

The Evolution of the Anti-Corruption Industry in the Third Wave of Anti-Corruption Work

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Introduction

The fight against corruption, particularly in Eastern Europe and in the Former Soviet Union, represents a multi-billion dollar industry. When we first started tracking the industry in roughly 2003, we estimated the industry size – as the value of goods and services procured by donor agencies for programmes specifically labelled as anti-corruption projects – at roughly \$100 million (Michael, 2003). By 2009, (as we will explain in this paper), the industry had mushroomed – representing almost \$5 billion in procurements and salaries to professionals who identify themselves as anti-corruption practitioners involved in specifically dedicated anti-corruption programmes. If only about 9 academic authors wrote extensively in English language on anti-corruption issues in 2003 (and these numbers are very approximate), by 2009 that number had grown to almost 70. A naive approach to looking at donor financed anti-corruption work would focus on political statements and/or the need (as measured by levels of perceptions about the extent of corruption in a country) to fight corruption in these recipient countries – which span from the Carpathian Mountains to the Sea of Japan. A more astute approach would be to look at the economic costs and benefits to the donor organisations participating in the industry – like the World Bank, the European Union (EU) and the US government. The secular evolution of the industry provides many insights into the past – and future – of anti-corruption work in Central Europe, the Former Soviet Union and elsewhere.

As we argue in this paper, if the first and second waves of anti-corruption work reflected the marketisation of anti-corruption projects, the third wave reflects the direct cross-border co-operation between law enforcement agencies (particularly in the European Union). The first part of this paper reviews the literature and the data we consulted in our (rather informal) study. The second part traces the evolution of the anti-corruption industry across time – showing the beginning of each new wave as a “structural break” in the organisational structure of project delivery. The observation of such structural breaks provides an objective criteria for determining when a new wave began – independently of the observer. The third part of the paper reviews the economics of the anti-corruption industry through each of these waves. The fourth section provides tentative observations for other donors and participants in the anti-corruption industry – such as UNDP, the World Bank, NGOs and consulting companies – on lessons from the European Union. This paper unabashedly uses New Institutional Economics as a framework for explaining the interaction of donors, countries, consulting companies and consultants in contributing to the three “structural breaks” in the organisation of the anti-corruption industry during the last 20 years.

Literature Review and Methodology for Empirical Work

While most observers of anti-corruption work – and particularly work financed by international donors – agree that the nature of such work has changed over time, they disagree about the nature, causes, and effects of such change. Figure 1 provides a stylised (namely possibly over-simplified) categorisation of authors’ views on the nature of changes in donor-financed anti-corruption from 1990 to 2009. In most cases, authors -- who attempt to find the same changes we look for -- also see anti-corruption passing through three stages. Schmidt (2007) for example divides work into three periods: pre-1990s as “earlier scholarly debates on corruption,” the 1990s as “initial anti-corruption debates,” and the mid-2000s “latest anti-corruption debates” (with a “period of reorientation” occurring around the early 2000s). Kaufmann (2004) saw a tide change

in anti-corruption work appearing as a “next wave” while authors such as Bukovansky (2006), Sampson (2005), Haller and Shore (2005) hoped to influence any future work on anti-corruption through critiques of the anti-corruption projects implemented in the late 1990s and early 2000s.

Figure 1: Stylised Overview of Authors Discussing Waves of Anti-Corruption and Critiques

Camp and Examples of Authors	Overview	Critiques
Evolutionists Kaufmann (2004)	Evolutionists – often part of the industry – make arguments for a teleological evolution or growth of the industry to higher value-added projects (in terms of reducing corruption).	These authors use the division across time to “push” the industry forward. Their view is unabashedly teleological, a-historical, and lacks theoretical basis.
Observers Schmidt (2007), Marquette (2003)	Tend to argue for waves or periods as useful organising frameworks, without apparent attachment to a particular type of activity. Reject the overall “forward” progression of time without being as strident as the post-modernists.	The categorisation of waves, periods, and regimes depends on the writer (though much agreement in the literature on key events).
Segmenters He (2000), Seligson (2002)	Tend to segment waves or regimes by country (geographically). Try not to make predictions about propagation of particular models to other countries.	Tends to be so specific that few generalisable lessons can be applied. Historically descriptive, so difficult to conduct empirical testing of hypotheses – though Seligson represents an exception).
Promulgationists Michael (2004), Mccoy (2001)	Tend to see change in anti-corruption policies (across time and countries) as the result of action by international organisations	Ascribe uncomfortable level of influence to international organisations. Fail to model the changes in country-level politics explaining changes at the international level.
Post-modernists Bukovansky (2006), Haller and Shore (2005)	Reject the idea of an anti-corruption project (as a modernising discourse). View the attempt to segment anti-corruption work into waves as teleological (and even reject the idea of anti-corruption work itself).	Ignores the real policy learning that occurs over-time and often too unforgiving of the actors involved in the industry.
Long-wavers Anechiarico and Jacobs (1994)	Take pains to show the recent “short-waves” in anti-corruption work reflect a broader historical trend – part of broader long-waves.	Historically descriptive though void of policy prescriptions. Redolent of the wave theory of history which academics have rejected for over 50 years now.

