

From Corruption to Governance to the 'Elephant in the Room' – State Capture: *An evidence-based journey*

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r4d.org/resources/state-capture-index/

**Public Lecture at Stellenbosch University,
Bellville Park Campus, June 20, 2025**

Cartagena's starkly contrasting worlds...



Source:

http://images.google.com/imgres?imgurl=http://bp2.blogger.com/_K26qJlOlqxc/RzNrVPqVo7I/AAAAAAAAA7w/R4lIerIVKUU/s400/cartagena.jpg&imgrefurl=http://ricos-y-pobres.blogspot.com/2007_11_01_archive.html&usq=__y9hi4qydaLYvDKcBRq7i6Eu8IHM=&h=243&w=400&sz=42&hl=en&start=23&tbnid=EmCLq-xm7MGYbM:&tbnh=75&tbnw=124&prev=/images%3Fq%3Dcartagena%2Bbarrio%2Bpobre%26start%3D20%26qbv%3D2%26ndsp%3D20%26hl%3Den%26sa%3DN

Mid-80's in Morogoro, Tanzania: where is the shoe factory?



Huge shoe factory in Morogoro – *a white elephant, wasted forex*
Why? Probing into misgovernance and corruption



The “Bribe Fee List” in Ukraine and Russia, mid-1990s

Enterprise Survey results on Bribes by Enterprises for obtaining Official Licenses and Services, Ukraine and Russia, 1996

"Unofficial fee": type of license/"favor"	Average "unofficial" fee required for "favor"			
	Russia		Ukraine	
Enterprise registration	\$ 288		\$ 176	
Each visit by fire/health inspector	\$ 67		\$ 42	
Tax inspector (each regular visit)	\$ 250		\$ 87	
Each phone line installation	\$ 1,071		\$ 894	
Lease in state space (sq. meter per month)	\$ 26		\$ 7	
Each export registration/consignment	\$ 643		\$ 123	
Each import registration/consignment	\$ 133		\$ 278	
Domestic currency loan from bank (preferential terms)	8%		4%	
Hard currency loan (preferential terms)	23%		4%	

'The Secret Palace' discovered in 2015 near Kyiv



Governance, Corruption & Capture: *Topics*

- **Why a governance lens? Link to Corruption?**
- **Measuring it: worldwide, country, trends, surprises**
- **Select evidence on causes & consequences**
- **State Capture: what is it? Differs from Corruption?**
- **First global State Capture Index: What does it tell us?**
- **Dimensions of State Capture & how costly it can be**
- **Prioritizing Prevention and how to address capture**
- **Reflections and discussion**

Worldwide Governance Indicators:

Three Main Clusters, totaling 6 Indicators of Governance

Governance: the set of institutions and norms by which authority in a country is exercised-- specifically:

- **The process by which those in authority are selected and replaced**
 - **VOICE AND ACCOUNTABILITY**
 - **POLITICAL STABILITY & ABSENCE OF VIOLENCE & TERROR**
- **The capacity of government to formulate and implement policies**
 - **GOVERNMENT EFFECTIVENESS**
 - **REGULATORY QUALITY**
- **The respect of citizens and state for institutions that govern interactions among them**
 - **RULE OF LAW**
 - **CONTROL OF CORRUPTION**

Worldwide Governance Indicators

- Data on six dimensions of governance covering well over 200 countries from 1996 until the present
- Synthesis of hundreds of underlying indicators taken from over 30 different data organizations
- Aggregate and individual indicators available at www.govindicators.org, about largest publicly-available governance database in the world
- Result of longstanding research project, featuring the “Governance Matters” series – *(with A. Kraay)*

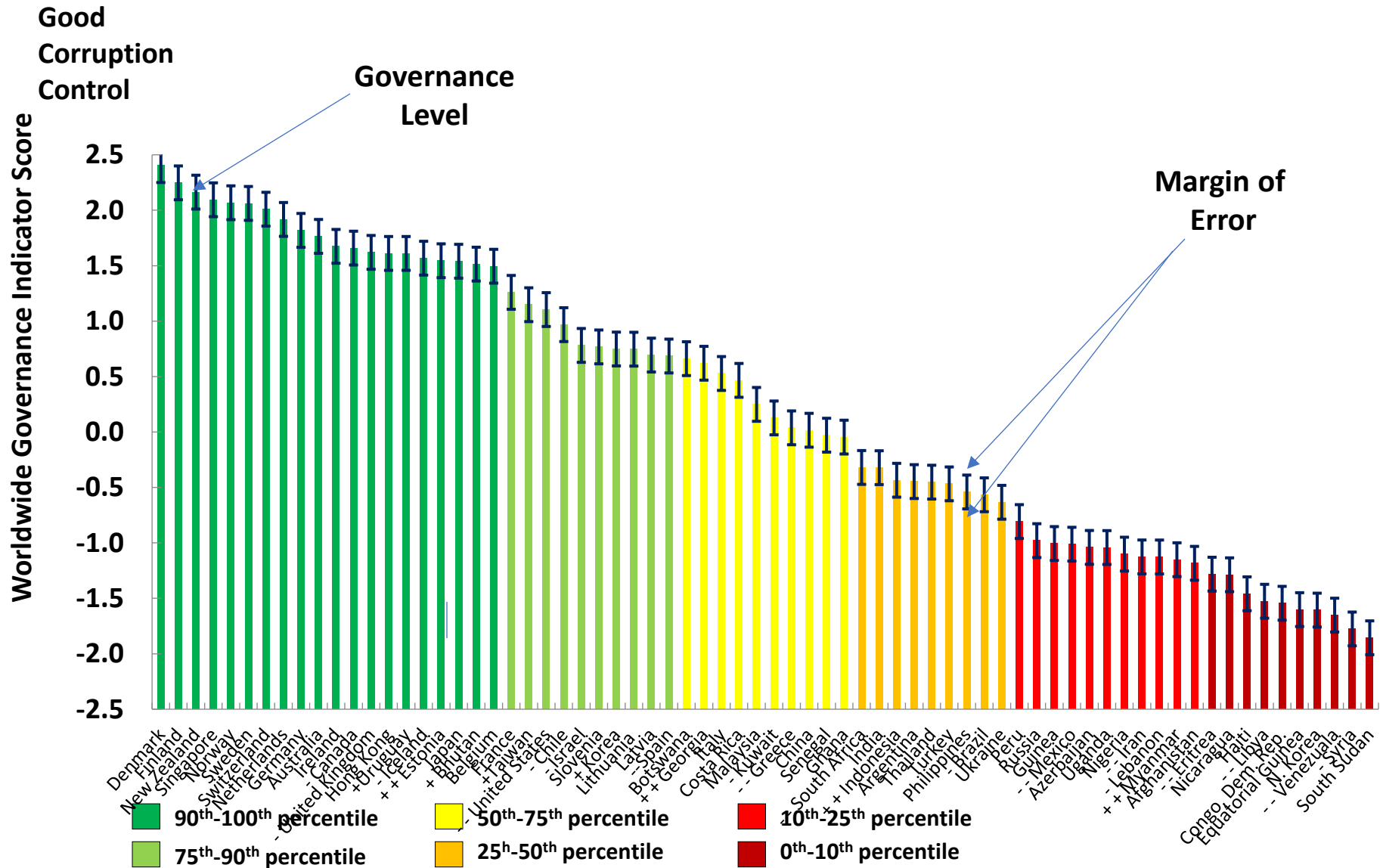
Individual sources for constructing the WGI

- **Cross-Country Surveys of Firms:** Global Competitiveness Survey, World Competitiveness Yearbook, BEEPS
- **Cross-Country Surveys of Individuals:** Gallup World Poll, Global Corruption Barometer, Latinobarometro, Afrobarometer
- **Expert Assessments from Commercial Risk Rating Agencies:** Global Insight, Political Risk Services, BERI, Economist Intelligence Unit, Merchant International Group, IJET Travel Consultancy, Asia Risk Consultancy
- **Expert Assessments from NGOs, Think Tanks:** Reporters Without Borders, Heritage Foundation, Freedom House, Bertelsmann Foundation, Amnesty International, IREX, Global Integrity, Binghamton University, International Budget Project
- **Expert Assessments from Governments, Multilaterals:** World Bank CPIA, EBRD, AFDB, ADB, State Department, OECD, IFAD

Building Aggregate Governance Indicators

- Use Unobserved Components Model (UCM) to construct composite governance indicators, and margins of error for each country
- Estimate of governance: *weighted average* of observed scores for each country, re-scaled to common units
- Weights are proportional to *precision* of underlying data sources
- Precision depends on how strongly individual sources are correlated with each other
- Margins of error reflect (a) *number of sources* in which a country appears, and (b) the *precision of those sources*

WGI Control of Corruption 2022: *Selected Countries*



Notes: ++, --, + & - signs preceding a country name denotes that the country score changed significantly since 2000, at 90% (double sign) and 75% (single sign) confidence levels, respectively. Source: Worldwide Governance Indicators, <http://www.govindicators.org>, by Kaufmann, D. and A. Kraay. Z-scores for countries can range from the minimum of -2.5 to +2.5 (denominated in standard deviation units).

