which Jamaica can improve its CPI score. The meetings and the different level of government and private officials who met with TI shows that TI matters as key policymakers are not only paying attention to Jamaica’s ranking on TI’s CPI but they are also indicating their willingness to incorporate TI’s recommendations to improve Jamaica’s CPI score.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ State capture, as defined by TI is a situation where powerful individuals, institutions, companies or groups within or outside a country use corruption to shape a nation’s policies, legal environment and economy to benefit their own private interests.

⁵⁰ Ibid

THE OFFICE OF THE CONTRACTOR GENERAL (OCG)

The OCG, especially in the last six years, has shown a marked improvement in focusing on corruption and paying particular attention to perceptions of corruption in Jamaica. Of the government bodies, aside from the legislative, judiciary and executive arm of government, the office of the Contractor General is one of the most significant public sector offices in Jamaica. The mission statement of the OCG below gives some significance on the level of importance of this office:

“The Mission of the Office of the Contractor General is to effectively discharge the requirements of the Contractor-General Act and, in so doing, to:

1. Monitor and investigate the award and implementation of contracts, licences, permits, concessions and the divestment of government assets;
2. Improve and make fair and equitable the system of awarding contracts, licences, permits, concessions and the divestment of government assets;
3. Ensure that all public sector agencies give the widest possible opportunity to qualified persons to bid for contracts and divestments or to apply for licences and permits;
4. Create a positive image of the public procurement process by promoting integrity, professionalism, transparency, efficiency and, in so doing, to thereby engender public confidence.”⁵¹

Since 2005 the significance of this office has improved; especially after Greg Christie was appointed Contractor General. Since then the visibility of the OCG has become more pronounced. This has resulted in more awareness of corruption in government entities. But it has also forced government offices, boards, businesses and individuals dealing with government contracts to be more diligent in their operations. The OCG under Christie’s tenure has increased the transparency of government contract procurement procedures significantly more than what existed before. The level of media releases and reports from the OCG has increased tremendously. While many of the recommendations have not been implemented the shortfall can be attributed to the

⁵¹ Office of the Contractor General Jamaica, “Mission Statement,” http://www.ocg.gov.jm/ocg/mission_statement.php (accessed April 17, 2012)

tardiness of the legislative branch of government in addition to the perceived or perhaps inherent weaknesses in the judicial process.

Perceptions are important and when the judicial system is perceived to be corrupt, incompetent, weak, or lacking resources it affects the integrity of the system. In Jamaica, there is a perception of a lack of justice. Even in the event that an individual is charged with corruption there is likelihood that the case will never reach the prosecution stage or that it will take a significant number of years to be either mentioned or resolved resulting in a lack of faith in the justice system. The *Kern Spencer Light Bulb Case*⁵² readily comes to mind.

On February 26, 2008 Kern Spencer, a sitting member of Parliament, was arrested and charged with: three charges of conspiracy to defraud, one charge for breaching the Prevention of Corruption Act, and three charges for breaching the Money Laundering Act. This was as a result of the Special Investigation conducted by the OCG. The Office of the Contractor General (OCG) concluded its Special Investigation into the 4M Energy Saving and Light Bulb Distribution Project in February 2008. Pursuant to the provisions which are contained in Section 28 (2) and Section 21 of the Contractor General Act, hard copies of the Report were formally conveyed by the Contractor General to the Speaker of the House of Representatives and to the President of the Senate on February 4, 2008, with a request that they be tabled in both Houses of Parliament “as soon as possible” in keeping with the requirements of Section 28 (3) of the Act. (Office of the Contractor General, *4M Light Bulb Report*, Feb., 2008)

Four years later the case is seemingly no closer to being resolved than when it initially started. As I have described earlier, Jamaica’s legislation in regards to corruption is one of the most vigorous in the Western Hemisphere. Nonetheless, the practice has not caught up with the theory as the judicial system is in need of serious reform. The perceived tardiness or deficiencies that are obstructing the Office of the DPP need to be addressed.

⁵² For more information on the 4M Kern Spencer Light Bulb Case, see Office of the Contractor General, “OCG Special Investigations” http://www.ocg.gov.jm/ocg/contracts_investigated.php (accessed April 12, 2012).

To give credit to the Jamaican government, they have articulated that they are creating a Special Prosecutor Bill. “The OCG has also consistently expressed the view that the Special Prosecutor Bill, which was introduced before Parliament by the former Jamaica Labour Party (JLP) Administration, did not go far enough to seriously address Jamaica’s corruption woes.”⁵³ A strong and pointed criticism why the OCG criticized the Special Prosecutor Bill as not going far enough is predicated on the fact that, “As conceptualized, the Bill excluded the OCG from its purview, despite the fact that it is universally recognized that the largest opportunity that exists, in monetary terms, for corruption in any country, lies in the illicit manipulation of the award of Government contracts and the divestment of lucrative State assets.”⁵⁴

Subsequently the CG who actively pays attention to TI, has advocated, since March 2010, for the establishment of the Single Independent Anti-Corruption State Agency for Jamaica. This agency would consolidate the functions of the Integrity Commission, the Corruption Prevention Commission and the OCG, and to vest in that Agency the mandate, among other things, to criminally investigate and to independently prosecute all corruption and related criminal offences. Christie, again, reiterating that Jamaica has been consistently ranked by TI, as one of the most corruption countries in the world, welcomed the government’s commitment, to pass legislation during the current legislative year to “rationalize Jamaica’s institutional arrangements for fighting corruption, by consolidating them under a single anti-corruption agency having strong

⁵³ OCG, “OCG Welcomes Government’s Commitment to Establish Single Anti-Corruption Agency in Current Legislative Year,” Media Release, May 11, 2012.

⁵⁴ Ibid.

powers.” Christie in commending the current government for its commitment to create the agency noted:

Although the details of what the Agency will look like are yet to be disclosed, the OCG, nevertheless, believes that the Portia Simpson-Miller Administration must be commended for the bold and decisive step that it has taken to come to grips, once and for all, with Jamaica’s pervasive problem. (Contractor General, Greg Christie, 2012)

An important and much needed caveat, the explicit provisions to prevent the abuse of the authority of the Agency. “The Agency and its leadership should be subjected to certain institutional checks and balances, inclusive of appropriate recall mechanisms for the leadership of the Agency, to ensure the Agency’s operational probity, accountability, efficiency and effectiveness.”⁵⁵ This caveat is pivotal as the personality of the leaders of other government agencies have been instrumental in the framework, level and quality of work produced by that institution.

The OCG is tasked with a large mandate and Mr. Greg Christie, the Contractor General since 2005, is often revered as one of the most vocal public servants fighting corruption in Jamaica. Since taking office Christie has made a series of recommendations in reforming the procurement process and ways in which to reduce corruption in Jamaica. Based on numerous speeches, reports and presentations it is obvious that Christie pays attention to TI’s CPI. The change in the OCG’s yearly reports since Christie has been the Contractor General shows a clear difference in the presentation and reporting on corruption. A key difference is in the OCG’s Annual Reports from 2008-2010 where reference is made to TI’s CPI. These extensively detailed reports also published TI’s CPI of Jamaica and Jamaica’s rank relative to its neighbors. The changes in the format of the

⁵⁵ Ibid

OCG Annual Reports largely reflect a policy change in the increased focus on details under Christie's leadership compared to previous Contractor Generals.

The OCG's 2009 Media Release⁵⁶ explained Jamaica's downgrade and came as no surprise. In the OCG's 2008 Annual Report to the Parliament of Jamaica, which was tabled in the House of Representatives in September 2009, Christie spoke specifically to the issue:

The great majority of the several recommendations which were made by the OCG during 2008, in its Special Reports to Parliament, together with those which have been repeatedly made over the preceding two and one-half years, have, for the most part, gathered dust. (OCG, *Media Release*, Nov. 2009)

The release further extrapolated and presented that,

If the OCG's many recommendations over the past two decades were given priority attention and speedily and comprehensively implemented, I daresay that much would have already been gained in combating, reducing and even eliminating corruption and the repeated breaches of the Government Procurement Rules, and related legislation, which have become so commonplace in the Public Sector and which continue to cost the Jamaican Taxpayers millions, if not billions, of dollars each year. (OCG, *Media Release*, Nov. 2009)

Additionally,

Some of the referenced OCG Recommendations have been repeated ad infinitum and ad nauseam, but to no avail. In several investigations, whilst the fact circumstances and/or allegations may change, the same types of failures and/or breakdowns in compliance levels, probity, accountability and transparency in Government contracting are too often evident. (OCG, *Media Release*, Nov. 2009)

Clearly, these positions postulated by the OCG demonstrate a few points; Jamaica pays attention to its rank on the CPI, but it also shows that while the OCG has been forward thinking, productive and recommending policies they are not being incorporated. Thus when Jamaica has been downgraded yet again by TI, it comes as no surprise to the OCG

⁵⁶ Office of the Contractor-General, Media Release, "Transparency International Downgrades Jamaica on Global Corruption Perceptions index—News Comes as no Surprise to the OCG" November 17, 2009

as the Jamaican government has illustrated that it is dragging its feet. There are sufficient policy reforms being recommended to reduce the perceptions of corruption, but implementation has been slow.