Source: authors.

Note: the categories presented in the figure represent ideal-types. In practice, authors tend to span ideal-types and would almost certainly refuse to be classified as we have done.

At the heart of any categorisation of anti-corruption work over time lies the semantic question of categorising these changes. Do changes across time (in the way donors finance and implement anti-corruption projects) represent waves, regimes, stages, periods or something else? At the risk of belabouring a semantic point, we use the term wave as a **distinct set of practices carried out either independently or systemically by ‘anti-corruption practitioners’ aimed reducing corruption**. Regimes can persist – waves do not. Periods connote a pre-conceived evolutionary path. Waves inherent connote a rise and fall – an almost faddish quality about them (which in our opinion best describes the data we have collected on anti-corruption projects over these past two decades).

According to the literature we reviewed (as only partially described in Figure 1) and our own data on donor-financed anti-corruption projects (which we describe below), we can make generalisation about anti-corruption projects in each of the time periods corresponding to each wave. We provide these summary generalisations in Figure 2 – characterising these waves as an economist would -- by looking at changes in product, labour and capital markets for anti-corruption work. The first wave of anti-corruption work (roughly occurring during the early 1990s, though no one single event marks its beginning) consisted of awareness raising activities - - such as speeches, international conferences and even rock-concerts. These events were mainly supported by international donors; such as USAID and the World Bank (either directly or through proxy organisations such as Transparency International and Soros). In this highly integrated (almost duopolistic) market structure, international civil servants and policy pundits mostly provided labour for anti-corruption work. NGOs and large consultancies (based mostly in Washington DC) “filled in” the market – participating in conferences and seeking out work on conducting surveys in developing countries.¹ In the second wave of anti-corruption work (roughly during the latter part of the 1990s and early 2000s), most anti-corruption projects focused – ostensibly – primarily on “capacity building.” Organisations such as the World Bank and the USAID tendered large anti-corruption projects. The oligopolistic bidders (and providers of labour services to the oligopsonistic buyers) tended to be the large “beltway bandits”, private charities, and even star-individuals. A secondary market for anti-corruption service providers included the OECD, the UNDP and a range of bilaterals -- such as GTZ, DfID, NORAD, SIDA, CIDA, and the Soros Foundation. International civil servants no longer provided “expert” advice – they served as contract managers and intermediaries for an army of “expert” consultants. U4 emerged to provide intermediations services and market consolidator (attempting to bring order to this increasing competitive market).

Figure 2: Distinguishing Features of Three Anti-Corruption Waves

Wave	Product Markets	Labour Markets	Capital Markets
Awareness Raising	Conferences, seminars (over for high level politicians)	Civil servants in international organisations, often working with working with bilateral donors.	Funding from budgets of international organisations and bilaterals.
Capacity Building	In-country “projects” consisting of assessment missions, surveys, and training (smaller conferences by a different name).	Large US and EU development consulting companies and consultants with policy backgrounds	Two stage tenders for large projects (USAID and EU) and single-stage for procurement of “expert” services
Pragmatism	Deliverables defined by Twinning or assistance as well as MCC contracts (or exigencies of “hot pursuit” in an international investigation).	Former law enforcement officials on retirement or current officials on leave (for non-case work).	Expenditure from donor’s law enforcement agency.

Source: authors

By around 1995, the failure of the first two waves of anti-corruption led to a third wave – focused on pragmatism. The third wave has witnessed the European Union as a key player in anti-corruption work – with Twinning and work done by actual boot-wearing law enforcement officials instead of eye-glass wearing graduate students and social science professors. The structure – keenly government-to-government with private individuals serving only on an *ad hoc* basis – saw the launching of special EU missions with specific anti-corruption mandates (in

¹ Providing a rigorous citation of evidence would extend this paper to hundreds of papers. We encourage the reader unfamiliar with anti-corruption activities organised in the past two decades to refer to the literature we cite above. In the Central European and Former Soviet regions, Latvia, Poland, Lithuania, and Georgia represented countries where these international civil servants and consultants spent a large amount of time and energy.