Voice & Accountability 2023 (WGI)



Source: Worldwide Governance Indicators (www.govindicators.org). Kaufmann, D., A. Kraay, & M. Mastruzzi (2010), [The Worldwide Governance Indicators: Methodology and Analytical Issues](#), World Bank Policy Research Working Paper No. 5430.

Rule of Law 2023 (WGI)



Source: Worldwide Governance Indicators (www.govindicators.org). Kaufmann, D., A. Kraay, & M. Mastruzzi (2010), [The Worldwide Governance Indicators: Methodology and Analytical Issues](#), World Bank Policy Research Working Paper No. 5430.

Control of Corruption 2023 (WGI)



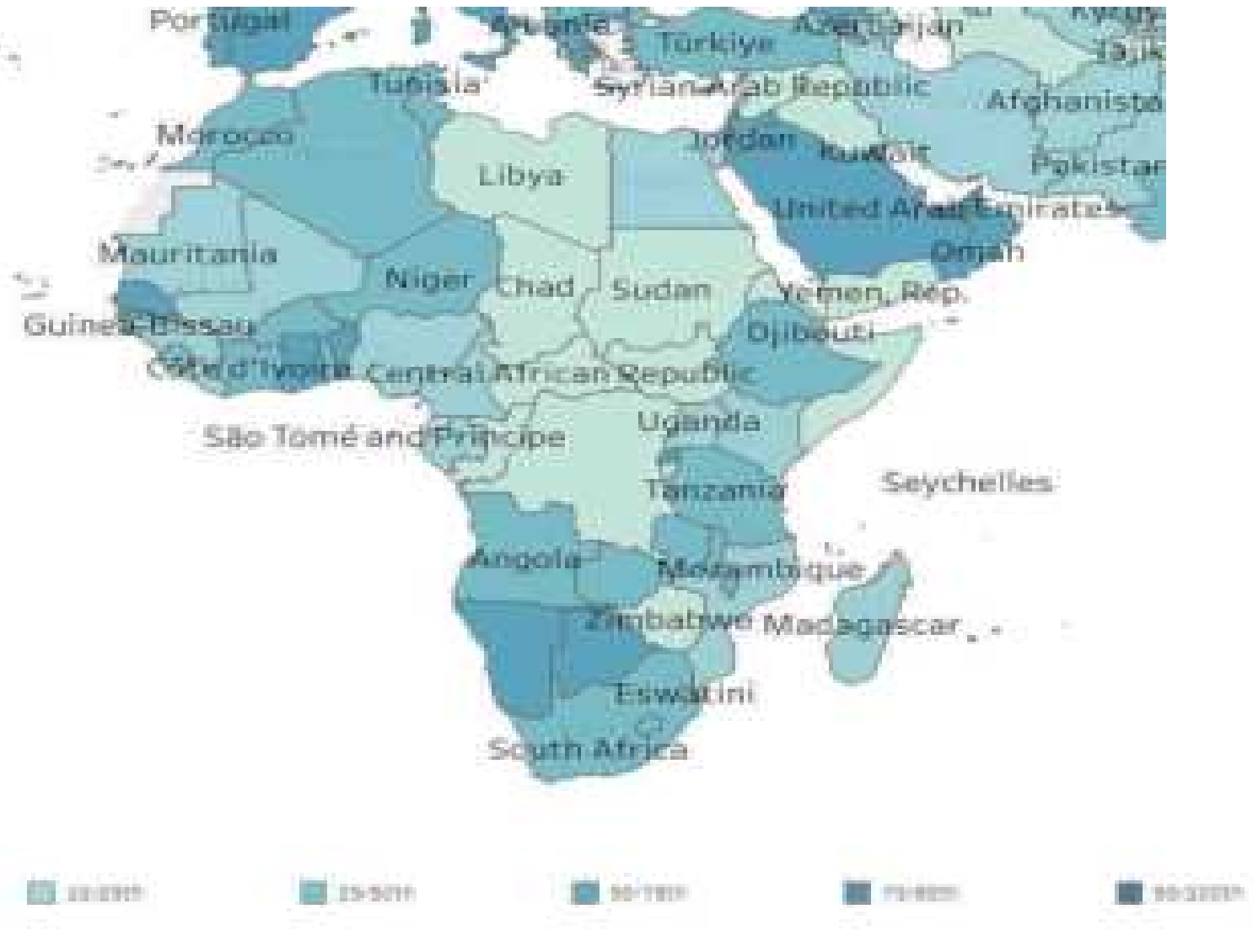
Source: Worldwide Governance Indicators (www.govindicators.org). Kaufmann, D., A. Kraay, & M. Mastruzzi (2010), [The Worldwide Governance Indicators: Methodology and Analytical Issues](#), World Bank Policy Research Working Paper No. 5430.

Control of Corruption, Latin America, 2023 (WGI)



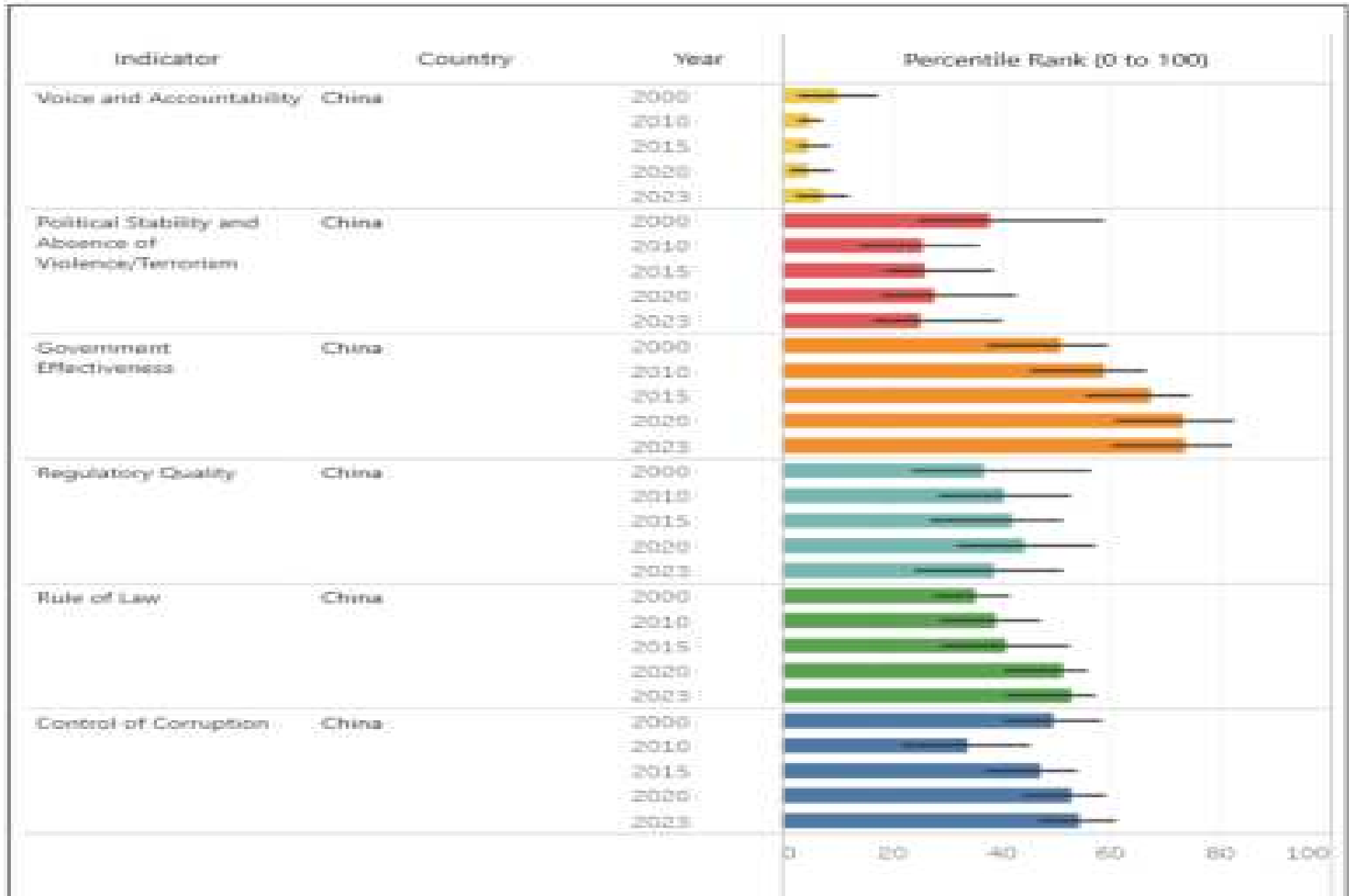
Source: Worldwide Governance Indicators (www.govindicators.org). Kaufmann, D., A. Kraay, & M. Mastruzzi (2010), [The Worldwide Governance Indicators: Methodology and Analytical Issues](#), World Bank Policy Research Working Paper No. 5430.

