Public Management Challenge Ensuring Accountability and Controlling Corruption

By Carmen Apaza *

Managing ethics is a crucial aspect of public management. Coordinating accountability and anticorruption measures plays a key role in developing coherent policy in this field. Preventing corruption is as complex as the phenomenon of corruption itself and a combination of accountability mechanisms and effective law enforcement mechanisms are needed for success. Public organizations need to be effective and accountable to the public. This means that there must be proper mechanisms of control as a way of assuring accountability and preventing corruption. Recently the World Bank published a report indicating that controlling corruption is a key element for good government performance. The report explores the impact of corruption on government and concludes that serious problems with corruption lead to a poor situation in global public affairs. Thus, governments should seriously combat corruption. But how we can control corruption in the public sector? Scholars have studied the problem of corruption from different perspectives, especially economics. Administrative corruption, in particular, needs further study. Based on the literature reviewed in this paper and the results of the Ordinary Least Squares (OLS) regression analysis, controlling corruption in public administration is highly dependent on accountability and the quality of bureaucracy. Thus, in countries with highly accountable public organizations we can expect low levels of corruption. In this vein, for effective prevention of corruption, greater attention must be devoted to developing: clear policies and procedures, quality and ethical standards, systems of transparency, and effective law enforcement mechanisms. The implementation of these systems will require a lot of effort and it definitely is a tough challenge. However, by improving accountability systems we can expect higher levels of integrity in the public sector.

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I. THEORY ANALYSIS
1- THE RESEARCH QUESTION

The phenomenon of corruption has been studied from different perspectives. This paper focuses on understanding corruption from the perspective of public administration. The foundations of public administration basically rely on accountability issues. Thus, in a country with highly accountable public organizations we can expect a low level of corruption. But how we can ensure accountability and control corruption in the public sector? The answer is not easy and it definitely becomes a challenge for public administrators. This research question is important since almost all countries in the world are being affected by corruption occurring in the public sector (King, Keohane, and Verba 1994).

2- Corruption in the Public Sector (Public Corruption)
2.1 Corruption

The concept of corruption varies depending on the perspective from which it is studied. It is impossible to cover every aspect of every form of corruption in each country (Caiden 2001). For that reason, and in an effort to simplify the case, the World Bank defines public corruption (i.e. corruption in the public sector) as the exercise of public power for private gain (World Bank, 2006). Certainly this definition involves all activities in which public officials use their power not for the public benefit but for their own gain. The bribed official typically agrees to undertake or to forego a designated action in return for a bribe.

2.2 Bribery

The most typical form of corruption in public administration is bribery (Transparency International 2000). Bribes may act as incentive bonuses to public employees not satisfied with their salaries (Ware & Noone 2005). For instance, it is more attractive to clients to pay a bribe instead of larger amounts of taxes and customs duties imposed on them by the government.

In some countries the word "bribe" is used as a means of "transaction" or "social exchange". There, most actions that are considered corrupt by rule enforcers within, or by critics outside, a political system are basically varieties of exchange transactions. Depending on the technique employed, the transactions create varying degrees of specificity of obligation on the part of the officeholder (Heidenheimer 1989).

However, it does not seem adequate to apply the name "social exchange" to corrupt activities inside bureaucracy. It would be dangerous to tolerate some corrupt activities in a public organization, such as tax collection or the provision of public utilities, since it might encourage its spread to other areas in the public sector. Corrupt activities should be punished despite the amount of the bribe received by the public servant. Several motives induce bureaucrats to accept a bribe. The motives may be cultural sometimes rather than economics. The roots of corruption vary depending on cultural as well as administrative aspects themselves as we can see in the following paragraphs.

2.3 Causes of Public Corruption

Cultural Issues

Corruption defined as the misuse of public power for private gain may implicitly assume that citizens are aware of a clear distinction between one's public and private roles. But, such distinction does not necessarily exist in many societies. In Asia, for instance, the notion of reciprocity plays an important role and gift giving is highly

valued in the relationship between political authorities and citizens. Rose-Ackerman (1999) for example finds that citizens in Thailand believe that they should show their appreciation by giving gifts to officials when good services are delivered. This may lead people to think that Thai corruption is due to their cultural tradition, which might be true. But other political and cultural elements should be considered.