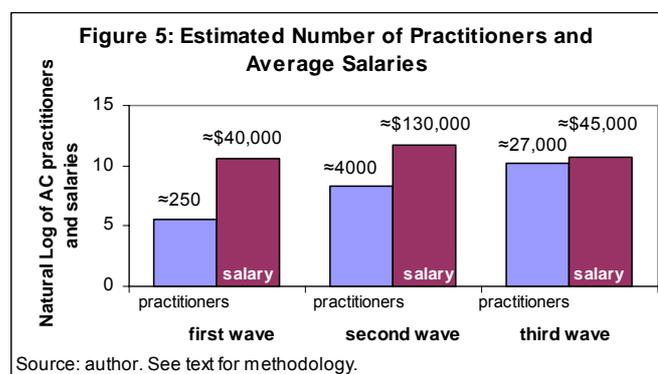
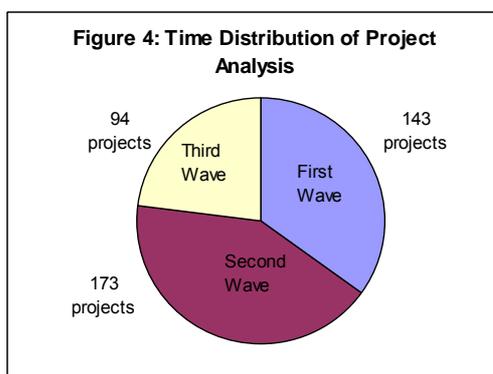
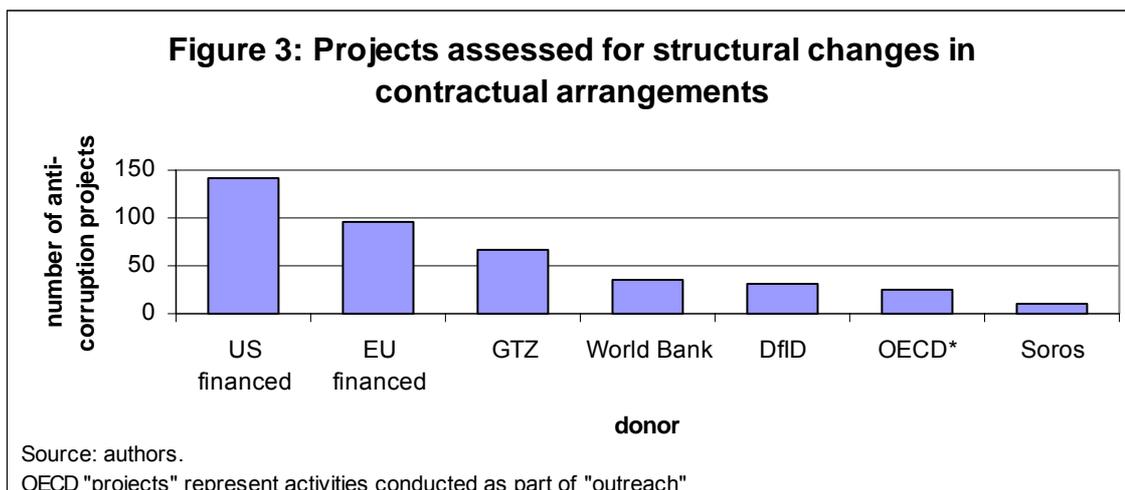
Kosovo, Transdnistria, Palestine and Central Asia). The third wave has also witnessed a reorientation in US policy away from policy-by-proxy funding mechanisms (using USAID, OECD and World Bank “partnership”) in favour of pragmatic programmes involving former crime busters working through targeted programmes such as the ICITAP and with direct support from the Department of Justice, Customs and Border Control, Homeland Security, the FBI and state-level police departments. In many cases, individuals on these projects receive direct or indirect funding through the Millennium Challenge Corporation (MCC). In cases where law enforcement agencies are not directly co-operating, USAID, UNDP and other consultants tend to be former law enforcement officers (or current ones on leave). On case work (corruption investigations conducted by these agencies), officials would participate in joint investigations, operations and focus their energies on deciding issues related to jurisdiction for prosecution.

The methodology we used for determining structural breaks consisted of qualitatively looking for differences in the types of anti-corruption outputs provided by donors and significant changes in the labour and capital market arrangements which lead to those changes in outputs. In our review, we consulted 405 projects from a variety of donors. Source materials came from the U4 database as well as tender documents and employment offers on sites such as DevNetJobs.² Many times, we had to look at the final projects announced on the donors’ websites and “trace back” the job to its initiating stages (often deducing the institutional arrangements made using our own work experiences as guides). We then divided up projects based on the year they were initiated. Looking at these years, we used our professional judgement to make generalisations about when significant changes in output, labour and capital contracts for anti-corruption projects occurred. From this, we identified three “clusters” in our data – corresponding to the three waves we present in this paper. Naturally, not all projects fit cleanly into our categorisation – roughly 15% of our first wave projects occurred during the time period we identify as the second wave and roughly 22% of the projects we identify as second wave activities occurred during the time of the first or third waves.³

Looking at the distribution of projects (as shown in Figure 2), the largest number consist of US financed and/or EU financed projects. The bilateral donors make up the rest of the projects. Figure 3 shows that we selected relatively evenly from each wave of anti-corruption work – remembering that we created categories for waves only after we selected our projects. As such, we did not let our categorisation of waves influence our decision about which projects to analyse. As shown, US financed projects – mostly with USAID funding – make up the bulk of our sample (particularly in the early years). We undersampled from World Bank projects – which are easiest to obtain information about – because World Bank projects tend to be more homogeneous. World Bank projects also can not finance the law enforcement activities which bilateral donor projects (sometimes) can. Figure 4 shows the distribution of projects in each wave (time period). As shown, we looked at roughly equal numbers of projects from each wave – remembering that we first sampled projects and then defined waves. Thus, the relatively equal distribution of projects across waves represents a relatively happy coincidence.

² See <http://www.u4.no/projects/> for the U4 project database and <http://www.devnetjobs.org/> for the jobs database (usually at least 1 anti-corruption job is advertised there each month).