Control of Corruption, Africa & Middle East, 2023 (WGI)

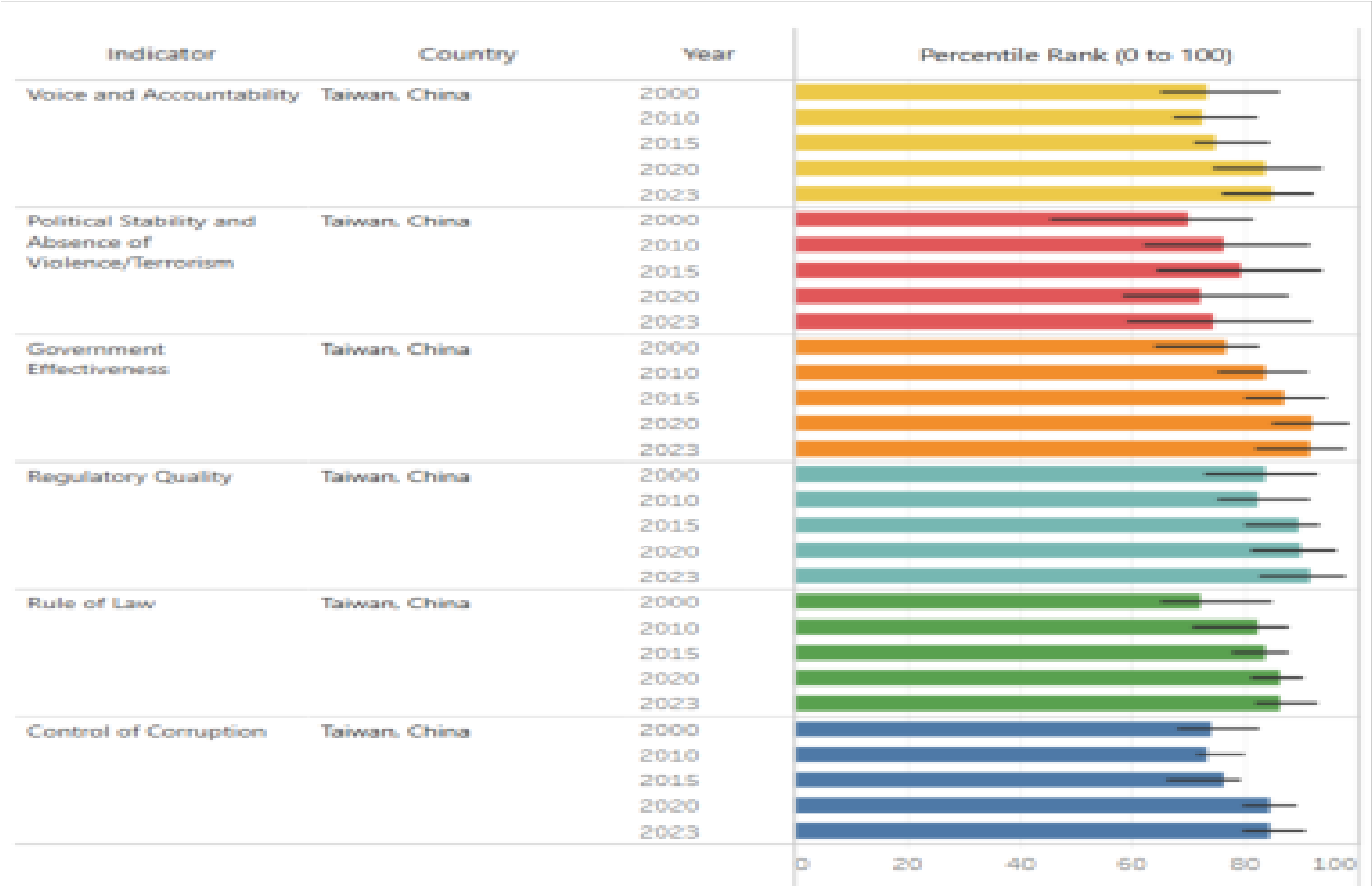


Source: Worldwide Governance Indicators (www.govindicators.org). Kaufmann, D., A. Kraay, & M. Mastruzzi (2010), [The Worldwide Governance Indicators: Methodology and Analytical Issues](#), World Bank Policy Research Working Paper No. 5430.