The OCG, in responding to TI's 2011 CPI issued a press release, "The Perception of Corruption in Jamaica Remains Unchanged—Transparency International Scores Jamaica at 3.3 out of 10 in its 2011 CPI Ratings."⁵⁷ As Christie states,

It should now be abundantly clear to all Jamaicans that unless they demand monumental changes in the country's existing moral, ethical and legal anti-corruption codes, and in its approach to the con-joint issues of transparency, accountability and good governance in the administration of the affairs of the Jamaican State, ten (10) years from now we will still be at the same place, talking about the same things." (OCG *Media Release*, 2011)

He added that,

The time has long passed for those who aspire to lead the Jamaican State to go beyond making mere lip-service statements about their intention to fight corruption. They must publicly state in lucid and specific terms, the practical step-changes that they are prepared to take to effectively bring an end to corruption in Jamaica, and the respective time-frames within which these steps will be implemented. The question of what is in the best interest of Jamaica as opposed to what is politically expedient, must be the common thread that defines all such proposed anti-corruption measures. (OCG, *Media Release*, 2011)

Trinidad and Guyana were the only English speaking Caribbean countries that were ranked lower than Jamaica, Trinidad with a CPI of 3.2 and ranked 91 and Guyana 2.5 with a ranking of 134.

⁵⁷ OCG, Media Release, "The Perception of Corruption in Jamaica Remains Unchanged—Transparency International Scores Jamaica at 3.3 out of 10 in its 2011 CPI Ratings.

The Global Ramifications of Corruption

The OCG, which has been at the vanguard of corruption reform in the last few years, has made numerous recommendations to reduce corruption in Jamaica. By all accounts, corruption is one of the most frightening and ominous threats that Jamaica faces. Specifically, corruption impedes Jamaica from achieving sustained economic growth and development. But clarifying,

Corruption is not a scourge that is confined to Jamaica, or to the Caribbean alone. It is a global concern if only because there is abundant evidence that it has the capacity to undermine democracy, stability and the rule of law, as well as to drive fragile countries towards state capture or state failure. Indeed, the cancerous and corrosive impact of corruption is alarmingly horrendous and devastating in its reach.⁵⁸

In the “Special Report of Investigation into the Mabey and Johnson Corruption Allegations,”⁵⁹ which was tabled in Parliament in October 2009, the Contractor General directed the country’s attention to the need for the State to act urgently and decisively in the matter. The Mabey and Johnson case is important, as it is two-fold as it relates to corruption perceptions. It address how a government official could be easily bribed by a foreign entity but it also speaks to the supply side of corruption which TI’s CPI does not take into consideration when it rank countries corruption perceptions level. The supply side of corruption is important in that, while there are receivers of corrupt acts, the other player is just as important. It is probably more important as many international corporations which are embroiled in corruption scandals overseas, Jamaica and

⁵⁸ Greg Christie, Contractor General, “The Need for Political Will and Effective Law Enforcement in the Fight against Corruption in Regional Jurisdictions – Jamaica Case Study: Proposal for a Single Independent National Anti-Corruption Agency” March 23, 2011.

⁵⁹ The Mabey and Johnson Corruption allegation case involved Joseph Hibbert, junior transport and works minister, Hibbert was chief technical director in the Ministry of Transport and Works in the 1990s, the period that the UK firm allegedly paid the bribe.

elsewhere, would not engage in the same business practices in their own countries as the repercussion would be severe.

In 2009, Mabey and Johnson pleaded guilty to 10 charges of corruption relating to contracts in Jamaica, Ghana and Iraq and for breaching UN sanctions. The corruption charges were related to contracts obtained by the company in Jamaica and Ghana. The sanction charges related to accusations in the UN Volcker report that Mabey paid a US\$200,000 kickback to the Saddam Hussein regime in Iraq between 2001 and 2003 in return for a US\$3.6-million bridge contract.⁶⁰

The OCG's 2009 media release in response to TI's CPI promoted three specific recommendations made in light of the Special Report of Investigation into the Mabey and Johnson Corruption Allegations:

1. The OCG believes that the time has also come for the Parliament of Jamaica to urgently examine its current anti-corruption institutional and legislative framework with a view to (a) insulating the State's anti-corruption institutions from any possible interference, obstruction or direction from the Executive arm of the State and, (b) significantly strengthening the capacity of the institutional framework in a deliberate effort to substantially enhance its effectiveness in the fight against the scourge of corruption.
2. The OCG also recommends that Parliament should review its anti-corruption legislation to ensure, inter alia, that the existing sanctions are adequate, effective, proportionate and dissuasive in nature. Where necessary, the implementation of new and more severe sanctions, which should include the seizure or confiscation of bribes and the proceeds of acts of corruption, in addition to other powerful punitive criminal sanctions, must be given strong consideration.
3. Additionally, the OCG recommend that the Corruption Prevention Commission should take a more proactive and aggressive approach in (a) the investigation of matters involving alleged acts of corruption against the State and (b) its review and investigation of the Declaration of Assets, Income and Liability Statements that are required to be filed each year by Public Servants, pursuant to the provisions of the 2000 Corruption Prevention Act. To the extent that the Commission currently lacks adequate resources to effectively

⁶⁰ Jamaica Observer, "Hibbert Goes," July 15, 2009.
http://www.jamaicaobserver.com/news/155442_Hibbert-goes (accessed May 02, 2012)

discharge its mandate under the law, immediate steps should be taken by the State to address same, failing which the State's ability to win the fight against corruption will be significantly threatened and undermined."⁶¹

The Joseph Hibbert case was one of 180 selected from around the world for a study by the World Bank group of experts to discuss 'The Misuse of Corporate Vehicles in Grand Corruption Cases'. As the OCG reports, "On February 22, 2010, the Bank had written to the Contractor General to advise him that it had already collected and carefully analyzed, from around the world, 180 different cases for the StAR Study and that one of the selected cases was "that of Mr. Joseph Hibbert, the (former) Minister of State in the Ministry of Transport and Works and his alleged involvement in the Mabey and Johnson scandal."⁶² The Bank, which said that it possesses a copy of the OCG's Investigation Report on the matter and that it had "found it to be very useful and informative," was also interested in knowing "if Mr. Hibbert himself has been formally prosecuted in Jamaica for his involvement in the case."⁶³

One of the important components of this case is that Mabey and Johnson, a British firm, was tried and pled guilty to the charges in a UK Court and in doing so named the Jamaican nationals who facilitated the award of contracts to the company. The OCG Special Investigations reports, "in referenced 2008 November 26 meeting, Mr. Sasi-Kanth Mallela, Investigative Lawyer for the Special Fraud Office (SFO), highlighted to the OCG certain details of the SFO's Investigation into the corruption case which was

⁶¹ OCG, Media Release, "Transparency International Downgrades Jamaica on Global Corruption Perceptions index—News Comes as no Surprise to the OCG" November 17, 2009.

⁶² OCG, Media Release 128, "OCG invited to be a member of a World Bank Group of Experts to Discuss "The Misuse of Corporate Vehicles in Grand Corruption Cases"—Joseph Hibbert Case one of 180 Selected from Around the World for Study", April 23, 2010.

⁶³ OCG, Media Release 128, "OCG invited to be a member of a World Bank Group of Experts to Discuss "The Misuse of Corporate Vehicles in Grand Corruption Cases"—Joseph Hibbert Case one of 180 Selected from Around the World for Study", April 23, 2010.

being brought against Mabey & Johnson.”⁶⁴ The World Bank’s invitation to the OCG arises from a Policy Study, which it is currently conducting in collaboration with the United Nations Office on Drugs and Crime (UNODC) under what is called the Stolen Asset Recovery (StAR) Initiative. The StAR Initiative aims at developing and disseminating practical tools and policy papers to assist developing countries in recovering the proceeds of corruption from foreign jurisdictions. The Study also seeks to identify common trends in the misuse of corporate vehicles as a means of concealing the identity of corrupt public officials who are involved in transnational corruption schemes. For the Hibbert case to be selected, as one of the 180 around the world to be examined by the Bank’s expert, is crucial as this case in many respects strengthen the argument of the perceptions of corruption amongst public officials in Jamaica.

The Mabey and Johnson case is significant for a number of other reasons. One, this case involved a sitting government cabinet minister, Joseph Hibbert, an international firm, and most importantly the type of work the firm was undertaking in Jamaica—bridge building, an important infrastructural development. Jamaica is a country prone to natural disasters and experiences hurricanes, tropical storms and severe flooding regularly during

⁶⁴ See the OCG Special Investigation Report on the WTW/MB&J Ltd page 6-7. In a synopsis of the information the OCG highlighted: 1. That, in another couple of weeks, Mabey& Johnson would plead guilty to charges in the UK Court and, in doing so, would name the Jamaican nationals who facilitated the award of contracts to the company. 2. He explained that in the plea, Mabey& Johnson Ltd. Would be admitting to having procured contracts in Jamaica by making payments to Mr. Joseph Hibbert, MP, the then Chief Technical Director in the Ministry of Transport and Works (MTW) and Mr. Deryck Gibson, Deryck A. Gibson Ltd. 3. That, in the case of Mr. Joseph Hibbert, he had received cash and cheque payments during the period 1989 to 2001. The payments which were made during the period of 1993 November to 2001 October amounted to 69, 000 pounds. 4. That, Deryck Gibson, on the other hand, was paid 7M pound for agency services, which involved introducing representatives of Mabey & Johnson to the right people in Jamaica. Mr. Mallela stated that the payments which were made to Mr. Gibson were commission payments. 5. That, because of the change in the UK laws, regarding remittances, it is believed that money was paid to Mr. Gibson for him to pay for travel and entertainment on behalf of Mr. Hibbert. According to the OCG, the second event, which influenced the OCG’s decision to commence its Investigation, was the receipt of copies of certain documents, which were formally conveyed to the Contractor-General, by the JCF, under cover of a letter which was dated 2008 December 30.

the rainy seasons. The contracting of firms, whether locally or internationally, especially as it relates to a vital part of a country's infrastructural development such as road networks, should be held to the highest form of integrity. Jamaica, a country that lacks resources to finance reconstruction of vital infrastructures when extensive damage occurs during natural disasters, cannot afford to have the integrity of the procurement process penetrated by corrupt individuals. Corruption in the procurement process can lead to severe consequences in the long run in terms of the quality of infrastructure being built and opening the loophole for further bribes being paid to ignore shortfalls during the building process amongst a host of other maladies. This case is also important because Jamaica financed the bridges through loans from international institutions. Therefore, if and when the procurement process is corrupted and a Cabinet level government official is involved in the bribery process, it undoubtedly affects not only the integrity of the infrastructures being built but also the added cost in the long-term development of the country. Therefore, if the appropriate steps are not taken in the first place to rebuild infrastructure with high quality standards that meet domestic and international requirements, there is an increased likelihood that Jamaica will have to return to international institutions requesting additional loans and grants to rebuild roads and bridges. This added cost that the country will incur could have been invested in other areas such as education, health care, or security. In this respect, corruption also weakens and slows the development process.