³ Third-wave projects cleanly fit in our third-wave due to poor reporting about cross-border investigations and prosecutions. We could have reconstructed a list from Eurojust and Europol reports, though these projects fell outside of our 405 observations we chose to analyse.



In order to assess changes in labour and capital markets, we tried to estimate the number of anti-corruption “practitioners” and their average salaries (excluding overheads payments) in each time period (see Figure 5).⁴ Figure 5, while offering insights into the anti-corruption industry’s labour and capital markets, also emerges with a number of caveats. First, we had to use a logarithmic scale in order to put our data on one easy-to-read graph. As such, the bars represent proportions and not absolute levels (which we provide as numbers over each bar). Second, the estimates we produce stem from “eye-balling” the various project documents and job advertisements we reviewed. Arriving at quantitatively accurate estimates would have required weighting projects by size, adjusting for the “quality” of the expert sought and (at times) adjusting for differences in purchasing powers and exchange rates. As such, we did what every good statistician and economist does – looked at the raw data and used our intuitions to make our estimates. For our own life and work experience (and common sense), these estimates just “look right.” The superstar consultants of the late 1990s are receding and we see many Swedish and British police and customs officers roaming around Eastern European capitols flogging their anti-corruption wares.

From our admittedly Delphi Method approach to quantifying the size and particulars of the anti-corruption, we estimate that by 2009, the anti-corruption industry paid out almost \$5 billion in overheads, disbursements for procurements and salaries. Our estimate seems reasonable because the U4 database shows projects totalling almost \$1 billion over the period covered (excluding

⁴ By the mid-1990s, consultants working on anti-corruption projects increasingly received lump-sum payments or daily rates which included provisions for housing, office and other expenses. In some cases, extracting these payments posed no problem. For example, we could compare the daily rate of a consultant given an office with the daily rate of a consultant working in the same country (often on the same project but financed by a different organisation or consulting company) only given a lump-sum payment. In most cases, we had to rely on our professional judgment (honed by years of work experience), in order to estimate the magnitude of these over-heads.

project values for the numerous spam advertisements for Viagra which are valued at \$472,983).⁵ The database excludes the largest donors – USAID, the World Bank and the EU. If their project output is only 10 times larger than the U4 members per year, then a market size of \$5 billion appears properly conservative. However, we arrived at our own estimate using a three-step approach. First, we treated the 405 projects we selected for this study as a random sample. We estimated the budget for the project based on our own experience in preparing anti-corruption budgets. For example, if a project required 30 days of training time, we estimated the daily rate paid to the trainers, the number of trainers, and added any incidentals (such as training materials costs, flights and per diems and so forth). Second, we estimated the overall size of the market in any given year by sweeping the internet – and many times our own memories – for as many projects as we could find. While such a procedure does not ensure completeness, this procedure represents the best we could do. Third, we guessed the *value* of the proportion of unrepresented projects to reported projects for each donor. We usually kept these estimates conservative. Our estimate of roughly 70 anti-corruption experts by 2008 “vigorously” writing about anti-corruption themes also draws from our internet searches during the course of our own research.

Explaining the Rise of the Third Wave of Anti-Corruption

The third wave of anti-corruption work is characterised by the shift from (often large-scale) procurements awarded to large consulting companies toward direct co-operation by law enforcement agencies on Twinning, joint investigations and prosecutions for corruption offences. Figure 6 shows examples of some of these third-wave projects. Taking the case of the recent EULEX mission in Kosovo, a number of seconded EU law enforcement officers and experts work on a number of anti-corruption activities. These activities include anti-corruption plans, surveys and legal drafting as well as trainings in issues from collecting evidence to handling prosecutions. The mission itself does not deal exclusively on anti-corruption – anti-corruption forms part of the mission’s work programme. The EULEX mission does this work because of support by its funders (the EU member states, Kosovar senior politicians and the experts who benefit by selling their services).