Worldwide Governance Indicators (WGI) for China: 2000, 2010, 2015, 2020, & 2023



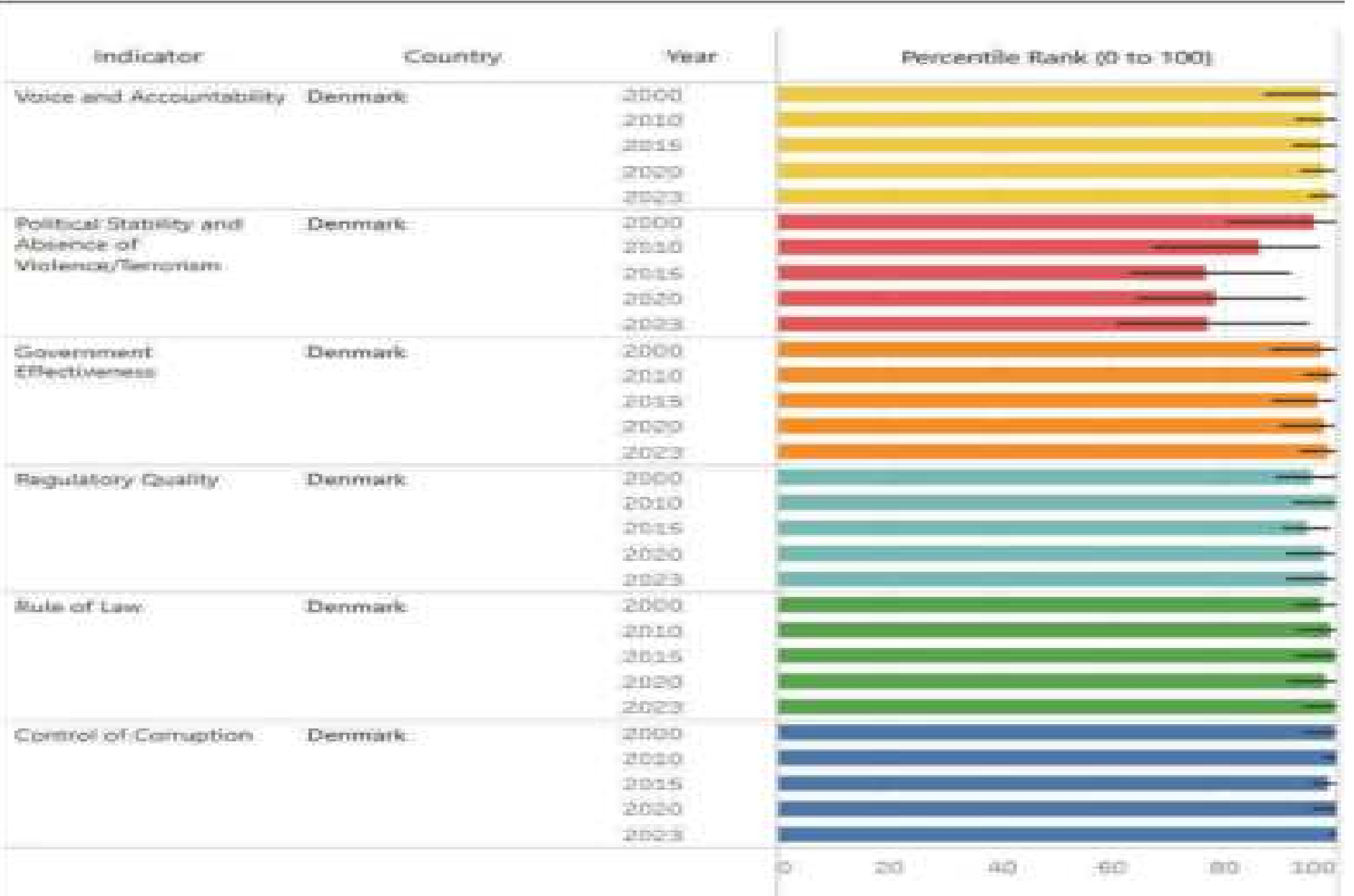
Worldwide Governance Indicators (WGI) for Taiwan: 2000, 2010, 2015, 2020 & 2023



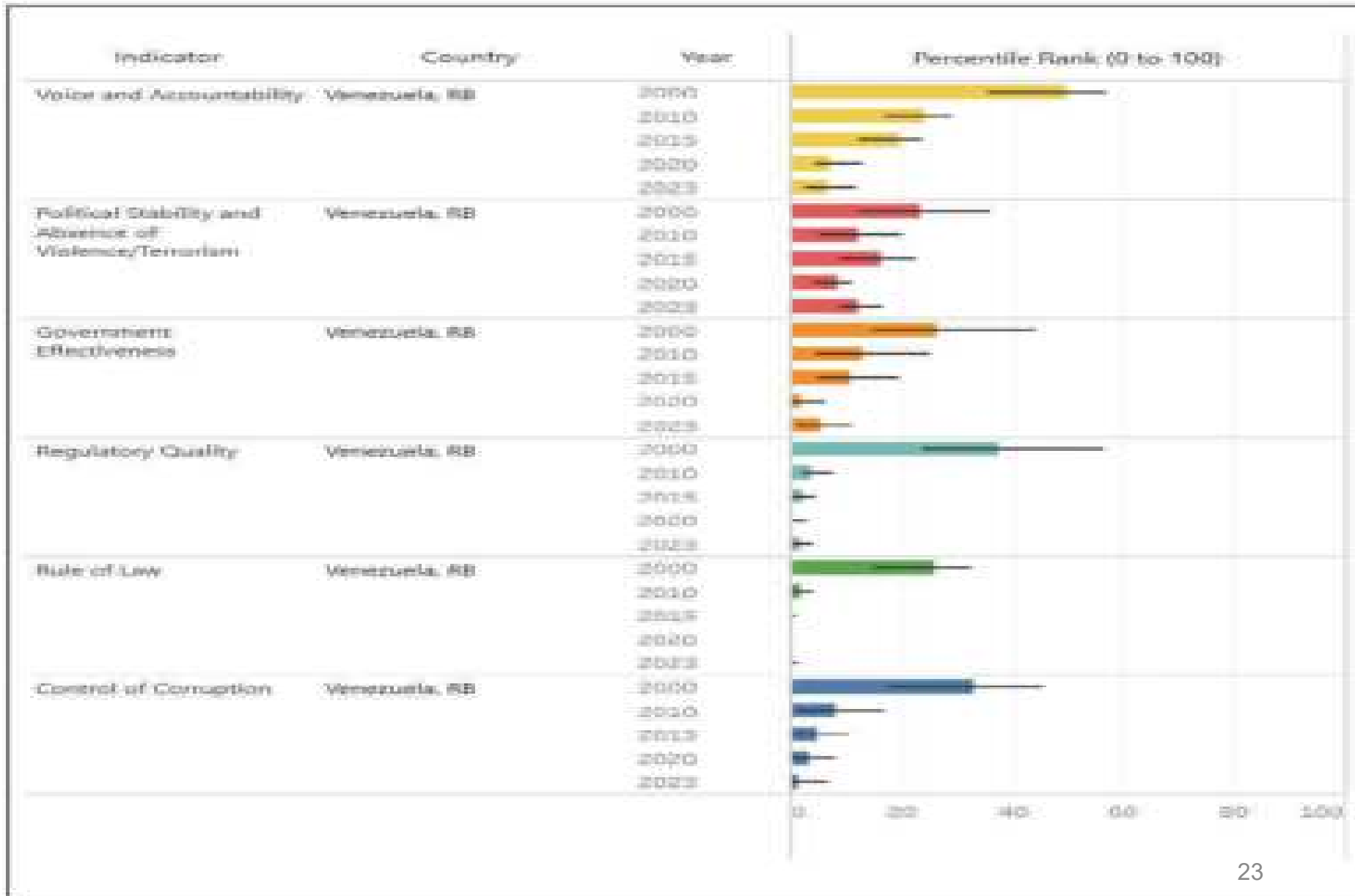
Worldwide Governance Indicators (WGI) for the United States: 2000, 2010, 2015, 2020, & 2023



Worldwide Governance Indicators (WGI) for Denmark: 2000, 2010, 2015, 2020 & 2023



Worldwide Governance Indicators (WGI) for Venezuela: 2000, 2010, 2015, 2020, & 2023



Worldwide Governance Indicators (WGI) for Colombia: 2000, 2010, 2015, 2020, and 2023