Jamaica, a country doing worse off economically than its neighbors, cannot afford these costly mistakes and or deliberate acts of corruption on the part of government officials. It presents a tremendous cost on the country overall and in more than one

sector, because the cost of the lack of a bridge to the people in the communities affected will be significant. The Hibbert case raised a lot of issues in regards to corruption at the government level but also that of the supply side of corruption as Mabey and Johnson willingly broke Jamaican laws and bribed government officials.

THE JAMAICA CONSTABULARY FORCE (JCF)

“We serve, we protect, we reassure with courtesy, integrity and proper respect for the rights of all”⁶⁵

The JCF is one of the most significant government agencies fighting corruption. It can be said that a society’s laws are only as good as its enforcement agencies. The mission of the JCF and its auxiliaries is to serve, protect and reassure the people in Jamaica through the delivery of impartial and professional services aimed at: maintenance of law and order; protection of life and property; prevention and detection of crime and preservation of peace.⁶⁶ It is the principal state agency tasked by the government for the maintenance of law and orders within Jamaica’s boundaries. As the JCF website explains, “The main role of the JCF is to maintain the conditions of public order so that national development can be realized.”⁶⁷

Former Prime Minister Bruce Golding stated, “If we can't rid the force of corruption, we will never be able to rid the country of the crime.”⁶⁸ Golding also

⁶⁵ Jamaica Constabulary Force, Mission Statement, <http://www.jcf.gov.jm/mission-statement> (accessed April 20, 2012).

⁶⁶ Ibid.

⁶⁷ Jamaica Constabulary Force, ‘History’ <http://www.jcf.gov.jm/history> (accessed April 20, 2012).

⁶⁸ Prime Minister Bruce Golding, Jamaica Information Service, “Government/Opposition Discuss Changes to the Police Force,” May 05, 2009 <http://www.jis.gov.jm/news/122-parliament/19497-parliament-government-opposition-discuss-changes-to-police-force> (accessed May 10, 2012)

emphasized that fighting crime could not be the responsibility of the security forces alone. Financial and budgetary constraints also lead to fewer resources being allocated to the police force to enhance certain areas of development. To which, Golding noted that “The Government is providing as much resources as the budget can afford, to support the work of the security forces, whose forensic capabilities are being strengthened and specialized training, in the area of intelligence management, being accelerated.”⁶⁹ Probably one of the more important points of Mr. Golding’s presentation is his acknowledgement that “The fight is both internal and external. The effectiveness of the force is undermined by the presence of corrupt members within the force. It is more a sense of relief, than a sense of pride, to note that 56 policemen were arrested for corruption last year.”⁷⁰

The JCF has long been viewed as one of the more corrupt public sector bodies with accusations of officers accepting bribes instead of writing traffic tickets to the more serious crimes of committing state sanctioned murder, and the destruction, fabrication and / or disappearance of evidence in criminal cases. The JCF has long been at odds with some members of the general public and some civil society groups, most notably The Jamaicans for Justice (JFJ). But while the JCF has faced accusations of corruption, it has shown that in the last three to four years some progress has been made.

Reputational costs, perceptions of mistrust, and the view that the JCF is a corrupt agency have plagued the JCF. Commissioner Owen Ellington, while being mindful of some of the perceptions that taint the JCF, articulates “I am very much aware that there is

⁶⁹ Ibid.

⁷⁰ Ibid.

an ever growing majority of staff that actively gives tangible support to rid our service of the minority who damage our reputation and destroy public trust and confidence.”⁷¹

Based on the proposition by the Commissioner, I will assess the level of progress the Anti-Corruption Branch (ACB) has made since it has been established. In saying this, one is mindful that corruption is not something that changes overnight; in many established developed and industrial countries it has taken decades of strong reforms and the overhaul of the system in a coherent and systematic manner to achieve desired results. Thus, even if there have been improvements in the JCF as it pertains to corruption, if similar successes are not replicated or operate in tandem from the Director of Public Prosecution’s (DPP’s) office then the results will not meet desired expectations.

Utilizing what has been termed a four-pronged strategy to confront corruption that includes; preventing corruption and improving standards; education; communication and training; detection and prosecution coupled with cross cutting issues, the JCF has made substantial progress in tackling corruption. Since its creation strides have been made within the JCF to tackle corruption. For the period of January to August 2010, it has been reported that over 150 members of the Police Force services were terminated due to involvement in corruption.⁷²

Commissioner Ellington stresses the importance and the level of commitment he has taken and/or has seen fit in the creation of the ACB. He states, “As a mark of the importance I personally attach to this Jamaica Constabulary Force (JCF) Anti-Corruption Strategy I sought to have prepared quickly, so it would be among the first significant

⁷¹ Jamaica Constabulary Force, Commissioner Ellington, “Anti-Corruption Strategy 2012-2015,” 1.

⁷² Major V. “Dave” Anderson, “Police Corruption-Successful approaches and Systems” (Presentation at the Inaugural staging of the Regional Law Enforcement Anti-Corruption Conference, Kingston, Jamaica, March 22 and 23, 2011).

Strategies, linked to my JCF Strategic Priorities.”⁷³ In further emphasizing that “Whilst the JCF have made significant impact on tackling corruption by arresting and charging JCF Staff and others who would corrupt our staff, the time has come to move up a gear.”⁷⁴ The significance of the strategic move of the JCF to create the ACB illustrates a move in the right direction as it regard fighting corruption.

The Corruption Prevention Act of 2000 was enacted with a view of appropriately punishing members of the public service who put their office into disrepute by engaging in corrupt activities. The JCF, an entity of the public service, is by default governed by the Corruption Prevention Act of 2000. The Sections under which members of the JCF and its auxiliaries are usually charged are:

SECTION 14 (1) (a)

A public servant commits an act of corruption if he corruptly solicits or accepts, whether directly or indirectly, any article or money or other benefit, being a gift, favour, promise or advantage for himself or another person for doing any act or omitting to do any act in the performance of his public function.

SECTION 14 (2)

A person commits an act of corruption if he offers or grants, directly or indirectly, to a public servant any article, money or other benefit, being a gift, promise or advantage to the public servant or another person, for doing any act or omitting to do any act in the performance of the public servant’s public function.

SECTION 14 (2)

A person commits an act of corruption if he instigates, aids, abets or is an accessory after the fact or participates in whatsoever manner in the commission or attempted commission of or conspires to commit any act of corruption referred to in subsection (1) or (2).

It is to be noted that the maximum penalty given to a public servant and/ or member of the public who engage in corruption practices is two (2) years imprisonment. However, the intricacies of the case as also the judge’s level of discretion will determine whether or not the maximum penalty is ordered.

(Jamaica House, *Corruption Prevention Act 2000*)

⁷³ Commissioner Owen Ellington, “Commissioner’s Foreword,” <http://www.acb.gov.jm/html/index.php/about/commissioners-foreword/> (accessed April 12, 2012).

⁷⁴ Ibid.

The JCF, in terms of policy development, has made noticeable advances in terms of attempts to reduce corruption in the JCF and the wider society as a whole. The JCF *Anti-Corruption Strategy 2012-2015*⁷⁵ document states,

Police corruption can lead to devastating and debilitating effects on the strategic and operational objectives of a police organization requiring significant effort to eradicate and reform. Equally important, is that police service delivery may be severely crippled where the public loses confidence and trust in the very organization that is mandated to keep them safe and secure. Corruption within the policing environment can be characterized into two groups, one that is ‘internally-networked’ and the other ‘individual’. (JCF, *Anti-Corruption Strategy 2012-2015*, 1)

The JCF has undertaken significant reform in a concerted effort to tackle and dismantle corruption within the rank and file of the JCF and proceed down a path of cultural change. It is important to point out that the JCF has highlighted that;

Emphasis will be placed on senior management, middle management and supervisors to demonstrate and ensure systemic employee understanding, confidence, commitment and ownership that will contribute to effective implementation and progress of reform. Preventing corruption and unethical behaviour is not the sole responsibility of management but the entire workforce. Therefore all people must be made aware of the JCF’s standards, values and commitment to eradicating corrupt and unethical behaviour on a daily basis through its Ethics and Integrity Policy. (JCF, *Anti-Corruption Strategy 2012-2015*, 3)

The government in showing that it is getting tough on corruption and has passed several pieces of legislations aimed at stemming corruption and prosecuting corrupt individuals. Law enforcement professionals, ministerial policymakers, civil society

⁷⁵ Jamaica Constabulary Force, the *JCF Anti-Corruption Strategy 2012-2015* defines ‘internally—networked’ and ‘individual corruption’ as the following. *Internally—networked corruption* usually involves specialist or closely formed groups working together and often carry out more organised and entrenched corrupt activities, and the forming of corrupt relationships with criminal or covert human intelligence sources that may lead to corrupt behaviour. *Individual corruption* is usually associated with individuals who work in isolation with limited interaction with other officers or peers, and limited supervision or accountability. This corruption will develop through social networks and other associations outside of work and lean heavily towards the leaking of confidential information to criminals regarded as a significant threat to police and intelligence organisations’ activities. This is not limited to sworn members but also non-sworn members who are increasingly being placed into sensitive police administrative and operational areas.

members, advocacy groups and academia were in full attendance at the inaugural staging of the Regional Law Enforcement Anti-Corruption Conference, in 2011. The conference was hosted by Jamaica Constabulary Force (JCF) in collaboration with the United States Agency for International Development (USAID). The conference was a significant step forward for a number of reasons but most important it demonstrated to the citizens of Jamaica the government's awareness of the problem of corruption. Many Jamaicans see the police force as one of the more corrupt branches of government in the country. Legislation has been crafted and a special task force, the Anti-Corruption Branch of the JCF, has been established. Assistant Commissioner of Police in the Anti-Corruption Branch of the JCF, Justin Felice notes, "Jamaica has been achieving some success in respect to its anti-corruption efforts, which can be shared with other countries."⁷⁶

The Contractor General, Greg Christie, also in attendance at the conference and a guest speaker, emphasized and focused on corruption. This is pointed and significant. Not only does he reiterate the general public's sentiment in Jamaica towards corruption, but he also makes the connection in a global context. The above mentioned conference was significant not only because of the joint hosting by the JCF and the USAID but also notably the continued support of policy creations in Jamaica by the USAID. Christie, the most vocal public servant as it pertains to corruption reforms, as the keynote speaker was important. But the conference also brought together key government agencies in addition to its attempt for a broader and regional scope to address the issue of corruption.