Figure 6: Examples of Third-Wave Anti-Corruption “Projects” by US and EU

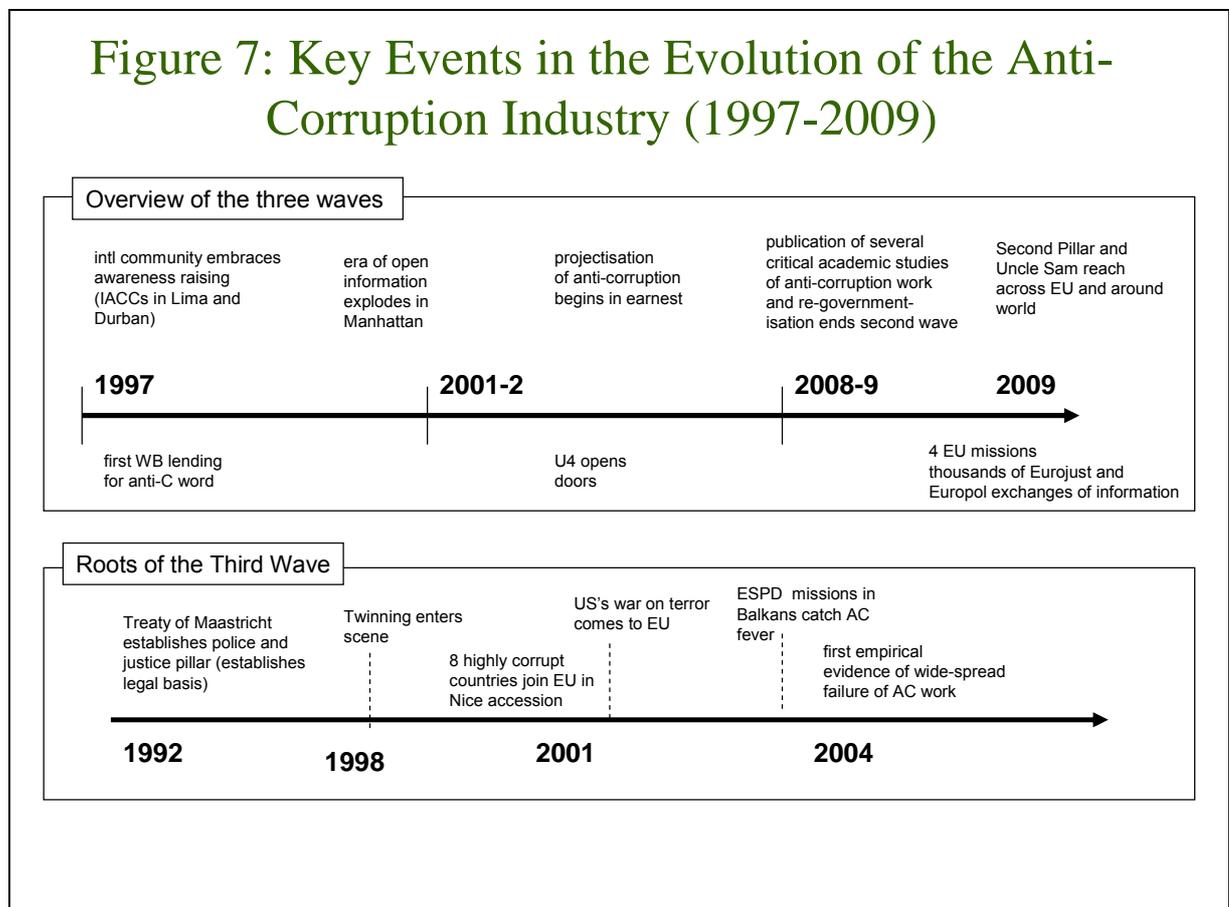
Project	Description
EUBAM (Ukraine/Moldova)	Border assistance mission to Ukraine and Moldova. Mainly focuses on stopping contraband entering Europe from Transdnistria. Mission has as one of key objectives helping customs and border guards in both countries fight corruption.
ICITAP – Ukrainian Customs	Part of Department of Justice technical assistance. Extensive training and legal redrafting involving US law enforcement officials (some even with Ukrainian heritage).
EULEX	Rule of law mission in Kosovo involving wide range of member states involved in policing and other law enforcement activities. Holds trainings involving member state deployments with police, customs and other Kosovar law enforcement agencies.

Source: authors

Five major events helped shift the costs and benefits of doing peer-to-peer anti-corruption work instead of procuring services through consulting companies. Figure 7 provides a summary of these events. First, the legal framework activated by the Treaty of Maastricht required application. The Treaty of Maastricht established the second pillar (Common Foreign and Security Policy or CFSP) and the third pillar (Police and Judicial Co-operation in Criminal Matters or PJCC). The Treaty on European Union (or TEU as the Treaty of Maastricht is known) – along with a number of Council of Europe conventions – created the legal basis for cross-border work on the investigation and prosecution of crimes (including corruption). Second,

⁵ <http://www.u4.no/projects/search.cfm?view=all>

Twinning – combined with the availability of a large number of police and justice officials in EU member states – created the mechanism to bring the supply and demand for anti-corruption labour services together (particularly after the First Eastern Enlargement). Third, the US’s war on terror – and a number of incidents at home in the EU – energised the EU into activating cross-border work. So that by 2005, co-operation (using IT and other technologies) on 6,705 cases had been handled by Europol (Europol, 2005:17). Bombings in the UK and Spain, as well as arrests for terrorism in Germany and France, show that the EU has been stepping up third pillar efforts. Fourth, if Twinning proved to be a popular delivery vehicle for EU anti-corruption assistance, the EU European Security and Defence Policy missions (as part of the EU’s second pillar) proved to be a more direct and effective form of EU law enforcement assistance in non-member states.⁶ Fifth, a number of academics and practitioners started producing critiques and direct empirical evidence that the former procurement model of anti-corruption work failed to reduce corruption. Steves and Rousso (2003) in regression analysis of anti-corruption work in Eastern Europe and the Former Soviet Union failed to find any statistically significant effects of anti-corruption work on reductions in corruption; while authors like de Samson (2005) show that anti-corruption work is often no more than a “spectacle.”