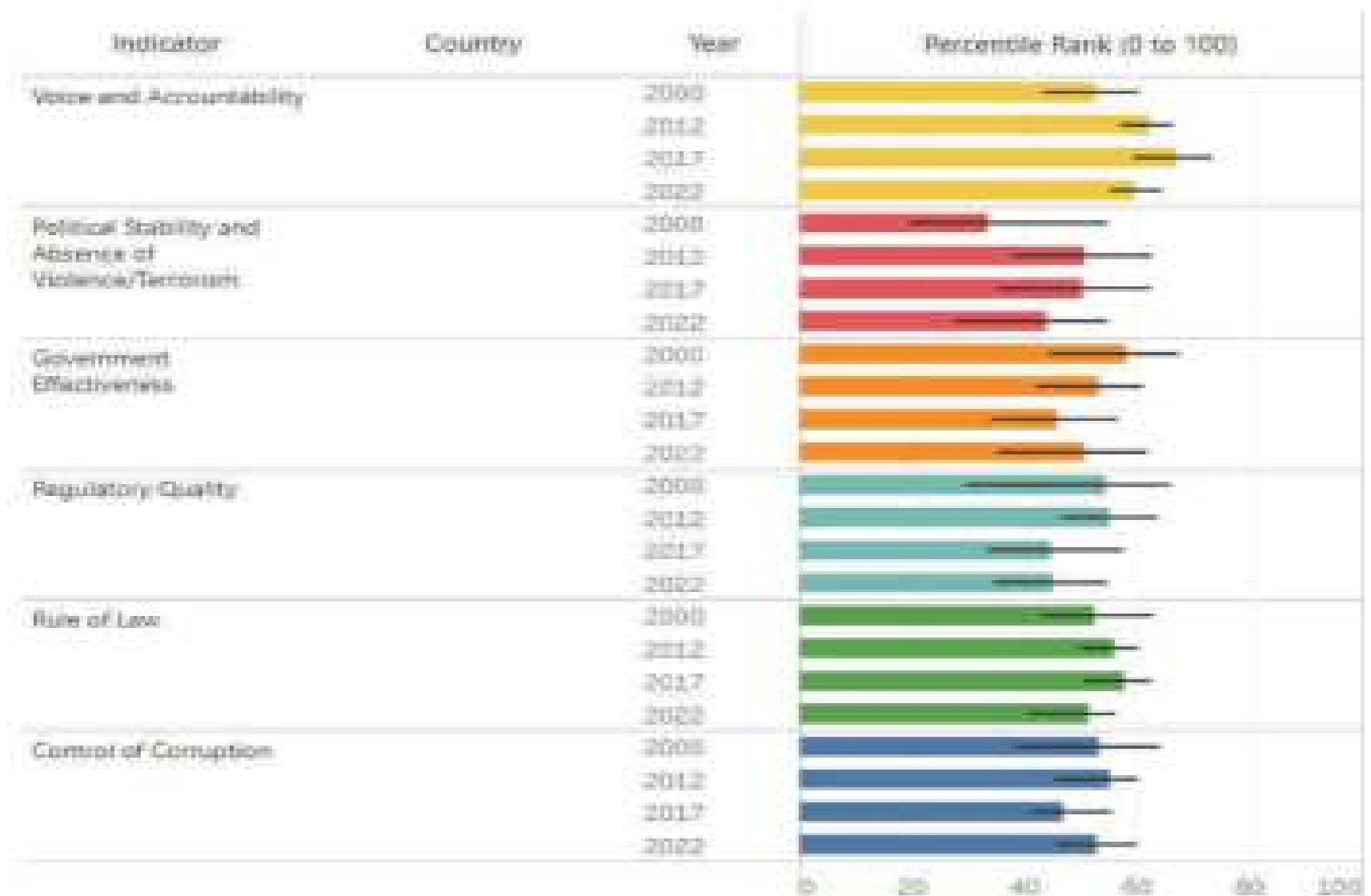
Worldwide Governance Indicators (WGI) for Chile: 2000, 2010, 2015, 2020 & 2023



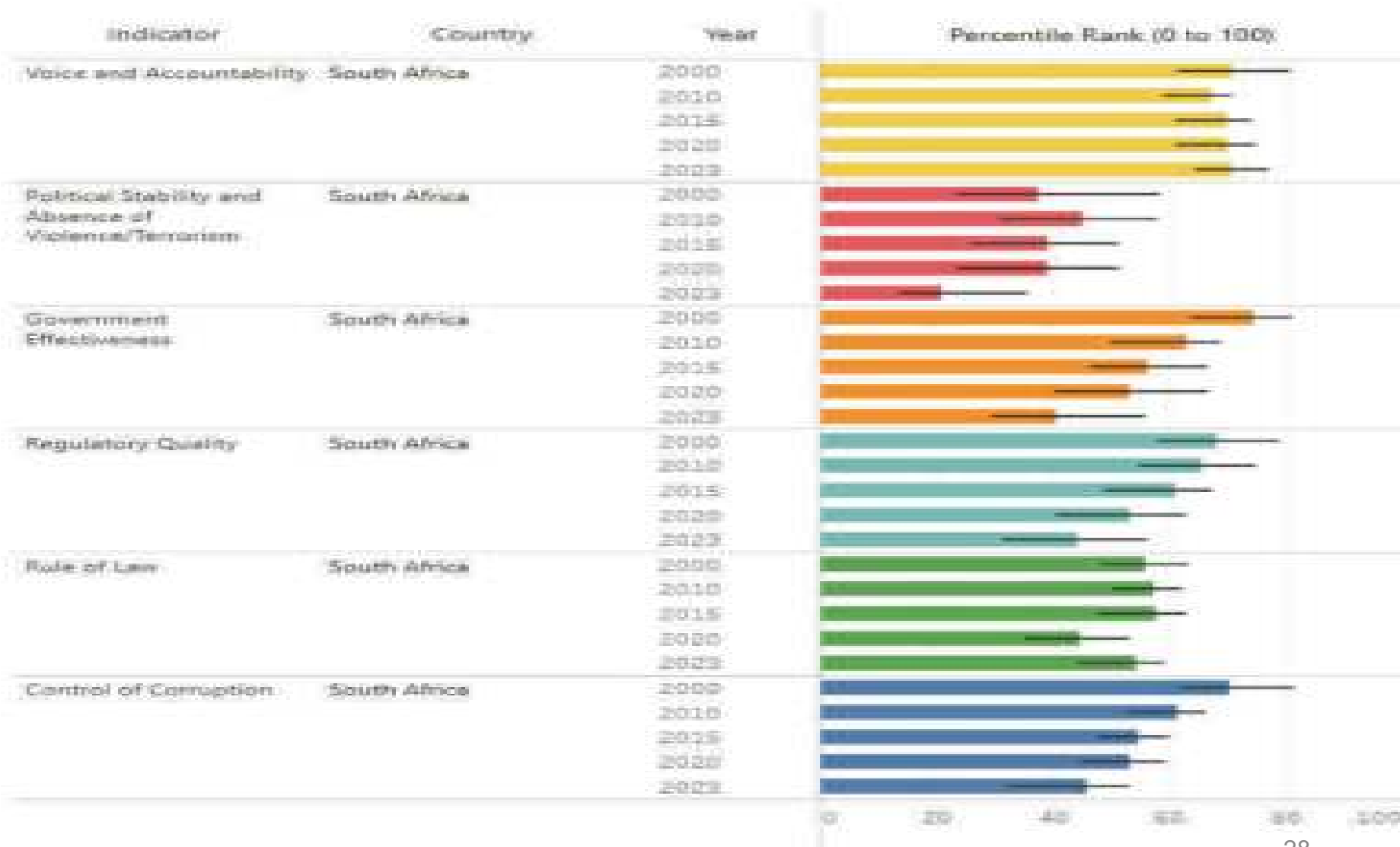
Worldwide Governance Indicators (WGI) for Uruguay: 2000, 2010, 2015, 2020, & 2023