People's perceptions of corruption vary depending on the culture existing in the target society. Perceptions can be deduced from cultural aspects such as Thai tradition, but they can also be deduced from the existing legal system in a society (Wilson 1993). For instance, in Peru donations to political campaigns are perceived as illegal and corrupt because neither the Peruvian Constitution nor Congressional legislation approves such a situation. However, in the U.S.A., citizens might perceive that situation as legal since the Bipartisan Campaign Reform Act of 2002 (BCRA) provides regulations on contributions to campaigns (McCann, & Redlawsk 2006).

However, although perceptions on corruption are based on legality or illegality, as we have seen above, in some cases even when the political system provides legality for a certain activity it is still perceived as illegal. For instance in the U.S.A., according to research on American public opinion, a sizeable portion of the electorate views many ostensibly legal behaviors as corrupt as well, if favoritism or brazen self-interest is implied (McCann and Redlawsk 2006). Thus, for instance, citizens voting specifically to get their potholes repaired were seen as more corrupt than the political candidate who accepts a $500 donation from a wealthy business owner. The basis of such judgments lies on a more expansive usage of the terms "donations", "gifts", and "bribes".

The difficulty of distinguishing gifts from bribes, prices, and tips, has its roots in their fundamental similarity. According to Rose-Ackerman (1999) in neither case will the legal system enforce a *quid pro quo*. Payments can be characterized along two dimensions. First, if an explicit *quid pro quo* exists then the transaction can be labeled a sale. The second dimension is the institutional positions of payers and payees. For instance, a speeding ticket is paid to the state; a bribe to the police officer. Applying these concepts to the case mentioned above where a political candidate accepted a $500 donation; if this donation does not involve any reciprocity it is considered a simple gift. The contrary will imply a bribe. Usually donations and gifts are granted through written statements while bribes are paid in secret. Indeed, this secrecy makes most bribes remain unknown and corrupt officials uncaught. This problem may be due to administrative inefficiency issues.

Administrative Issues

The concentration of the delivery of public service, large discretion given to public servants, and lack of accountability are some of the main administrative issues that cause incentives for corruption. These issues were pointed out by Klitgaard in 1988 when he explained corruption as the result of monopoly plus discretion minus accountability.

Monopoly

In brief, monopoly refers to the concentration of power in the government. It presents a situation where the government has control of all public service. Lack of competition is a basic element that leads to corruption (Klitgaard 1988). The obvious way to tackle the problem of monopoly is competition in the market of public service delivery. According to the World Bank

Annual Report 2006 countries with corruption problems that are mainly due to monopoly have implemented public sector reforms promoting corporate investment.

Discretion

Bureaucrats' expertise allows them to exercise discretion in the delivery of public service. It is intended to help with efficiency and effectiveness. However, discretion may be used as a tool for corruption. Yet a decision on whether or not to reduce bureaucrats' discretion depends on the kind of public service delivered. For instance, there is a higher probability of reducing discretion in the work of street level bureaucrats than in bureaucrats in charge of formulating public policy.

Scholars are more in favor of giving discretion to public servants. For instance, Merton (1957) argues that it is good to give discretion to bureaucrats since they usually have the expertise to do their jobs well. Moreover, Merton points out that the chief merit of bureaucracy is its technical efficiency, with a premium placed on precision, speed, expert control, continuity, discretion, and optimal returns on input. Furthermore, Cook (2000) claims that bureaucrats deserve discretion since they conduct themselves with integrity. Nevertheless, this discretion might be used not for public benefit but rather for private benefit; this of course, leads to administrative corruption, which will be detailed further in this paper.

Accountability

In its simple form, accountability may be defined as any situation in which individuals who exercise power are expected to be constrained (and in fact are reasonably constrained) by external means, i.e., reversal of decisions, dismissal, judicial review and to a degree by internal norms, i.e., codes of ethics and professional training (Mckinney,

and Howard 1998). Administrators must know, through established criteria, to whom and for what they are accountable.

According to Romzek and Dubnick (1987) there are four types of accountability: 1. legal accountability, where control from the outside is effective; 2. professional accountability, where internal structures and processes produce low levels of control; 3. political accountability, where control is external and limited, and 4. bureaucratic accountability, where effective control emanates from within the executive branch. The latter form of accountability is implicitly related to corruption in public administration.

Bureaucratic accountability involves answering to a higher authority in the bureaucratic or interorganizational chain of command (Kearns 1996.) In this regard, the role of public administrator is crucial. If they are accountable their subordinates will also be accountable. Certainly, to assure accountable behavior, public administrators need to implement control mechanisms which constrain bureaucrats' behavior i.e. to prevent corruption.