The head of the Anti-Corruption Branch of JCF paying attention to TI is significant. Mr. Felice was quoted as saying,

⁷⁶Jamaica Information Service, "Anti-Corruption Conference to be held from March 22-23," <http://www.jis.gov.jm/news/112-national-security/27089-anti-corruption-conference-to-be-held-from-march-22-23> (Accessed April 07, 2012).

Modest improvements in Transparency International ratings are one aspect that Jamaica can champion as a success, to say that hopefully we've turned around the way that Jamaica was going in respect of its corruption and the perception that the public has about the levels of corruption within the JCF and also the wider law enforcement agencies in the island. (Justin Felice, 2011)

In elaborating on policy changes within the JCF, Mr. Felice espoused, "The JCF has also been making strides in ridding the organisation of corrupt individuals through its cleansing programme. One of the methods being used is an increased use of polygraph tests, where, through random administering of polygraph tests, it is ensured that recruits are ethical and of the highest integrity."⁷⁷ To ensure that the senior ranks of the police force are not involved in corrupt activities, Mr. Felice stated, "Promotions now within JCF are all subject to ethical interviews by the newly formed Ethics Committee, which was set up in August 2010, and also polygraph (testing). So, all the senior officers who have been recently promoted have all been subject to a rigorous vetting procedure which is taking place within the organization."⁷⁸ The head of the ACB pays attention to Jamaica's rank on TI's CPI. Felice also accorded the modest reduction in corruption perceptions of Jamaica to the efforts by the JCF.

In stating some of the accomplishments of the ACB, Major V. "Dave" Anderson in his presentation entitled, *Police Corruption-Successful Approaches and Systems*, states, "since the establishment of the ACB as a unit dedicated to anti-corruption in the police force, over 150 officers has been removed."⁷⁹ In addition to including TI in his list

⁷⁷ Assistant Commissioner of Police Mr. Justin Felice, quoted by Jamaica Information Service, Anti-Corruption Conference to be held from March 22-23," <http://www.jis.gov.jm/news/112-national-security/27089-anti-corruption-conference-to-be-held-from-march-22-23> (accessed April 07, 2012).

⁷⁸ Ibid

⁷⁹ Major V. "Dave" Anderson, "Police Corruption-Successful approaches and Systems" (Presentation at the Inaugural staging of the Regional Law Enforcement Anti-Corruption Conference, Kingston: Jamaica, March 22 and 23, 2011).

of Global anti-corruption approaches, Major Anderson championed, “The ACB’s success is strongly supported by the public and has largely assisted in improving Jamaica’s rating in the Corruption Perception Index 2010.”⁸⁰ With this said, and in light of the position postulated by the head of the ACB in addition to a Major Anderson; one can assert that the reduction in the perceptions of corruption in Jamaica can be attributed to the ACB. I will examine the performance reports from 2008-2011 to see whether such correlations can be made. This is important because the ACB not only follows recommendations of TI, but it goes as far as to take some of the credit in Jamaica’s improved performance on the CPI.

Prior to the establishment of the ACB, the data on corruption charges were not available. Hence the findings discussed will be on the years 2008 – 2011. The Performance Reports of the ACB for 2008 indicates that 69 persons were arrested between January and December 2008. Of the 69, there were four convictions and eight acquittals. Cases pending DPP’s decision totaled 30 and cases before the court was 51. Of the individuals arrested in 2008 the majority were police personal—a total of 56 with 13 civilians accounting for the balance. During 2008 the total number of corruption related files submitted for investigation for the period amounted to 98 with a total of 68 corruption related files being submitted to the DPP. The total number of personnel transferred from the anti-corruption branch was 14, the number of recruits for the year was seven, promotions totaled seven consisting of three sergeants and four corporals. A total of 39 personnel were trained for that year.⁸¹

⁸⁰ Ibid.

⁸¹ Additional data on the year 2008 can be found <http://www.acb.gov.jm/html/index.php/performance-reports-2012/2008-2/> (accessed May 1, 2012).

Table 6.1 below presents the following; in 2008 there were four convictions out of 69 arrests (5.80%). In 2009, four convictions out of 64 arrests (6.25%) In 2010 there were 13 convictions out of 106 arrests (12.26%). In 2011 there were 24 convictions out of 88 arrests (27.27%). The trend over 2008 — 2011 shows a marked increase in the conviction rates as a percentage of individuals arrested.

Table 6.1. Showing 2008—2011 Conviction Rate for Corruption

Year	Arrests	Charges	Files sent to DPP	Rulings received from the DPP	Acquittals	Conviction	% of conviction to arrests
2008	69		68		8	4	5.80%
2009	64		50 *2009—32 Previous files—18	60 *2009—28 Previous files—32	3	4	6.25%
2010	106	71	76 *2010—50 Past yrs—26	60 *2010—28 Past yrs—22	4	13	12.26%
2011	88	60	62 *2011—39 Past yrs—23	66 *2011—30 Past yrs—36	7	24	27.27%

The number of police personnel arrested in 2009 declined compared to 2008. But there was a significant increase in the number of civilians arrested. Whereas in 2010, 57 police officers were arrested and 36 charged while 49 civilians were arrested and 35 charged. Additionally, when the gender component is factored in the findings supports Anand Swamy *et al.* study on *Gender and Corruption*, which showed women to be less corrupt.⁸² There are some scholars who suggest females are less corrupt than males.

⁸²Anand Swamy, Stephen Knack, Yung Lee, and Omar Azfar, "Gender and Corruption," (*IRIS Center, Department of Economics, University of Maryland, College Park*) Nov., 1999.

Table 6.2. Arrests by ACB

Year	Police Personnel		Civilians		Gender	
	Arrested	Charged	Arrested	Charged	Males	Females
2008	56		13			
2009	42		22			
2010	56	36	49	35	99	7
2011	65	41	23	19	84	4

The JCF consist of an estimated 11,000 officers at different levels and ranks. In 2010, the number of police officers not permitted to re-enlist was 137, an additional 28 were retired in the public interest and 23 were dismissed as a result of corruption. Thirty-six members of the JCF staff were charged for corruption and 35 civilians were charged for corrupting JCF staff. In 2011 the total number of police officers not permitted to re-enlist was 72, while two were retired in the public interest and a total of 11 police officers were dismissed as a result of corruption. The number of JCF members charged for corruption equaled 41 and the number of civilian charged for corrupting JCF staff was 19. While there was a marked decline in the number of police officers not permitted to re-enlist in 2011 compared to the previous year it could possibly be argued that it is not necessarily a case of less work being done by the ACB, but officers are increasingly cognizant that corruption is being taken more seriously compared to previous years.

With any newly created organization after a few years the organization tends to get better with time. Thus, the performance reports of the ACB improved noticeable over the years. It increased significantly in style and details when compared to 2008, which was a very basic performance report. The JCF 'Ethics and Integrity Policy' emphasize the

important steps being undertaken by the JCF to rid the force of corrupt officers. As Commissioner Ellington⁸³ noted,

The senior leadership of the Jamaica Constabulary Force is committed to transforming the organisation into a highly ethical and professional body that its members can be proud of and that the community can have confidence and trust in. The community of Jamaica is entitled to high standards of ethics and integrity, and professional behaviour by their police force that is free of corruption and misconduct. (Commissioner Ellington, 2011)

The policy statement of the Ethics and Integrity Policy further highlight how significant the JCF is treating corruption,

It is the policy of the Jamaica Constabulary Force (JCF) that sworn and non-sworn members conduct their roles and responsibilities with integrity and transparency, and shall be in a manner consistent with the strategic objectives, ethical standards, confidentiality and professionalism set by the JCF, respective national legislation and international convention on human rights. Unethical and corrupt behaviour will not be tolerated by the Jamaica Constabulary Force (JCF) in the delivery of services on behalf of the government and to the community. It is the JCF's policy to comply with all laws, rules and regulations governing the administration of law in delivering services to the community of Jamaica. (JCF, *Ethics AND Integrity Policy*: 2012, 3)

This expressed policy on dealing with corruption is reflected in the subsequent yearly reports produced by the ACB. A possible factor that might account for the gains made by the JCF is shown in the intelligence/corruption reports received. When 2010 and 2011 are compared in 2010 the total number of reports received was 270, of which corruption related reports equaled 148 (54.81 %) and others 122. For the year 2011 the total number of reports received was 525, of which 335 was corruption related reports (63.81%) and 190 labeled as others. This is a 51.43 % increase in a single year. This can be interpreted as either the citizens have gained more trust and confidence in the police force and are formally making more reports on corruption or what they perceive to be corruption. It

⁸³Commissioner Owen Ellington Foreword, Jamaica Constabulary Force, "Ethics and Integrity Policy," April 2011 p.2 <http://www.acb.gov.jm/html/index.php/key-documents/> (accessed May 1, 2012).

might be however a combined factor of increased citizen awareness and or more advertisements by the police to report corruption. But the significant difference in the reports made in the one-year period is particularly important.