The Political Economics of the Third-Wave of Anti-Corruption

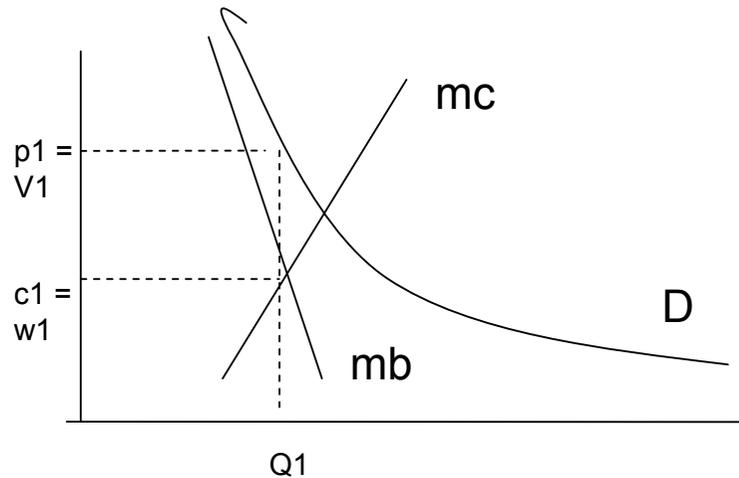
What explains the structural break in the contracting arrangements for anti-corruption services around the mid-1990s? While the methodological holistic explanations of the authors previously covered provide some insight, they provide a poor basis for conducting statistical testing (and go against the trend in the Anglo-Saxon social sciences toward looking at atomistic rational actors).

⁶ Some of these missions consisted of the EUPM police mission to Bosnia and Herzegovina in 2003, EUFOR Althea (later SFOR) mission, the EUFOR Concordia mission to Macedonia in 2003 (and later an EUPOL Proxima mission in 2003-2005), and the EUBAM mission to Moldova and Ukraine in 2005.

A methodological individualistic explanation – grounded in New Institutional Economics – goes a long way toward explaining the changes in anti-corruption industrial structure. Figure 8 shows the basic economics for labour demand in the second and third waves of anti-corruption. Simply put, the benefits of changing the way project funders procured labour services for anti-corruption projects exceeded the costs. In the second wave, demand for anti-corruption experts' labour centered around US funding (USAID, US contributions to World Bank anti-corruption projects, US funding of TI, Soros, and "co-operation" with OECD and a range of other organisations). In this situation, the demand curve for anti-corruption services exhibited the usual downward sloping characteristic of imperfect markets (see Figure 8a). The marginal benefits of doing more projects fell as US voters would not *marginally* reward the Bush administration for funding 500 rather than 400 anti-corruption projects. However, the extra cost of each new project rose as more administrators needed to be hired and donor duplication became a more serious issue. As shown in the figure, oligopolistic funders had the incentive to restrict the volume of anti-corruption work – and derive a political profit of $p1-c1$. Their costs (at $c1$) represent rents from their oligopsonistic power in anti-corruption labour markets. Part of their profits either passed to other organisations conducting research and development on anti-corruption related themes, passed to the consulting companies they hire or were used to finance junkets such as conferences in beautiful resorts for US officials.

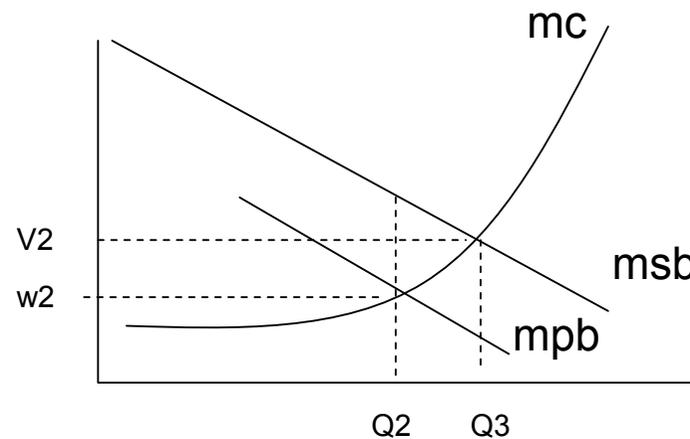
Figure 8b shows the effect on output (and thus wages) of a more competitive market for anti-corruption services. By the third wave, roughly 15 new service providers appeared on the market (EU member states). As a result, anti-corruption markets became more competitive and wages fell (with a concomitant increase in supply). The market represents the normal upward sloping supply curve and downward sloping demand curve. Anti-corruption markets expanded to satiate (increasing) demand for anti-corruption advice and services. However, the market exhibits externalities – as naturally donors would only fund projects where they have a political and economic interest. As shown in the figure, the marginal social benefits (msb) to all parties exceed the marginal private benefits of the donor (such as the UK's Crown Prosecution Service). Reducing corruption in Warsaw helps prevent corruption in London. As a consequence, the optimal level of anti-corruption work in equilibrium lies at Q3. The increase from Q1 to Q2 represents the increase due to decrease in "market power" by anti-corruption donors. The increase from Q2 to Q3 represents internalising the social benefits from anti-corruption work. Wages lie between $v2$ and $w2$ (as consultants bid for part of the social benefits their work provides). For law enforcement officials already employed in EU member state law enforcement agencies, these wages come from pre-existing labour contracts – and bringing more labour onto the market is relatively costless. The transactions costs of finding, hiring, training and releasing anti-corruption experts – which were large in the second wave of anti-corruption work – are much lower. The data appear to confirm the theoretical considerations outlined in Figure 8 – showing (at least in this case) the utility of the methodological individualistic explanation we employ.