In order to implement bureaucratic control mechanisms, Gruber (1987) points out that two basic aspects of bureaucratic behavior subject to constraint should be taken into account: the procedures used to make decisions and the substance of the decisions actually made. For instance, procedurally, an administrator may be required to hold hearings, or to consult certain groups before taking action. Substantively, the administrator may be limited, for example, to making decisions that serve to increase production in the country. Sometimes "procedure" and "substance" may be the same. For instance, the holding of public hearings may at one and the same time be the process by which decisions are made and the substantive result

of an earlier decision about how to proceed. Thus, there is not an absolute distinction between "procedure" and "substance." Nonetheless, Gruber (1987) points out that either or both may be constrained through specific control mechanisms. This is absolutely valid since the more constrained behavior is, the smaller will be the range of permissible alternatives to corruption open to the bureaucrat. This implies to re-evaluate the principal-agent theory aiming to understand corruption in the bureaucracy.
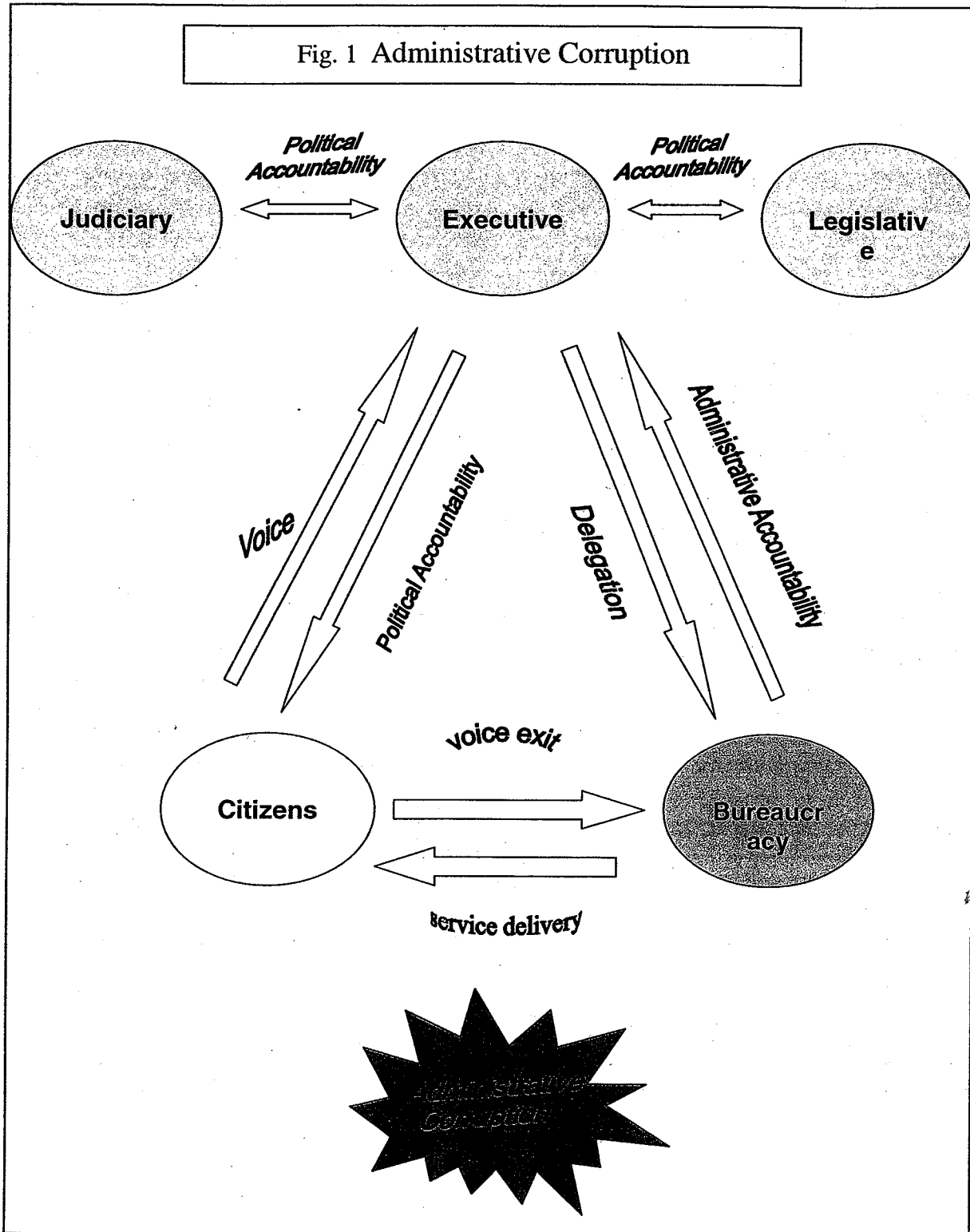
3- The Principal-Agent Theory and Administrative Corruption