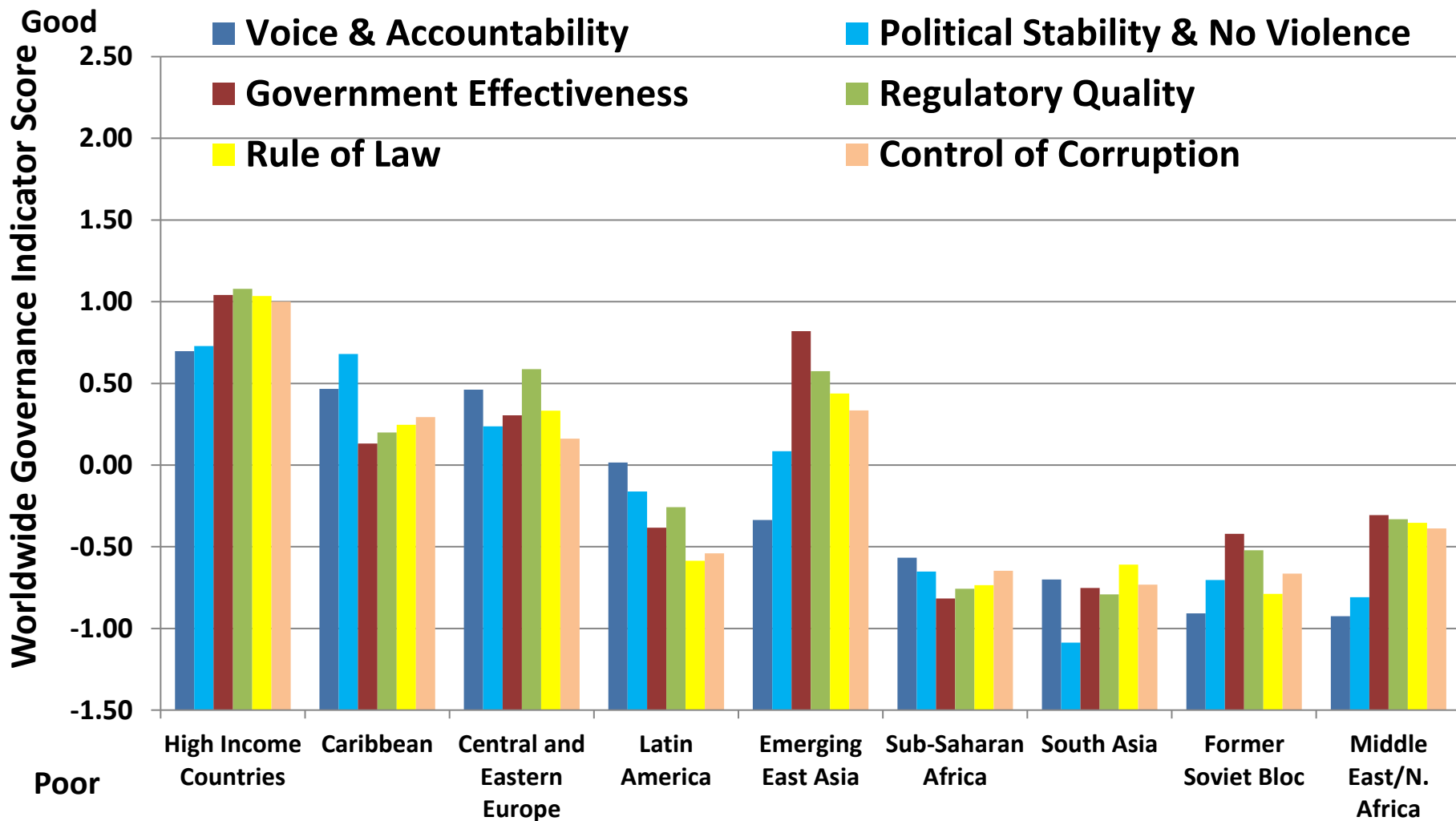
Worldwide Governance Indicators (WGI) for Ghana: 2000, 2012, 2017 & 2022



Worldwide Governance Indicators (WGI) for South Africa: 2000, 2010, 2015, 2020, & 2023



WGI Quality of Governance across Regions & Components (WGI, 2022)

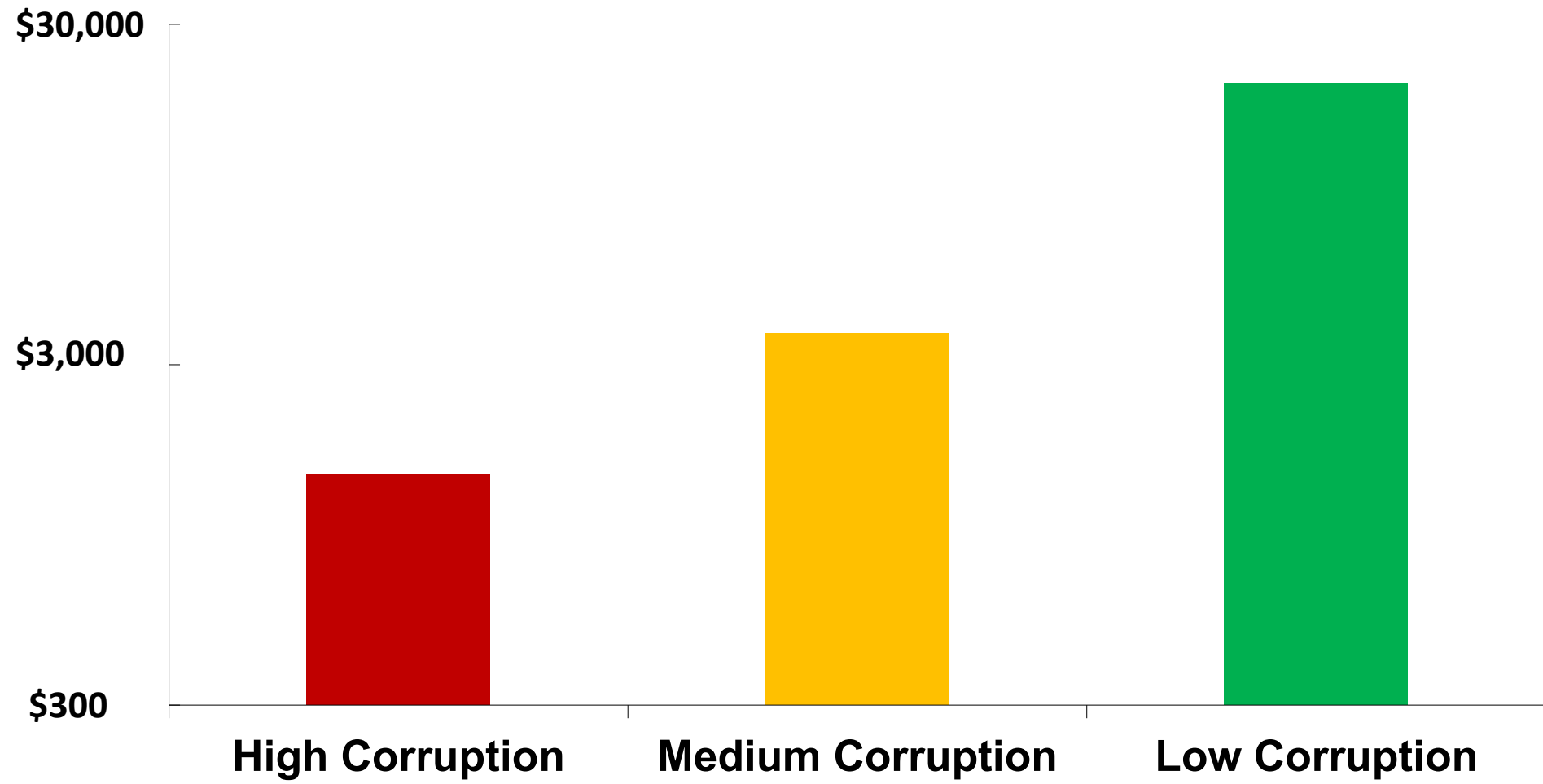


Notes: Eastern Europe refers to the former socialist Central & Eastern European countries. Emerging East Asia refers to China, Hong Kong, Indonesia, the Republic of Korea, Malaysia, Philippines, Singapore, Thailand, and Vietnam. Belize, Suriname, French Guiana and Guyana were assigned to the Caribbean group of countries. High Income countries comprise those whose income per capita is above US\$12,696 according World Bank classification and income per capita data. Source for the calculation of WGI average scores: Worldwide Governance Indicators <http://www.govindicators.org>