Figure 8a: Imperfectly competitive markets of the second wave



In imperfect markets, donors – and the mammoth consulting companies which win their tenders -- make a profit. Demand is downward sloping and donors earn a price of p_1 from taxpayers and politicians (part of which is passed on to consulting companies as profits). Contract delivery costs at c_1 represent the oligopsonistic rent paid to scarce specialists as a wage w_1 . The quantity of anticorruption consulting rests at Q_1 in equilibrium.

Figure 8b: More perfectly competitive markets of the third wave



In more competitive markets, donors choose recipient countries where they will internalise gains (by reducing spill-overs of harms from corruption). The donor expands beyond a quantity Q_2 and chooses Q_3 (which maximises social benefit to the donor). While the MARGINAL social benefit per unit of anti-corruption service provided is smaller (at V_2 instead of V_1), the overall gain – $V_2 \cdot Q_3$ – is larger than in the imperfectly competitive market ($Q_1 \cdot V_1$).

Lessons for Donors and Anti-Corruption Project Bidders

Several common factors have led to the changes in the organisational design of a wide-range of anti-corruption projects after the mid-2000s. We focus on EU anti-corruption work as such work appears to embody the likely dominant approach of the third-wave. Figure 9 presents a summary of these effects and the ways in which they have altered donors' costs and benefits. Wide-spread legal changes – mostly arising from an ever more closer union of European states – have made actual work on fighting real corruption cheaper and more politically and economically profitable. As we noted in Figure 2, changes in labour and capital markets have led to changes in the anti-corruption industry's organisational structure. As for labour markets, the wide-spread education programmes of the 1990s and early 2000s have created a pool of training materials which have qualified thousands of “flat-foot” intelligence officers, commercial fraud inspectors, detectives, and others to qualify for places on anti-corruption projects world-wide. Most importantly, the EU – unlike the UN, OECD, and World Bank – has a direct mandate for political action. If the IMF or World Bank make one or two lending cancellations based on anti-corruption considerations, these decisions make the headlines. Yet, the EU does not even let a country into its “club” without adherence to particular provisions aimed at increasing the rule of law (the Copenhagen Criteria). Moreover, inter-community fiscal transfers can be (and are) halted if a member state does not co-operate according to the terms of EU law.⁷ Lending instruments – such as Sector Budget Support and Twinning – in effect provide as stringent (if not more stringent) conditionalities on EU funding of Neighbourhood Policy countries as on member states.

Figure 9: Factors Leading to the Rise of the Third Wave of Anti-Corruption Work

Factor	Description
Transplant of legal form	The Treaty on the European Union and several Council of Europe conventions provided investigation teams with all the legal “firepower” they needed to appear in foreign (Eastern EU) capitols ready to collect evidence. As provided by legal agreement, ESDP teams on the ground (often working in premises provided by hosts) did the same patrols with their counterparts.
Changes in anti-corruption labour markets	By 2005, universities and private training programmes (TI, World Bank and Tiri being the most notable) sought to train experts in anti-corruption who could not compete with the experience and knowledge of specialists in EU member states.
Selection based on self-seeking criteria	EU member states chose Twinning based on self-interest – and of course participated in joint investigations based on the direct application of national law. No resort to “the greater good” like in the first and second waves.
Playing politics	The previous waves tried to “depoliticise” anti-corruption (in the sense which the post-modern authors made their critiques). The EU, in contract, used political logrolling as a valuable tool in the design and implementation of joint anti-corruption activities. Projects benefited both parties' political (as well as developmental) interests.
Optimal club sizes	Twinning projects often highly encouraged EU member states bidding on these projects to form a partnership in order to deliver on their Twinning contracts. Only member states with direct political and economic interests would often bid. Such interests were determined by the positive externalities on the member states' societies and economies likely to result from the project.
Lower transactions costs	Computerised systems for detecting suspicious bank transactions, unusual personnel activity in police and customs as well the EU equivalents of “e-discovery” make cross-border work cheaper and faster. Foreign advisors under contract by a Beltway Bandit do not have same rights to collect and process evidence.

Source: authors. The large-scale changes cited in Figure 9 have resulted in shifting incentives in anti-corruption labour and capital markets cited in Figure 2.

⁷ Recent European Court of Justice cases have also paved the way for financial damages to be awarded from member states who fail to comply with EU regulations and other legal obligations.