The political institutions (i.e.judicial, legislative and executive) depending on the issue need to be accountable to each other (Campos Ed. & Lateef, Sarwar 2006). Also, the bureaucracy needs to be accountable to the executive branch. Administrative corruption occurs when the bureaucracy fail to be accountable to the executive. According to the Principal-Agent theory, which is used to evaluate accountability, the principal is an actor who enters into a contractual relationship with another actor, an agent. The agent is entrusted to take actions that lead to outcomes specified by the principal.

When delegating the principal may face problems with adverse selection and moral hazard as he can not be completely sure about the ability and integrity of the agent (Gormley and Balla 2004). In fact as Moe (1984) noticed, there is no guarantee that the agent will do what is in the best interest of his/her principal. Likewise, there is no guarantee that the agent will not accept

a bribe. This bribery likelihood threatens the principles of the principal-agent theory.

Corruption involves the breaking of the aforementioned contractual relationship between principal and agent. In this situation, the actor who abuses his authority for private gain is called the 'corrupt agent' and the actor who receives a benefit from this illegal behavior is called the 'client'. The agent breaks a rule (given by the principal) in order to give the client an illegal benefit (Banfield 1975). Thus, corruption involves the breaking of a (formal or informal) contractual relationship between principal and agent. The client pays off the agent for the abuse of his office (Graeff 2005). (see below figure 1). A general condition implied in the three-actor model explained above is reciprocity. The relationship is reciprocal only if every actor assumes that his partner will accomplish his part of the deal. It also implies the existence of norms and trust. For instance, in a highly corrupt country such as Paraguay, where unethical customs officers demand an illegal fee in order to not to apply regular customs duties or restrictions there is only a minimal risk if an actor offers or accepts a bribe. The likelihood of being prosecuted and getting punished is small. In this case we observe that the bribe impedes the right application of laws in the Paraguayan Customs. The bribe constitutes itself a sort of a 'corruption norm' to avoid the law. If this activity is ignored by the supervisors or superiors, this new 'regulatory procedure' becomes "regular" meaning that it is acceptable in the Paraguayan customs service and can be established as a norm.

Fig. 1 Administrative Corruption

Judiciary ← *Political Accountability* → **Executive** ← *Political Accountability* → **Legislative**

Voice   *Political Accountability*   *Delegation*   *Administrative Accountability*

Citizens   *voice exit* →   **Bureaucracy**

Service delivery

Administrative Corruption

Corruption Norms

Corruption norms emerge more often in societies where there are fewer opportunities for sanctioning (Graeff, 2005). Corruption norms are likely to emerge in Paraguay because of the low level of law enforcement and the rampant corruption in the criminal system. But digging deeply into this corruption case in Paraguay, several questions come up. How have these corruption norms become "acceptable"? Is everybody accepting these new norms? What are the "incentives" to stay corrupt? Or to remain honest?

A country's executive branch delegates a bureaucracy to deliver a public service. In implementing this activity public servants need to apply the laws that regulate it. This implies expertise in knowing and managing public laws and regulations. Indeed, as early in 1947 Weber pointed out that only a person who has demonstrated an adequate technical training is qualified to be a member of the bureaucracy. However, a bureaucrat will need more than "expertise" to apply the law correctly. He will need to understand that the work he is running is not his own property (i.e. business) but belongs to the state.

So, one important point in the exercise of public functions is the distinction of public and private goods. As Weber (1947) mentions all the means, including the function itself, belong to the organization or "office", and not to officials. This is a critical issue because it clearly points out that when a public officer is exercising his function he is actually representing the public agency. Accepting a bribe for not applying the law significantly damages the reputation of the agency itself. But what does make this expert public servant break the law?