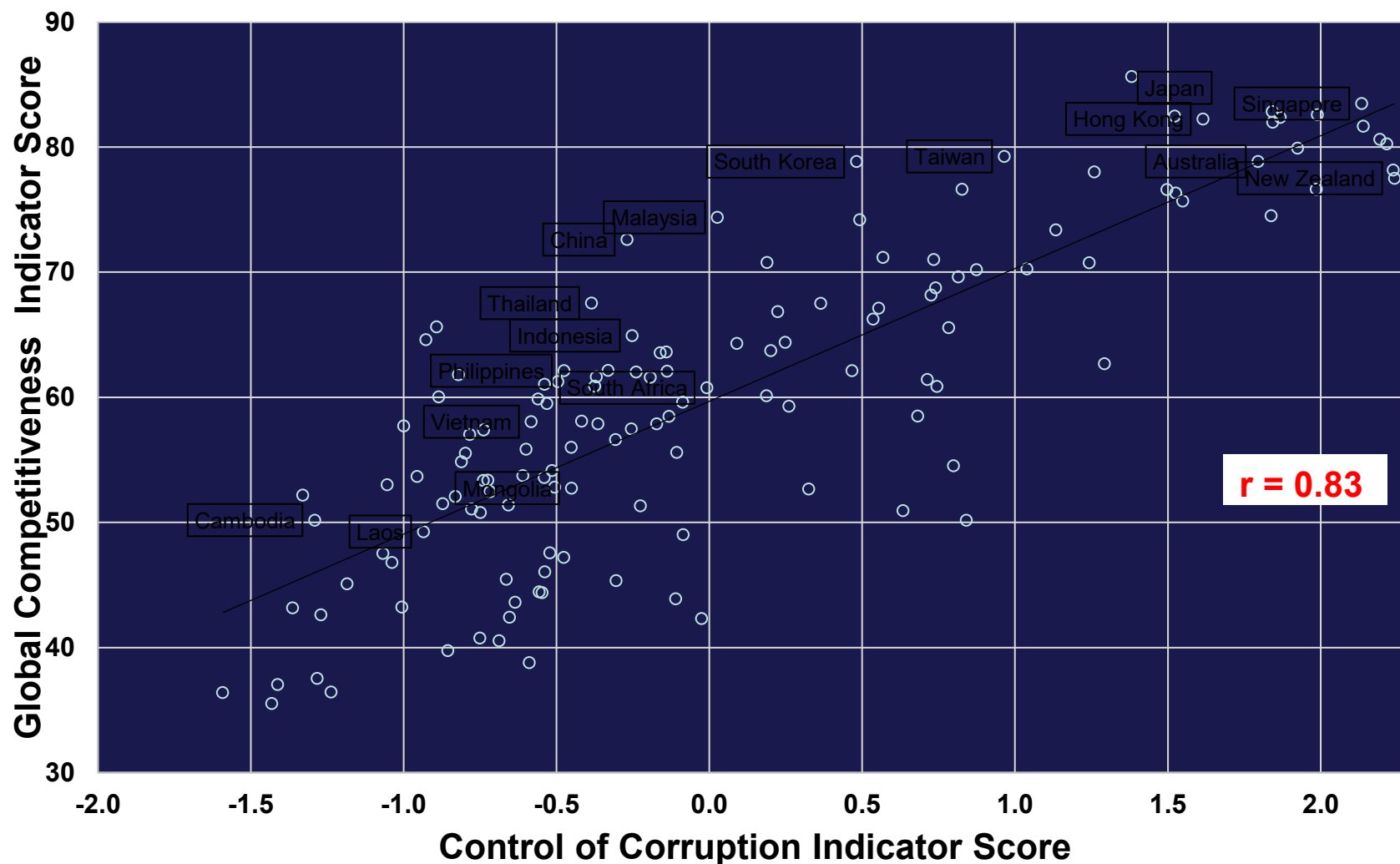
Does Governance & Corruption Matter?

- **So, governance & corruption can be measured...**
- **But does governance matter?**

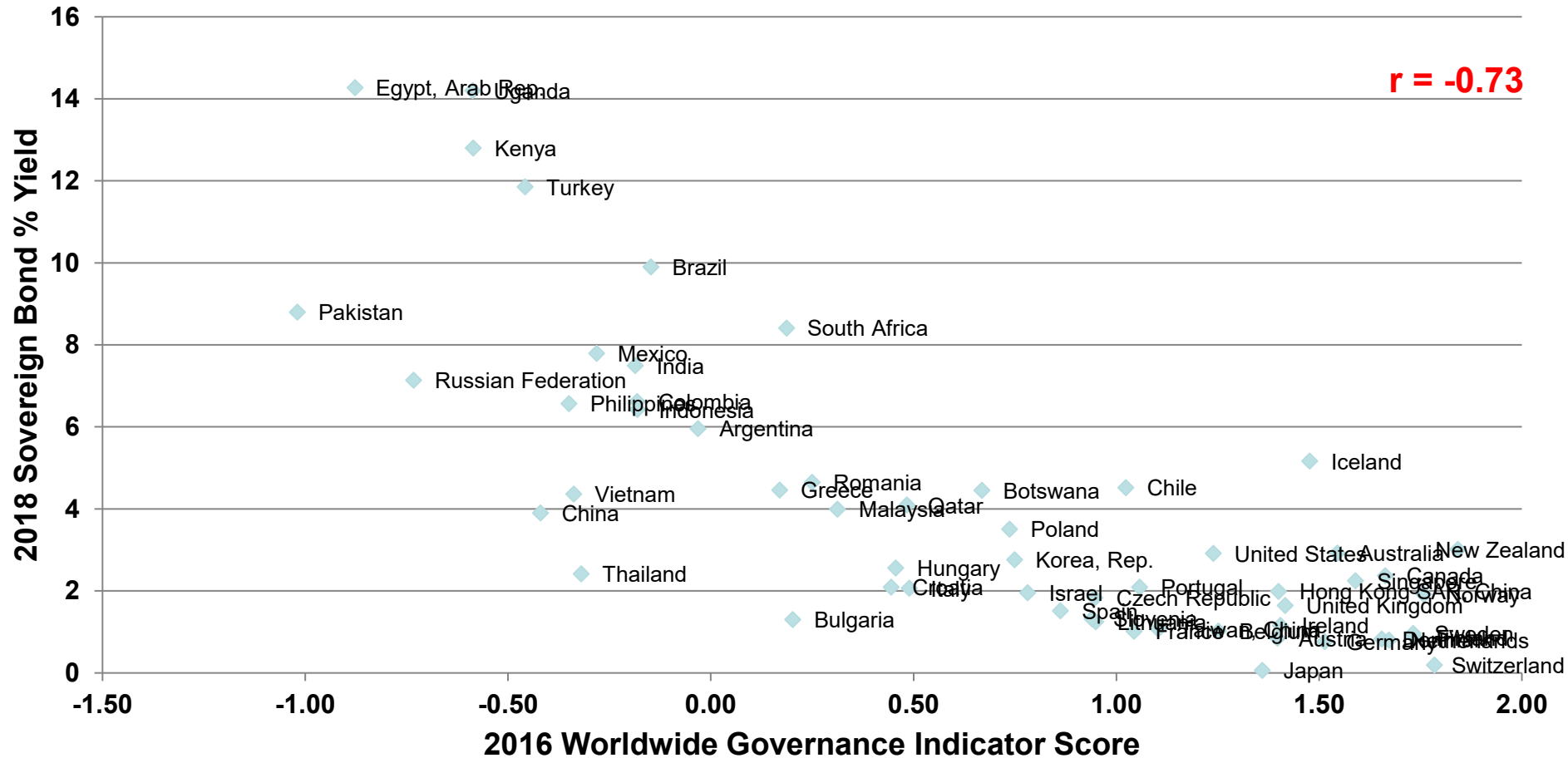
The 3X Development Dividend From Improving Governance & Controlling Corruption



Close link between WEF Global Competitiveness (2018) & WGI Control of Corruption (2017)