Another factor, which might account for the increase is that on January 18, 2009 the ACB launched the 1-800-CORRUPT line.⁸⁴ This is monitored offshore. As the ACB elaborates, “the aim of the toll free number provides an independent, secure and anonymous telephone line through which members of the Jamaica Constabulary Force, Customs and General Public may pass information/intelligence on corrupt practices/actions of employees of the Jamaica Constabulary Force and Custom Officials.”⁸⁵ Based on the increase in the volume of reports to the offshore line it would appear that this method

Submission of files to Director of Public Prosecutions /Commissioner of Police

The submission of files to the DPP and Commissioner of Police will give a better understanding of not only police work but also the efficiency of the DPP’s office. Therefore, in addition to arrest and charges being made for corruption, the rate of conviction might also have some implication. In 2009 a total of 50 cases were sent to the DPP, 32 of which were for 2009 and 18 were files from past years. The number of rulings totaled 60, 28 of which were for 2009 files and 32 were previous files. Interestingly there were only four convictions that year. There were however 18 suspensions and 13 dismissals. Conversely, in 2010, 76 files were sent to the DPP, a 44 % increase over the

⁸⁴Anti-Corruption Branch, “1-800-CORRUPT” <http://www.acb.gov.jm/html/index.php/1-800-corruption/> (accessed April 20, 2012).

⁸⁵ Ibid.

previous year. Fifty of these were 2010 files—a 46% increase and 26 from past years. The number of rulings received was 60, 38 of which were 2010 files and 22 files from past years. In 2011 there was a decline in the total number of files sent to the DPP: 62 compared to 76 in the previous year—18.42% of which 39 were 2011 files and 23 from previous years. The number of rulings received totaled 66, 30 of which were for 2011 files and 36 from past years. When 2010 and 2011 are compared the ACB prepared more files in 2010, but there was an increase in the number of persons arrested in 2011 compared to 2010.

The performance report from 2008-2011 indicates that there is indeed a correlation between the improvement of Jamaica's position on TI's CPI and the changes within the JCF and the ACB. But a correlation does not equal causation. Nonetheless, with greater focus on corruption within the JCF, if the ACB maintains its concerted effort, there is an increased likelihood that corruption within the JCF and individuals corrupting JCF staff will see greater reduction over time. The ACB is still relatively new; nonetheless being that it is still in its developmental years it can be projected that if the ACB at least maintain its current strategies it will continue to see results. That said, over time, it is expected that the ACB will not only maintain its current statistics but it will improve even further.

Conclusions

Jamaica's response to TI's CPI is noticeable for a number of reasons. The 2007 specially created Anti-Corruption Branch of the JCF attribute the reduction in the country's CPI to the concerted effort by the ACB to rid the police force of corrupt

officers as one of the main reasons for the gains made in reducing the country's score on TI's CPI. To the extent to which this can be attributed to the ACB's effort is not quantifiable per se, in that TI's method of ranking countries has a lagged effect on using polls of polls. But it is a remarkable gesture by the ACB to claim their efforts are leading to the reduction in the perceptions of corruption in Jamaica. The work of the OCG is also significant. Since 2005, when Greg Christie took up stewardship of the OCG, there has been a marked change in policy recommendations and greater demand for transparency and accountability. While no one individual can change everything, there is a general sentiment that he is effective and has caused public officials to be more transparent. While the OCG has faced and still faces significant bureaucratic hurdles, under the stewardship of Christie for the first time public boards have submitted their quarterly and annual report on time and with a 100% compliance rate. One of the key recommendations by the OCG is seemingly closer to becoming a reality and not just a policy recommendation and that is the creation of a single anti-corruption body.

It is particularly interesting that while the laws dealing with corruption in Jamaica are relatively strong, the enforcement of the law is seemingly lackluster. The newly created ACB has been making steady gains. It can be argued that if the ACB continues to improve on the gains it has made over time the perceptions of corruption in Jamaica will continue to decline. The legislative body to some extent is slow in implementing its own government body's recommendations; a case in point is the OCG. If the government wants to be taken seriously in regard to fighting corruption it ought to pay closer attention to its different arms of government. Based on the keen attention the OCG pays to TI's CPI, in addition to different government ministers at the local or national level referring

to the CPI, leads credence to the fact the Jamaican government does pay attention to TI. Key interest groups and influential sectors of the Jamaican political and economic sectors meeting with TI to discuss Jamaica's progress also indicates that policymakers at all levels responds to Jamaica's ranking on TI's CPI. Finally TI matters in the sense that it reinforces what many Jamaicans perceive the perceptions of corruption in the country to be. But for a country trying to remain competitive and improve its favorability as it pertain attracting foreign direct investments, Jamaica cannot afford to lag behind or not make marked steps to improve the perceptions of corruption. While perceptions are not the wherewithal to change everything, it plays an important role. Jamaica needs to realize that it is part of a competitive global economy and there are many other countries that are willing and able to attract investors; the same investors who might have invested in Jamaica if the issues of corruption were not so grave.

CHAPTER VII

CONCLUSIONS AND POLICY IMPLICATIONS

You live in a society where everybody steals. Do you choose to steal? The probability that you will be caught is low, because the police are very busy chasing other thieves, and, even if you do get caught, the chances of your being punished severely for a crime that is so common are low. Therefore, you too steal. By contrast, if you live in a society where theft is rare, the chances of your being caught and punished are high, so you choose not to steal. (Uslaner: 2004, 6)

The complexity of corruption cannot be understated. No country is immune to its effects. It occurs in all countries around the world to varying degrees, in a variety of forms, involving a host of different players and institutions and with differing levels of consequences. It is a major cause of poverty around the world. The negative impacts of corruption are widespread and have particularly serious effects, especially in developing countries. As a civil society group, Transparency International has succeeded in bring corruption to the forefront of discussions where other international civil society groups have not fared so well. TI's Corruption Perceptions Index, now in its eighteenth year and ranks 183 countries, is one of the most referenced sources regarding corruption around the world.

Having carved out a niche for itself in the international community, TI is the first transnational civil society group on corruption. By all indications, TI's prominence as a civil society group has increased tremendously since its conception. Globalization and the information revolution have not only compressed time and space, but the level of interconnectedness and ready access to information has transformed society tremendously. In previous decades it was easier for governments to hide corruption scandals but today this has changed. Civil society groups such as TI have capitalized on

the digital age which has made networking and organizing its over 100 national chapters quick and easy.

Undoubtedly, given the importance that academics and policymakers both give to corruption's effect on development, one would expect that TI's CPI, the most cited and referred authority on corruption score would have some measured impact on development policymakers. Emphasizing that the community of donors claims that literally billions of dollars in official development assistance depends in part on a recipient's CPI score.

Subsequently, given this evident importance, one would expect the large-scale indicators of development—amounts of foreign aid; foreign direct investment; bond yield; credit rating; corruption enforcement—would respond to changes in the CPI. However, the study finds, by contrast, that the CPI has no demonstrable effects on anything other than corruption enforcement efforts. And this surprising finding leads one to ask: why does the most important measure of corruption fail to explain changes in development economics and politics? The study shows that world's economic and political policymakers do not adjust their behavior when the CPI is published. While policymakers will refer to the CPI as it regards countries score, there is no evidence of this translating into measurable policies. Lip service is paid to the CPI but a countries volume of foreign aid is not penalized because the country's corruption score worsen.

In grasping the absence of effects of the CPI on policymakers it can be argued that part of the problem with corruption is that it is a persistent phenomenon that responds only slowly to enforcement. Perceptions of corruption exhibit an even greater lag. Thus, one reason the CPI appears to have no effect is that we simply have not had

enough time for it to affect corruption. Subsequently, given a sufficient time series, and a sufficiently large cross section, there is a possibility that we might be able to find effects in a time-series cross-section study (TSCS). Likewise, it may be that other factors are confounding the relationship between the CPI and the market and policy responses as one have observed in the study. For example, exchange rates, bond yields and credit ratings all respond to a multitude of economic and political factors beyond corruption. Therefore with a richer multivariate model, there is the increased possibility that one might find effects of the CPI that are consistent with the hypothesis that the CPI impacts policymakers' behavior. Additionally, other modeling approaches in the future would incorporate first differences of credit rating and or bond yields rather than absolute values, and also testing for reverse causality. In that, can the world's markets be used to predict future values of the CPI? And if this were the case, it would suggest that markets price the risks of corruption before the CPI is published yearly. This would suggest that the CPI essentially follows other indicators, and therefore it may be unessential.

Political corruption is considered one of the most destructive yet unresolved problems common to most societies.¹ It "impedes governmental performance and reduces citizens' trust in the government's capability to address their demands. Corruption not only distorts the way public interests are articulated and aggregated, but also diverts administrative resources and activities to areas where marginal gains from corruption are maximized."² Not surprisingly, "among the various political factors, it is performance of

¹ Eric C.C. Chang and Yun-han Chu, "Corruption and Trust: Exceptionalism in Asian Democracies? *The Journal of Politics*, Vol. 68, No. 2, May 2006, pp. 259-271, p.259.