The answer to the question above depends on several factors. It may be a matter of compensation or the need for more economical resources. For instance, there is a huge difference between the salary of a Paraguayan and a Chilean customs officer. The first will be more willing to accept a bribe than the latter (Paraguay Customs Reform Report, 2004). A useful tool in illustrating the choices of behavior for a bureaucrat (e.g. a customs official) is the so called Thibaut and Kelley's payoff matrix 1959.

The Payoff Matrix (Thibaut and Kelley, 1959)

Thibaut and Kelley (1959) developed a social exchange theory, which explains social change and stability as a process of negotiated exchanges between parties. This theory points out that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. For example, when a person perceives the costs of a relationship as outweighing the perceived benefits, then the theory predicts that the person will choose to leave the relationship. By using this theory Homans (1974) illustrates how this choice of behavior actually works. He argues that choice of a behavior is a matter of its likelihood of leading to a more favorable net reward (e.g. extra payment) than alternatives available (i.e. regular salary). Here I will adapt Homan's illustration for explaining corruption case in the Paraguayan customs service.

Let's suppose that two customs officers from the Paraguayan Customs Service, whom we shall call Person and Other, are each, without the knowledge of the other, sick of being low-paid. Both are considering whether or not to accept a bribe

offered by an importer who is not willing to pay the high customs duties charged to his importation. Each person may take one of two possible actions and the reward associated with it: to charge the right customs duties and not receive a bribe or not

to charge the right taxes and instead receive an expensive bribe. It is assumed that, in economic terms, for each person the value of the latter alternative is greater than that of the former. The following Payoff Matrix illustrates the situation described above.

Figure 2 Payoff Matrix: Unintended Conflict of Interest

The matrix is divided into four boxes, or cells, representing four contingencies. Box 01p1 represents the contingency in which both persons do not accept any bribe; 02p1, the contingency in which Person does not accept any bribe while Other does accept the bribe; 01p2, the contingency in which Other does not accept any bribe while Person accepts the bribe; and finally 02p2, the contingency in which both accept the bribe.

Each box is divided by a diagonal into two halves. The number in the northeast or upper right-hand half represents the payoff, the value of the reward, to Other in the contingency in question, and the number in the southwest or lower left-hand half represents the payoff to Person. The figure 2 for each man simply means that receiving a bribe is more valuable to him than not receiving it. The cost of accepting the bribe

is the forgone value of the alternative action 1, for it is assumed that being ethical is rewarding in some degree, so that each will get a net reward of 2-1=1 for accepting the bribe.

Since neither is aware of the other's action, since neither is a stimulus for the other, the model predicts that both will accept the bribe. That is, contingency 02p2 will occur. But if both accept the bribe it is assumed that both are bound to run into one another receiving a bribe. Therefore, the unethical behavior of accepting a bribe will not longer be a secret and both will find themselves as competitors for future bribes. For this reason two zeros have been entered in the 02p2 cell.

What does the finding described above mean? Here each of two or more persons acts in ignorance of the behavior of the others; each acts without communicating

with the others; the potential rewards and costs of each are equal to those of each of the others, and their interest conflicts. In situation 02p1 Person who remains honest could not denounce Other for receiving a bribe. In the same vein, in situation 01p2 Other who remains honest could not denounce Person for receiving a bribe because both act without communicating with each other. So actually, nobody is watching out! This problem may be solved by establishing whistleblowing within the target agency. This oversight mechanism restricts unethical behavior and help to achieve more accountable public organizations.

To sum up, the ideas and insights described in this section show that accountability and the quality of the bureaucracy (i.e. expertise and efficiency of bureaucrats) are key elements for controlling corruption in public administration. In other words in order to increase the level of controlling corruption we need to work more effectively in accountability and quality of bureaucracy. I then present a formula for controlling corruption in public administration:

$$\text{Control of Corruption} = B_0 + \text{Accountability} + \text{Quality of bureaucracy}$$

Because the theory presented above says that in order to control corruption we need to basically reach high levels of accountability, we need to control for the quality of the bureaucracy. The level of professionalization in a bureaucracy will determine the level of the quality of service. This means more efficiency, fewer delays, and as consequence less opportunity for corruption. As accountability and quality of the bureaucracy increase we may expect also an increase in the level of control of corruption. In order to assess this theory I will use a regression methodology.

II. DATA ANALYSIS

Dependent and Independent Variable
Independent Variables
            Dependent Variable
        X
                Y
Voice and Accountability
            Control of Corruption (2004)

Quality of the bureaucracy
Control of corruption (2002)

According to Governance Matters IV (World Bank ,2005), "Control of Corruption" measures perceptions of corruption, conventionally defined as the exercise of public power for private gain. It contains data related to frequency of "additional payments to get things done (i.e. bribes) and frequency of payments to gain public contracting out (kickbacks). "Control of corruption 2002" contains the same kind of information but it belongs to 2002.