How should other donors and non-governmental organisations (like NGOs and businesses) react to these changes in anti-corruption programme design and implementation? Naturally, the operational side of EU anti-corruption work (on joint investigation teams, the use of video to collect evidence, the admissibility of evidence from other EU jurisdictions) is only beginning to come into effect on corruption-related cases. However, the early evidence from the EU points to a number of likely reactions which other donors and organisations will need to make in order to be seen as implementing worth-while anti-corruption projects. In other words, in the pragmatic wave of anti-corruption work, the organisations which used to engage in anti-corruption work will need to be pragmatic. Figure 10 shows some of the adjustment non-EU donors will likely need to make in this purported third wave of anti-corruption work.

Figure 10: Weaknesses and New Comparative Advantages in the Third Wave

Organisation	Weaknesses in Third-Wave	New “Comparative Advantage”
World Bank	World Bank has no competence in law enforcement and World Bank can not conduct investigations or prosecutions for corruption involved in its lending (though it can blow the whistle).	No role for World Bank in anti-corruption <i>per se</i> (though still needs to call in relevant law enforcement bodies for corruption affecting Bank projects).
OECD	The Organisation is heavily tied to the Anti-Bribery Convention. The Organisation can not “play politics” nor offer expert analysis from the ivory tower -- like it does in the economic sphere (as law enforcement is a dirty job).	Tinker along the edges of the Anti-Bribery Convention. Its work in the Former Soviet Union and in the Balkans have resulted in egregious harms which the Organisation can not remedy -- and it must withdraw (Harrison, 2006).
UNDP	UNDP can not deploy law enforcement officials (though it can pay for them to be deployed).	Back the UNODC and EU and finance everything they do (within its budget).
USAID	No role in law enforcement (as anti-corruption is a difficult to define development project).	Continue financing the work of Department of Justice and other law enforcement bodies to provide advice to developing countries.
TI (and NGO children of the first wave)	No formal government powers. The market for anti-corruption education is already saturated. They are unable to extend their services for anti-corruption (which is a public good)	Two niches remain. First, they can develop specialist advisors for conducting internal regulatory investigations. Second, they can hold media rights for investigative exposes appearing in press (in order to generate an income).
US and European Beltway Bandits	Direct relations between law enforcement agencies will end nepotistic bidding relations (and profits) Can not compete on price or quality of service provided.	Exit from industry (third-wave represents end of product life-cycle).

Source: authors.

Conclusions and Further Research Paths

The data (both qualitative and quantitative) suggest changes in the way anti-corruption services are offered -- leading to a third-wave of anti-corruption work. Projects in this third wave focus heavily on the processing of anti-corruption cases across borders in the same way they are processed domestically. Law enforcement officials from EU member states – and in some countries, the US law enforcement agencies – either work in foreign law enforcement agencies for a time (and under contract) or participate directly in joint case work. The third wave arose from a body of supranational law in the EU allowing investigators and prosecutors in EU member states to treat corruption in particular jurisdictions the same way they would at home.

The third wave also marks the end of the multi-billion dollar business ventures of the early 1990s involving some of the largest consulting companies bidding on development contracts.

Yet, the rise (and fall) of the anti-corruption industry point to a number of unanswered research questions likely to be commercially and academically important for at least a decade. First, will Third Pillar activities finally result in an activist stance against corruption (as predicted in this paper)? While the EU has spent millions of euro on cross-border anti-corruption work, a tiny fraction of Europol cases (and no Eurojust cases) have involved cases involving corruption.⁸ Second, how will donors and governments in non-EU member states respond to the changes happening in Europe? Latin America, the South-Asian sub-continent and Sub-Saharan Africa have no Treaty on the European Union, no *acquis communautaire* and much greater geographic distance between their nations' capitols than in the EU.⁹ The prospects for an indigenous version of the Police and Judicial Co-operation in Criminal Matters (or PJCC) pillar look unlikely in these geographical areas. Third, the post-modern authors previously cited claim that anti-corruption (as a donor policy) reflects deeper political bargains over power and authority – a new form of conditionality. The failure of the Millennium Challenge Corporation seems to suggest donors can not pay for law enforcement – like the EU does with its complicated system of transfers and intra-community redistribution. What incentives can donors offer to politicians in these countries to support cross-border agreements like those in Europe? Fourth, what will be the effect of EU-like legal implants on countries where one economically and politically important country exercises leverage over the law enforcement powers of a developing state. Notably, the US provides significant technical assistance to Iraq and Afghanistan (and could make a strong case for a joint investigative team or extradition under the guise of the UN Convention Against Corruption). Will Interpol and the International Criminal Court take the place of Europol and Eurojust in cross-border cases involving the EU and a non-EU jurisdiction? Perhaps the answers to some of these questions will point the way for a fourth wave of donor financed anti-corruption work?

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⁸ On the methodological side, we encourage scholars to construct more robust datasets than the 405 projects we chose and informally analysed. As much of our analysis relied on experience and subjective judgment, a formal empirical basis for the analysis of the anti-corruption industry is sorely lacking.

⁹ The Maghreb and Middle East form a notable exception as the EU engages in much work with these countries as part of its Neighbourhood Policy. Eligible for the same type of Twinning projects and with a close eye on the harmonisation of domestic legislation with EU norms, these neighbourhood countries may turn out to be a form of EU-lite.

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