² Donatella della Porta 2000, "Social Capital, Beliefs in Government, and Political Corruption." quoted by Eric C.C. Chang and Yun-han Chu, "Corruption and Trust: Exceptionalism in Asian Democracies? *The Journal of Politics*, Vol. 68, No. 2, May 2006, pp. 259-271, p.261.

political institutions that most significantly influences citizens' political trust."³

Therefore, when a government is seen to be tough on corruption and actively taking steps to curb and reduce corruption in the system this enhances citizens' trust.

Perceived corruption in some instances might also be just as important as actual corruption as the long-term effects rendered to an institution, country, and or government are significant. Deborah Hardoon, in giving her views on the state of corruption in developing countries, posits "...It is true that in the developing world, there are particular issues to consider with respect to corruption. A country on a development path must make strategic investment decisions to facilitate growth and social and economic development."⁴ With this in mind, countries like Jamaica will need to be mindful that, "at the government level, when corruption results in an allocation of national resources and the making of policy decisions, which are in the interests of private individuals rather than the national population, this will have particularly painful consequences."⁵ Moreover, "in countries where there is a need to invest in basic services such as health, education, utilities and infrastructure, failure to do this efficiently costs lives and the medium and long term prospects for the countries' citizens."⁶

The fundamental question of this dissertation is whether or not TI's CPI matters to development policymakers. An important finding from the study is that TI matters. But

³Ji-Young Kim, "Bowling Together" isn't a Cure-All: The Relationship between Social Capital and Political Trust in South Korea," *International Political Science Review* (2005), Vol 26, No. 2, 193-213, p.195 summarizing the works of March, 1988; North, 1990; Uslaner, 2002; Mishler and Rose, 2001, discussion on institutional theories.

⁴ Deborah Hardoon, Senior Research Coordinator, Transparency International, email to the Author, March 13, 2012.

⁵ Ibid

⁶ Ibid

this is in regard to policymakers within Jamaica giving credence to TI. At the international level the world's political and economic responses shows that lip service is given to TI's CPI but it does not shift policy directions towards a country such as Jamaica.

The findings, as it pertains to world's political responses, indicate that TI matters to the level where the CPI is the benchmark used to assess countries' levels of corruption. The recognition TI receives from international organizations such as World Bank, OECD, and Asian Development Bank amongst other entities, leads one to infer that, while these organizations might not decline aid and financial assistance to a country because it is perceived to be corrupt, these institutions refer to the CPI and often donate to TI. Nonetheless the perceptions of being corrupt might be used as a guideline for stricter measures and policies towards countries perceived to be corrupt.

Consequently, in an environment where foreign aid and development assistance is often given with an expectation of good governance and corruption reforms, it is in the interest of the soliciting countries to pay attention to the institutions they are seeking aid. If the institution they are seeking aid from is praising TI, then it is reasonable deduce that these institutions are paying attention to TI's CPI. A case in point: In 2005 Wolfensohn of the World Bank hailed TI's report as another important and practical contribution in curbing corruption and was quoted as stating, "TI has once again shown its ability to combine research and policy analysis not just to shine a light on the deeply embedded problems of corruption in the international construction industry, but to propose progressive solutions to safeguard public monies and public trust."⁷ This indicates that

⁷ World Bank, Press Release, "World Bank Hails Transparency International's Annual Report" <http://go.worldbank.org/WA8QXX5JX0> (accessed March 18, 2012).

Jamaica and other developing countries need to pay attention to the CPI. While the World Bank's policies do not specifically cite TI, it can be inferred that the Bank is paying attention to TI based on the praises given to TI by the Bank's leaders. And or, the principles on good governance emphasized by the Bank coincide, furthermore, with some of the areas in which TI focuses. Subsequently, the political responses to TI's CPI indicate that in this case the global civil society group matters.

The EU highlights corruption as a priority area in Jamaica's development but there is no direct evidence that the European Commission pays attention to TI's CPI rating of Jamaica. Additionally, the US Department of State *Annual International Narcotics Strategy Reports* cites TI's CPI as the measure for countries level of corruption. Furthermore, when TI's board of director member and the managing director of TI's US Chapter, Nancy Zucker-Bowell, is also a board member of the Trade and Environment Policy Advisory Committee (TEPAC), it might be in Jamaica's interest to incorporate into their decisions its CPI score. Similarly, the *International Narcotics Board* in its 2010 report pays attention to TI's CPI. It also makes the important linkage between corruption and other crimes. One of the strongest forms of evidence to illustrate that TI matter can be found in the level of involvement TI had in policy developments related to the tsunami reconstruction effort in Indonesia in 2005. This Jamaica should pay special attention to, as the island is itself prone to natural disasters. If an event on the level of the 2005 tsunami were to affect Jamaica it is highly likely that international development agencies might refer to TI as Jamaica is already perceived to be a highly corrupt country. One must bear in mind that in the unfortunate event of a natural disaster the influx of emergency aid and reconstruction development opens up the society to

greater levels of corruption through aid being siphoned off and relief funds being misappropriated.

Contrary to the qualitative evidence, quantitative analyses of the world's economic responses to TI's CPI do not rise to the level of statistical significance. This could be a factor of deficiencies within the data, however. The paucity of data means there are very few observations; consequently the statistical tests have very large standard errors, which ultimately makes it unlikely to find significant effects. This in and of itself can lead to a type II error, or the inferential error of finding no effects when in fact there may be some.

Political institutions heed to TI's CPI. In general, the CPI is used as a standard measure for countries' perception levels by the various agencies within the US Department of State. But while there is increased use of TI's CPI by policymakers there is no clear evidence that aid and or loans have been withheld because of a country's corruption perception level. Yes, leaders acknowledge TI and give lip service to the CPI, but when it comes to actual decisions regarding aid, the evidence suggests that the CPI has little or no effect. What is more likely to happen is that the country seeking aid and or a loan is more likely to go through a more rigorous process in meeting the prerequisites for obtaining assistance. This might be an indirect effect of being ranked as a highly corrupt country.

Additionally the implications of the economic findings lead to the suggestion that one of the findings of no effect—that the CPI has no effect on investment ratings agencies, for example—might be wrong. Theoretically, with the interconnectedness in the world's market, if the CPI reports drastic changes in a country's corruption

perceptions it should have some effect on investors. But, if anything, the CPI seems to reflect already existing knowledge on a country rather than being causative. Thus, it could be argued that in essence, from an economic policy perspective, TI's CPI does not change the behavior of market investors but instead reflect what the market already knows about Jamaica. In general the CPI captures and reflects the world's economic reactions to Jamaica during the years in which Jamaica is represented on the CPI. This indirectly would seem to add credibility to the CPI. In addition it seems to point out that the strength of the CPI lies in its combination of multiple data sources into one single index. As Johann Lambsdorff points out, "the erratic findings from one source can be balanced by at least two other sources."⁸ Consequently,

This reduces the probability of misrepresenting a country's perceived level of corruption. Involving local business people and country analysts alongside non-resident experts is also an advantage. It makes it possible to recognise the specificities of local customs through the views of local experts, while at the same time enhancing the consistency of judgment across countries by involving non-residents. The high correlation between the different sources used in the CPI indicates that methodological differences between sources have only a minor impact on the findings. In an area in which objective data is not available, such an approach helps our understanding of real levels of corruption. (Lambsdorff, 2009)

While the world's economic responses indicate that TI's ranking of Jamaica might not have influenced investors' decision, the CPI reflects the general trends in investors' behavior. It is therefore in the country's interest, since it is seeking foreign investment, to enhance its development to ensure its economy is more conducive to investors. The global economy with increased levels of technology provides vast markets from which companies may choose. If Jamaica continues to foster an environment where its market is not attractive to investors another, country will benefit at Jamaica's expense.

⁸ Johann Lambsdorff, "Macro-perspective and micro-insights into the scale of corruption: focus on business," in *Global Corruption Report*, (2009): 395.

In the end companies are interested in making profit on their investments, and if a country is not proving itself to investors, there are other markets competing for the same investments. Additionally, despite significant levels of FDI over the years, on average, Jamaica's annual growth in GDP per capita has been a lackluster one percent. This is an indication that the FDI is not translating into GDP growth. A possible explanation for this could be that the country is either lacking absorptive capacity to benefit from FDI requiring highly skilled employment as a significant portion of inputs are not sourced locally, or is suffering from deadweight losses due to entrenched corruption. Either way, the country is losing out where it could have benefited.

Jamaica's reaction to TI's CPI is significant. By all indication the government has given credence to TI from the inception of the country's initial rank and especially to date. However, a key finding as it regards the country's reaction to TI's CPI is intricately linked to the specific individual at the helm of a particular government agency. The intensity to which the OCG pays attention to the issue of corruption within Jamaica has not gone unnoticed. The keen attention to details that the OCG has been operating within inadvertently changes the behavior of actors. The changes within the JCF, the creation of an Anti-Corruption Branch (ACB), in addition to a collaborative effort where British Police officers were recruited and placed in senior position in the force seemed to have a positive feedback. For instance, Assistant Commissioner Justin Felice made the correlation with the modest improvement Jamaica has made on TI's ranking with the changes in the JCF. Greg Christie from the OCG has been very vocal about corruption and TI. Assessing the previous OCG reports, there is no mention of TI prior to Christie's tenure as contractor general. Therefore, the role and or personality of the individual who

is at the helm and or leadership positions of different government agencies plays a role in how active and seemingly efficient are significant. It also plays a role in whether government agencies consider TI and or repeatedly refer to the country's rank on the international scene.