"Voice and accountability" measures accountability rates of public officials. This variable also includes the presence or absence of public channels to denounce unaccountable behavior of public administrators. In a country where there is no voice and accountability it may be hard to constrain public administrators who are accountable to the public and, as a result, hard to control corruption.

Table 1
Survey Questions used by the World Bank Data Sources
(Governance Matters IV, World Bank, 2005)

Survey Questions Sample	Data Source
Questions for measuring perceptions on Corruption	
-Is there an Anti-Corruption plan being implemented?	Freedom in the World
-Does bribing exist in the economy?	Institute for Management Development
-To what extent does corruption exist in a way that detracts from the business environment for foreign companies?	Political Economic Risk Consultancy
Questions for measuring perceptions on Accountability	
-Is there transparency of Government policy?	Institute for Management Development
-How responsive government is to its people?	Political Risk Services
- Do you trust in the government?	United Nations Economic Commissions fro Africa
Questions for measuring perceptions on Quality of the Bureaucracy	
-Are there policies to improve efficiency of public sector? -Are there implemented procedures for budget management?	Africa Development Bank
- Bureaucratic delays?	Business Environment Risk Intelligence
-How is the efficiency of the bureaucracies overall?	Columbia University
-Assess how much strength and expertise bureaucrats have.	Political Risk Services
-What is the quality of public agencies?	World Business Enterprise Survey

"Quality of bureaucracy" measures the quality of public service provision, the quality of the bureaucracy, and the independence of the civil service from political pressures.

It also measures the level of professionalism of bureaucrats and discretion. In a country where the quality of the bureaucracy is high there may be fewer opportunities for corruption in the public sector.

Statistical Description of the Data

The data for the variables detailed above are taken from the Governance Matters IV Report (World Bank 2005) which itself is a composite data index. The World Bank data are based on surveys of firms and individuals, as well as the assessments of commercial risk rating agencies, non-governmental organizations, and a number of multilateral aid agencies. They cover 203 countries for 1996, 1998, 2000, 2002, and 2004 (a sample of questions included in the surveys evaluating perceptions on corruption, voice and accountability, and quality of bureaucracy are listed in table 1).

The data include more than three hundred individual variables provided by more than 30 organizations, measuring corruption, accountability, and quality of bureaucracy. Each of those organizations has its own methodology and scale. Thus, the bank normalizes these scores into a 0-1 scale to be comparable and then uses them to produce the normally distributed indicators (i.e. aggregate indicators) detailed in the Governance Matters IV report.

The estimates for each indicator are then the result of a maximum likelihood function and therefore are normally distributed (i.e. standardized to mean zero and unitary standard deviation). As such, 99% of the values are between -2.5 and 2.5 with higher scores corresponding to better outcomes. For instance, in the Governance

Matters IV report (World Bank 2005) countries such as Sweden (2.20), Denmark (2.38), Iceland (2.43), and Finland (2.5) get good positive scores indicating that they are doing well in controlling corruption. In contrast, countries such as Afghanistan (-1.33), Turkmenistan (-1.34), Central African Republic (-1.36), and Equatorial Guinea (-1.65) obtains negative scores indicating that they are doing poorly in controlling corruption.

Since the scores mentioned above are elaborated from the results of the surveys made each year, the situation of control of corruption, voice and accountability, and quality of bureaucracy in each country may vary from one year to another depending on successful implementation of anti-corruption plans.

Regression Analysis

As expected, the regression results confirm the theory (see table 2). By obtaining a "p" value .007 for "voice and accountability" we may say there is a significant positive relationship between accountability and control of corruption. The R^2 for this model is 0.92 indicating that how we control accountability and quality of bureaucracy explains 92% of the variance in controlling corruption.