The office of the DPP, on the other hand, has been cautious and has not produced and or released any press statements on corruption or TI specifically. Thus this study has found only one presentation by Senior Deputy DPP, Dirk Harrison, where mention was made of the country's corruption perceptions on TI's CPI. Postulating the opinion that, "in the prevailing climate inside and out of our country notwithstanding the improved rating by TI—it speaks more to the efforts of stakeholders to combat corruption as against the perception of us being less corrupt."⁹

There have been some gains in tackling corruption. The ACB of the JCF, created in 2007, has consistently made improvements in terms of fighting corruption. This is reflected in not only the increased levels of arrest, but also in the purging of the JCF of over 150 corrupt officers that has strengthened the image of the force. The improved tactics of preventing corruption include the 1-800-corrupt hotline, inspectorate division of the Ministry of Finance and the commission for the prevention of corruption. The Office of the DPP has also seen improvement in the instances of convictions. But not until fundamental changes are made with regard to the prosecution, the gains made by the ACB will not see a reflection in prosecutions.

The creation of the ACB funneled specialized forces to tackle corruption, but while the ACB has made increased gains on arresting and referring matters to the DPP,

⁹ Mr. Dirk Harrison in expounding on The National Integrity Action Forum—its objectives, its roles and effectiveness note in regards to opinion.

overall there is a lack of concerted effort being meted out by the DPP. The proposed creation of a single corruption agency with power to prosecute would help to alleviate the over “18,000 matters/breaches referrals to be prosecuted for breaches under the Corruption Prevention Act [2003 – present day].”¹⁰ While the DPP’s office is making small gains it is clearly evident that significantly more needs to be done. Currently, with the over 18,000 matters/breaches referrals alone, in addition to new referrals, the office of the DPP will be inundated with corruption matters for an extensive period of time.

The ACB was a positive policy initiative, but the capacity of office of the DPP needs significant improvement. The increased arrest and referrals by the ACB clearly demonstrate that a specialized area on specific crime is effective at one level, but if the Office of the DPP’s capacity is not improved simultaneously then a bottleneck such as there is now will be created. Currently, the DPP’s legal staff comprises of 43 prosecutors and three paralegals. Based on the caseload, as in referrals for corruption alone, it is evident that either staffing ought to be increased or the law needs amending by, for example, creating the single anti-corruption agency with prosecutorial power. The concerted and positive efforts made with the ACB coupled with a lack of similar undertakings by the Office of the DPP show that policy creation needs to be assessed more uniformly. A fundamental flaw in the directives of the country is a lack of coordination and coherence in policy development. A policy will be created to affect one institution, but a second directly connected institution will not be updated to reflect and or meet the changes in the other institution. The lack of coordination in policy development is another significant problem, which the country has not grasped.

¹⁰ Dirk Harrison, Senior Deputy Director of Public Prosecutions, (Paper Presented at 1st Regional Law Enforcement Anti-Corruption Conference” Kingston: Jamaica, March 22-23, 2011).

Therefore, not until a paradigm shift occurs where development policies are created simultaneously and in tandem with the development needs of the other branches of government will there be significant gains in anti-corruption efforts. If not, the system will continue finding itself in a chokehold. The Office of the DPP does not hold a favorable view in the country at large. But while this could be a factor of the nature of its office it could be a combination of perceptions of inefficiency, citizens' impatience with delays, i.e., justice delayed is justice denied, or the citizenry's higher expectations with the quality of the judicial system than is being actually delivered. It seems obvious that changes are needed. One branch of government cannot make improvements when another does not. Resource expansion and increased allocations are needed. Increased workload without an increase operational budget does not create positive solutions.

On another level, institutional trust can be seen as a materialistic form of specific support that is highly contingent on rational voters' assessments of economic performance. The improvements made by the ACB and the detailed analysis and policy recommendations emanating from the OCG can be cited as being linked to Chang and Chu's hypothesis that "pragmatic citizens will express higher trust in institutions if they perform well in the economic domain."¹¹ Their findings that "citizens who perceive higher levels of fairness, satisfaction, and brightening economic prospects reveal higher trust in institutions,"¹² corroborated their initial speculation that more educated respondents express lower institutional trust. This finding is also consistent with the

¹¹ Chang and Chu, 265.

¹² Ibid.,

works of Seligson.¹³ Furthermore, “among the various political factors, it is performance of political institutions that most significantly influences citizens’ political trust.”¹⁴ Therefore and not surprisingly, “political trust hinges on citizens’ rational evaluations of institutional performance, and the level of such trust in government is highly associated with government performance.”¹⁵ The Bruce Golding led JLP administration suffered from a trust and credibility issue. Even though Jamaica’s CPI decreased in the latter years of the JLP administration, they still suffered a significant loss even with a new leader, Andrew Holness, at the helm. As it regards the ACB unit, if it can maintain its current rate of arrests and investigations, while improving the quality, materials, resources and infrastructures of the officers, there is a high probability that they will continue to rid the force of corrupt officers while at the same time arresting citizens who are attempting to bribe the police. To some extent the publicity campaign by the JCF has worked in their favor. In the end, dispensing of information as it regards actions to take when faced with a corrupt public official is proving likely to improve Jamaica’s CPI.

Additionally, social capital and political trust are important, hence the argument that political trust evolves from the same origins as social trust. As Ji-Young Kim puts it, “political trust, like social trust, is fundamentally grounded on, and generated by, interpersonal trust, formed by socialization early in life as well as cultural norms.”¹⁶ The trust in the JCF has improved significantly. The measure of using the 1-800-CORRUPT

¹³ Mitchell Seligson, “The Impact of Corruption on Regime Legitimacy: A comparative Study of Four American Countries,” *Journal of Politics* 64, no. 2 (2002): 408-33.

¹⁴ Ji-Young Kim, “Bowling Together” isn’t a Cure-All: The Relationship between Social Capital and Political Trust in South Korea,” *International Political Science Review*, Vol 26, no. 2, (2005): 195.

¹⁵ Ibid.

¹⁶ Kim, 195.

hotline illustrates that when citizens are confident of anonymity in reporting incidents, actual and or suspected, of corruption without fear of reprisal they are inclined to cooperate.

At TI's 2012 regional meeting of the Americas, held in Jamaica, Minister of Justice, Golding, noted that an advisory committee has been set up to see to the early implementation of the legislation for the establishment of the proposed single anti-corruption body. The committee, Golding states, will "examine the matter; consult with the relevant stakeholders, including the various institutions with an anti-corruption mandate, in formulating new proposals, and report to me with an optional design for Jamaica's institutional and legislative anti-corruption arrangement."¹⁷ The JIS also reported, "Minister Golding also commended Transparency International for placing corruption high on the international political and business agenda over the last 18 years, and for the 'unrelenting commitment to higher standards of conduct' in the overall fight against corruption."¹⁸ Golding's positive comments about TI illustrates that there has been consistency across the board as it relates to different government administrations and their reaction to TI.

Subsequently, on June 4, 2012 the JCF held its press launch for the Major Organized Crime and Anti-Corruption Task Force (MOCA) which is another key element in the JCF's arsenal to tackle crime. Minister of National Security Peter Bunting surmised

¹⁷ Mark Golding being quoted by Jamaica Information Service, "Advisory Committee to Advance Anti-Corruption Legislation" <http://www.jis.gov.jm/news/leads/30799> (accessed June 2, 2012).

¹⁸ Ibid.

the focus of MOCA by using the phrase “taking profit out of crime”¹⁹ which is unlike other anticorruption initiatives. MOCA’s purpose, as the JCF emphasized, is “to focus on the identification, investigation and prosecution of major organized criminals, kingpins, their facilitators, and corrupt public officials.”²⁰

While this new initiative is a step in the right direction the insurmountable 18,000 plus breaches/referrals already at the DPP’s office leave much to be desired. Successful implementation of MOCA will lead to more arrests adding to the backlog of cases to be decided by the DPP’s office. This is another example where the system is not working in tandem with all its elements. Noting that this new initiative from the JCF, even if temporary gains were made in disrupting major organized crime one these individuals are arrested, without significant steps to improve the quality of the DPP office, MOCA will not be a deterrent to organized crime. In all likelihood, without the creation of the single independent anti-corruption Agency with prosecutorial powers, the new matters and referrals to the DPP’s office will add to the backlog. Consequently, with the number of years it takes to settle one case, the corruption light bulb case involving Kern Spencer²¹ can be cited as an example, while MOCA might do a stellar job, the justice system needs improving.

Over the last fifteen years the effort put forward by the Jamaican Government, across different administrations and political parties, clearly shows that the Jamaican Government pays attention to TI and TI’s ranking of Jamaica does matter to

¹⁹Minister of National Security Peter Bunting being quoted by the JCF in “MOCA Launched” <http://www.jcf.gov.jm/news/06/2012/moca-launched> (accessed June 02, 2012).

²⁰ Ibid

²¹ To date, it has been over four years and still no verdict since Mr. Spencer was arrested and charged, there is no end in sight for this case.

policymakers. There is constant referral to the CPI and the desire by policy makers to improve the score and ranking in order to present a more favorable picture of Jamaica.

Nonetheless, in spite of the increased efforts being made by Jamaica to strengthen its laws on corruption the perception of Jamaica being highly corrupt has increased. This begs the question: Do countries which are actively making steps to reform their corruption legislation and arresting and prosecuting individuals fall prey to their own efforts by inadvertently opening up the country to more scrutiny adding to the perception of being corrupt? Paradoxically, noting that Jamaica is actively fighting corruption highlights actual corruption and in turn adds to the perception of Jamaica being corrupt.

With increased transparency in the way the Jamaican Government operates and the steps taken by the JCF to rid the force of corrupt and or questionable cops, it would seem that Jamaica is improving and or making increased gains in fighting corruption but nonetheless the ranking on the CPI continues to decrease. While TI will be the first to say that the index cannot be compared yearly, this is an inherent flaw in their argument. If TI is admonishing a country to improve its corruption perceptions, clearly if a country is improving or getting worse, it must be going from one point to another.

A skeptic assessing TI's CPI might advise Jamaica that while policymakers might consider TI's CPI, fundamentally the index does not prevent the country from attracting foreign aid or development. Another might encourage Jamaica to improve its CPI score as this would make it more attractive to business. The country could also benefit from aid from developed countries which pay attention to corruption when they donate. Citing that, high corruption rates often reflect other fundamental issues within a society such as the high cost of doing business, inefficient systems, high taxation, high murder per capita

rate, infrastructure, productivity lost due to power outages, level of skilled employees amongst other factors that might be more significant to attracting and retaining foreign investors. Some companies will invest in Jamaica in spite of its corruption level and some might invest because of the corruption and the ability to be locked-in to the market once the firm has made inroads.

An important aspect of the corruption debate is the demand side versus supply side of corruption. TI has been criticized for its narrow focus on the demand for corruption while largely ignoring the supply side of the coin. Most importantly, for any act of corruption there is a demand and a supply. The supplying of bribes is just as important or might even be more important than the demand itself. TI ignores the supply side of corruption. In this way it puts the onus on the developing countries. Instances where international firms, predominantly from developed industrialized nations, go into developing countries and offer bribes to enhance their business ventures are many but the perceptions of corruption is held against the developing country and not equally against the corrupt businessmen or the country they are from. TI's CPI needs equity. The premise on which the index is based is stacked against the developing country from the onset.

To some extent with TI's CPI narrowed focus it can be argued that TI sees only one half of the problem of corruption. This analysis can be juxtaposed to the US war on drugs; it puts the focus and or pressure on the drug trafficking countries but does not address its domestic demand for the drugs. So essentially, like the US that shifts the cost to the developing countries to address the drug problem instead of focusing on its own citizen's demand for the drugs, TI's CPI shifts the cost of corruption reform on the developing countries and not necessarily on addressing supply and demand of corruption

holistically. The businessmen from the developed countries, by participating in corrupt and bribe paying activities are knowingly breaking the laws in another country, yet surveys often filled out by these individuals are used to judge and perceive developing countries as corrupt but the CPI does not consider the willingness of these individuals venturing into developing countries and are paying bribes. Thus to enhance equity and transparency, maybe TI ought to adjust its methodology to account for individuals from both countries who pay and receive bribes. Corruption is a transnational problem but the focus is placed on the developing country to “effect change” instead of focusing on the companies from developed countries who break the laws in developing countries and pay bribes.

TI can be criticized for helping governments achieve Pareto improving agreements, but without sharing the costs of improvement equitably. Corruption only became an issue in governance in the 1990s. Previously, powerful states ignored acts of corruption; it was an associational cost of doing business. But this was always predicated on the ‘corrupt’ country doing business in the interest of the powerful state. The dynamic shift with the end of the Cold War rendered ending the East West divide where issues and acts of corruption were largely overlooked had come to an end. The World Bank and other institutions became and grew concerned with good governance. How do “we” fix these developing countries issues? TI emerging in the early 1990s, along with other non-state actors, now had a ‘voice’ in international relations. Their causes and concerns were taken more seriously as it relate to development matters.

Consequently, Krasner’s “global communications have been characterized not by Nash equilibria that are Pareto suboptimal but rather by disagreements over which point

along the Pareto frontier should be chosen, that is, by distributional conflicts rather than by market failure”²² is relevant. Corruption as a development issue was overlooked once it served the interest of the developed industrial North. The change in the international system where developing countries were no longer suited pawns in being client states lead to a change in focus on “fixing” their problems. The World Bank, for example, has expressed its concerns with the supply of corruption in a number of reports and papers. One audit²³ showed that since the adoption of the new Governance and Anticorruption strategy, the World Bank, to some degree, has remained too focused on improving its own resources and reputation in dealing with those issues. Navin Girishankar, the study’s main author said, “The bank has to focus on helping countries develop the capacities to govern. That’s what the bank should be focused on ... There is a gap between the plans and the follow-through that needs to be filled.”²⁴ Additionally, it is easy to become overly focused on the micro-interactions that take place in a corrupt exchange. Those are important and powerful factors, but so are the surrounding institutions that allow the exchange to take place. Or as an economist might see it: there is a demand of corruption, a supply of corruption, and a set of “market” conditions that drive the transaction. Those market conditions are the nation’s institutions.

Subsequently Krasner’s analysis is in line with the findings of the audit:

...dilemmas of common aversions and dilemmas of common interests are distributions of preferences that do create incentives to establish and maintain

²² Stephen Krasner, “Global Communications and National Power: Life on the Pareto Frontier,” *World Politics*, (1991): 336.

²³ Independent Evaluation Group, *IEG Annual Report 2011: Results and Performance of the World Bank Group*. 2011.

²⁴ Navin Girishankar, quoted by Bloomberg, “World Bank Should Refocus Its Anti-Corruption Fight, Audit Says,” August 31, 2011 <http://www.bloomberg.com/news/2011-08-31/world-bank-should-refocus-its-anti-corruption-fight-internal-audit-says.html> (accessed May 13, 2012).

international regimes. Both involve strategic interaction. Dilemmas of common aversions refer to situations in which actors must coordinate their policies by agreeing on some set of rules or conventions, to avoid mutually undesirable outcomes. The specific content of these rules will matter only if the actors disagree about which is the most desirable outcome. (Krasner 1991, 338)

It is in the interest of Jamaica and other developing countries to improve their countries' corruption perceptions. Institutions like the World Bank and or IMF, which Jamaica has a long-standing relationship, factor in good governance as it relates to spending loans and grants. Corruption reform is a key aspect of good governance. Thus the inference can be made that an improved corruption score will have positive effects on Jamaica's reviews and reports.

The reliance on foreign aid and development assistance from institutions such as the World Bank is cause enough to strive for better perception scores. Essentially, there is no incentive for Jamaica to not improve or to not create policies that would give the impression that the country is fighting corruption. Thus with minimal level of coordination (Jamaica continues to enact laws and policies to fight corruption and its TI score keeps improving, then both will be on the same level eventually), in the long run Jamaica's CPI will improve if it keeps enacting and enforcing laws to reduce corruption.

The OECD in attempting to address both the demand and supply of corruption notes:

It is clear that there are two sides to bribery. As the largest exporters of trade and investment in the world, multinationals represent, by far, the greatest potential source of bribe money. The supply side was a logical place for our countries to start, notably given that these countries are home to most multinational enterprises. However, the problem of the demand for bribes is not being neglected. The OECD promotes cooperation with a number of other regions of the

world, and other international instruments also offer sound strategies to combat the demand side.²⁵

Corruption reforms and results from the reform process do not happen overnight. In many instances it will take decades to see actual measurable effects. While the new laws and agencies are being created it will take several years to see measured results of how effective the system has become. Jamaica lacks the financial resources in many instances to effect simultaneous changes in the varied the departments, which need the coordinated efforts to effect better results.

What can be learned from TI's CPI and how to move forward?

For a country aiming to develop its economy and based on its 2030 Development plan, the need to address, effectively reduce and mitigate the impact of corruption is significant. Jamaica like “many developing countries are on the path to creating an efficient and competitive private sector. Corruption in the private sector severely threatens this development, by disadvantaging small and young firms and undermining competitiveness and efficiency in the market place.”²⁶ Ultimately every individual country has its own challenges with corruption. Jamaica has made some steps in the right direction but it has a long way to go. In Jamaica there are several Acts that addresses corruption such as the Contractor General Act, Corruption Prevention Act, Parliament—Integrity of Members Act, Special Prosecutor Bill, in addition, the proposed Independent Anti-Corruption Agency.

²⁵Fighting Bribery and Corruption
http://www.oecd.org/document/18/0,3746,en_2649_34859_35430226_1_1_1_1.00.html#supply_side
 (accessed June 02, 2012).

²⁶ Ibid.

Political institutions give credence to TI's CPI. In general, the CPI is used as a standard measure for countries' perception levels by the various agencies within the US Department of State. But while there is increased use of TI's CPI by world policymakers there is no clear evidence that aid and or loans have been withheld because of a country's corruption perception level. Yes, leaders acknowledge TI and give lip service to the CPI, but when it comes to actual decisions regarding aid, the evidence suggests that the CPI has little or no effect. What is more likely to happen is that the country seeking aid and or a loan is more likely to go through a more rigorous process in meeting the prerequisites for obtaining assistance. This might be an indirect effect of being ranked as a highly corrupt country.

Another important finding of the study is that with the theoretical and policy attention devoted to the CPI is clearly out of proportion with its apparent impact on corruption. Furthermore, TI itself notes that the CPI is not comparable across countries or over time. While claiming that each score has its own scale so this in and of itself means that any two scores cannot be compared, academics, scholars, politicians, and even TI itself compare a country's score overtime and also across countries. The fact that TI will say a country has improved or worsen on its CPI is evident that it is comparing countries overtime and also how one country perform compared to others. The study also shows that the CPI lacks construct validity, in that, it exhibits no correlation to other measures that it should correlate with if indeed it measured the perceptions of business and policy leaders.

Additionally, given that the study shows the CPI has no evident effect one might conclude that TI's work is irrelevant. Nonetheless, this is not my claim. Despite the lack

of measured effects of the CPI on policymakers TI itself serves other purposes. Although the CPI is TI's most recognized contribution to development economics, the organization has other programs as well to combat corruption for example the business principles for countering bribery, national integrity assessment system, corruption fighters' toolkits, global corruption barometer, bribe payers index, country profiles, national reports and policy positions amongst other focus areas to enhance transparency and accountability within and between states relations. Nonetheless, TI should be held accountable for changes in its methodology and its apparent lack of concern for comparability. On the other hand, it may very well be that the CPI does indeed have effects even if the study lacks the data with which to find these effects. Finally, a poor measure of corruption is probably still better than none at all. Even an invalid measure of corruption can make a contribution by generating attention to the problem of corruption. Hence even a bad measure is better than none.

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APPENDIX

ANNEX 2 – LIST OF PARTICIPANTS

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