The coefficient for "voice and accountability" indicates that for every one point increase on accountability, control of corruption improves .08 degrees controlling for "quality of bureaucracy". Quality of bureaucracy has even a better impact on controlling corruption. The coefficient for "quality of bureaucracy" indicates that for every one point increase on the quality of the bureaucracy, control of corruption improves .89 degrees controlling for accountability. The effect is important, as in the situation of not achieving great quality of bureaucracy, control of corruption gets

Table 2: Modeling the Effects of Voice and Accountability, quality of the bureaucracy in Control of Corruption

Independent Variable	Coefficient	Standard Error	P-Value	95% Conf. Interval	
Voice and accountability	.08	.0300576	0.007	.02	.14
Quality of the bureaucracy	.89	.0298511	0.001	.84	.95
cons	.00	.0202741	0.894	-.04	.04

R-Squared= .92

N= 203

Table 3: Modeling the Effects of Voice and Accountability, quality of the bureaucracy, and Control of corruption 2002 in control of Corruption 2004

Independent Variable	Coefficient	Standard Error	P-Value	95% Conf. Interval	
Voice and accountability	.08	.03	0.006	.02	.14
Quality of the bureaucracy	.89	.03	0.001	.83	.95
Control of corruption 2002	-.00	.02	0.739	-.05	.04
Cons	.00	.02	0.992	-.04	.04

R-Squared= .92

N= 191

"0" degrees meaning that controlling corruption is not improving.

We can be more than 95% confident that every one point increase on accountability is associated with an increase between .023 and .14 in control of corruption, controlling for quality of bureaucracy. Every one point increase in the quality of bureaucracy is associated with an increase between .84 and .95 in control of corruption, controlling for accountability.

In order to prevent an endogeneity problem, meaning that accountability may lead to better control of corruption, or control of corruption may lead to high levels of accountability, another variable is included in the model: control of corruption for a previous year (2002). After running regression, the model has not experienced substantial changes. In fact it has almost the same results as previously (see table 3). The coefficients for "accountability" and "quality of bureaucracy" have not substantially changed. Moreover, the coefficient for "control of corruption 2002" obtaining a "p-value" .739 is not statistically

significant. Furthermore the R-squared is maintained at 92%. Therefore, controlling corruption in public organizations is highly dependent on the level of accountability and the quality of bureaucracy.

III. FINAL EVALUATION AND CONCLUSION
Final Evaluation

From the theory and data analysis detailed above the problem of corruption in public organizations can be combated by addressing quality of the bureaucracy and accountability systems, which are key variables in controlling administrative corruption (i.e. corruption in public organizations). Although administrative corruption cannot completely be eliminated, reforms in the public sector may help to reduce it (United Nations 1997). In this regard, reform attempts need to include control mechanisms that help improve accountability, ethical training programs, which may help bureaucrats in choosing ethical behavior rather than corrupt behavior, and whistleblowing systems, which may improve oversight of public servants' behavior.

Additional recommended anticorruption measures for reforming bureaucracy are based on successful anticorruption experiences in the Philippines (2000), and Hong Kong (1990) detailed in Klitgaard 1988. These measures include professionalization of employees by recruiting high honors graduates from high quality universities in the target country, rotating officials in order to avoid potentially corrupt personal relationships with taxpayers, participation of outside auditors to supervise tax revenues, and promotion of honest and good performance through the implementation of a system of rewards and penalties.

Conclusion

Several motives induce bureaucrats to accept a bribe. The motives range from cultural issues to administrative deficiencies of the bureaucracy itself. These inefficiencies include the concentration of the delivery of public service (i.e. monopoly), large discretion given to public servants, and the lack of accountability of public servants. According to literature review and the empirical results detailed in this paper, accountability and the quality of the bureaucracy are key elements in controlling corruption. Indeed both issues are important foundations of public administration. Certainly, it is sometimes implied that bureaucrats are experts enough to exercise discretion honestly. It is also implied that they will remain accountable. Yet, although according to the Principal-Agent theory those assumptions should be true, in reality it may not occur.

While the theory implies that the agent will fairly accomplish the principal's requested action, there is no guarantee that the agent will do what is in the best interest of his/her principal. Likewise, there is no guarantee that the client will not try to bribe the agent. This bribery likelihood threatens the foundation of the principal-agent theory. As a result, mechanisms controlling bureaucrats' behavior are needed. Moreover, watching out systems such as whistleblowing are needed to monitor public servants' behavior.

Whereas strengthening the accountability systems and the quality of the bureaucracy may effectively help in combating corruption, the ultimate decision in accepting a bribe or not depends on the bureaucrat himself/herself. Various motives may influence his/her decision but it certainly would depend on a cost-benefit

analysis. In other words a low-paid bureaucrat would prefer accepting the bribe rather than being ethical in exercising his/her functions.

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