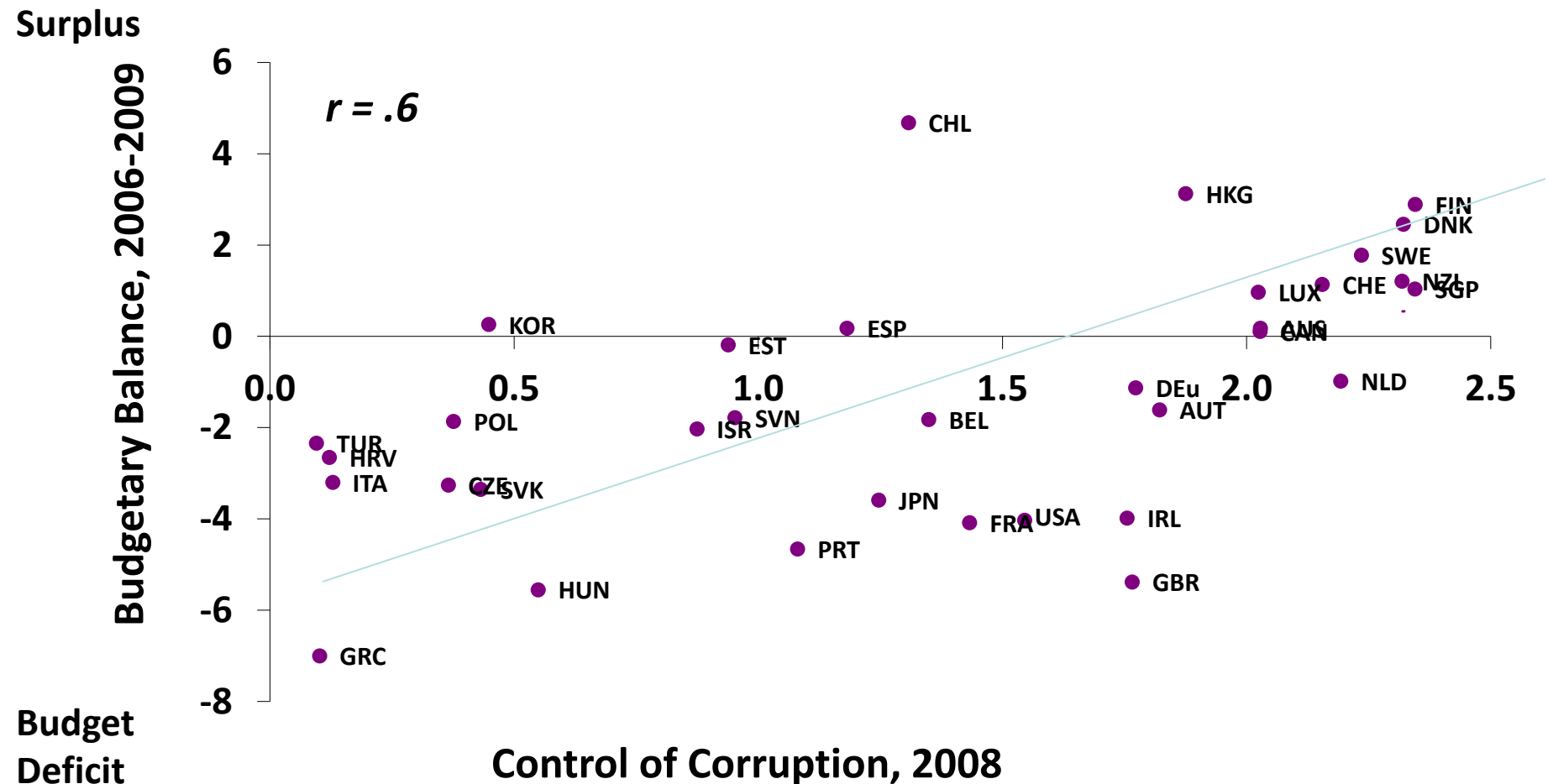
Sovereign Bond % Yield vs WGI (Composite) Indicator: The '1,000 basis points dividend of good governance'



Sovereign Bond % Yield is obtained from countries' 10-year bonds as of February 14, 2018.

Source: Worldwide Governance Indicators, available at: www.govindicators.org and 10-Year Government Bond Spreads, available at: www.investing.com/rates-bonds/government-bond-spreads.

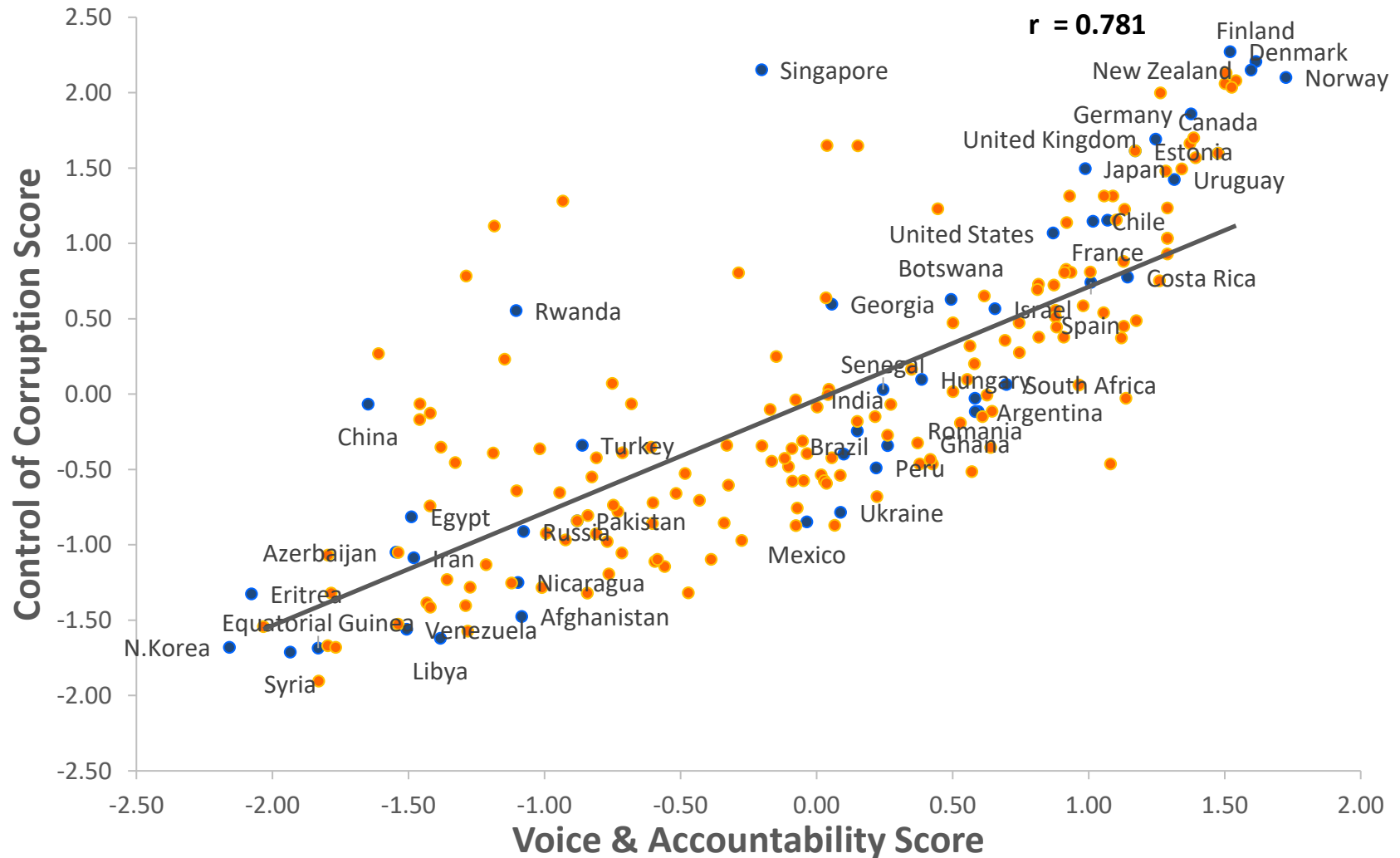
Are Budgetary Deficits in Industrialized Countries Associated with Corruption?: Yes



Graph from: D. Kaufmann, 'Corruption and Budget Deficits in Industrialized Countries: Heresy in the Eurozone and Beyond', forthcoming (2010), *Brookings Working Paper Series*. Sources of Data for this graph: Control of Corruption, 2008 from the Worldwide Governance Indicators (WGI): [Kaufmann, Kraay and Mastruzzi, "Governance Matters VIII" \(2009\)](#). Higher value means better Corruption Control. Budget Balance: Economist Intelligence Unit (EIU), average for budget balance for 2006-2009. A positive (negative) value for budget balance depicts a budgetary surplus (deficit). Chart shows sample of 35 countries of the OECD and other high income economies, except for oil-rich and small islands.

Some determinants of Corruption

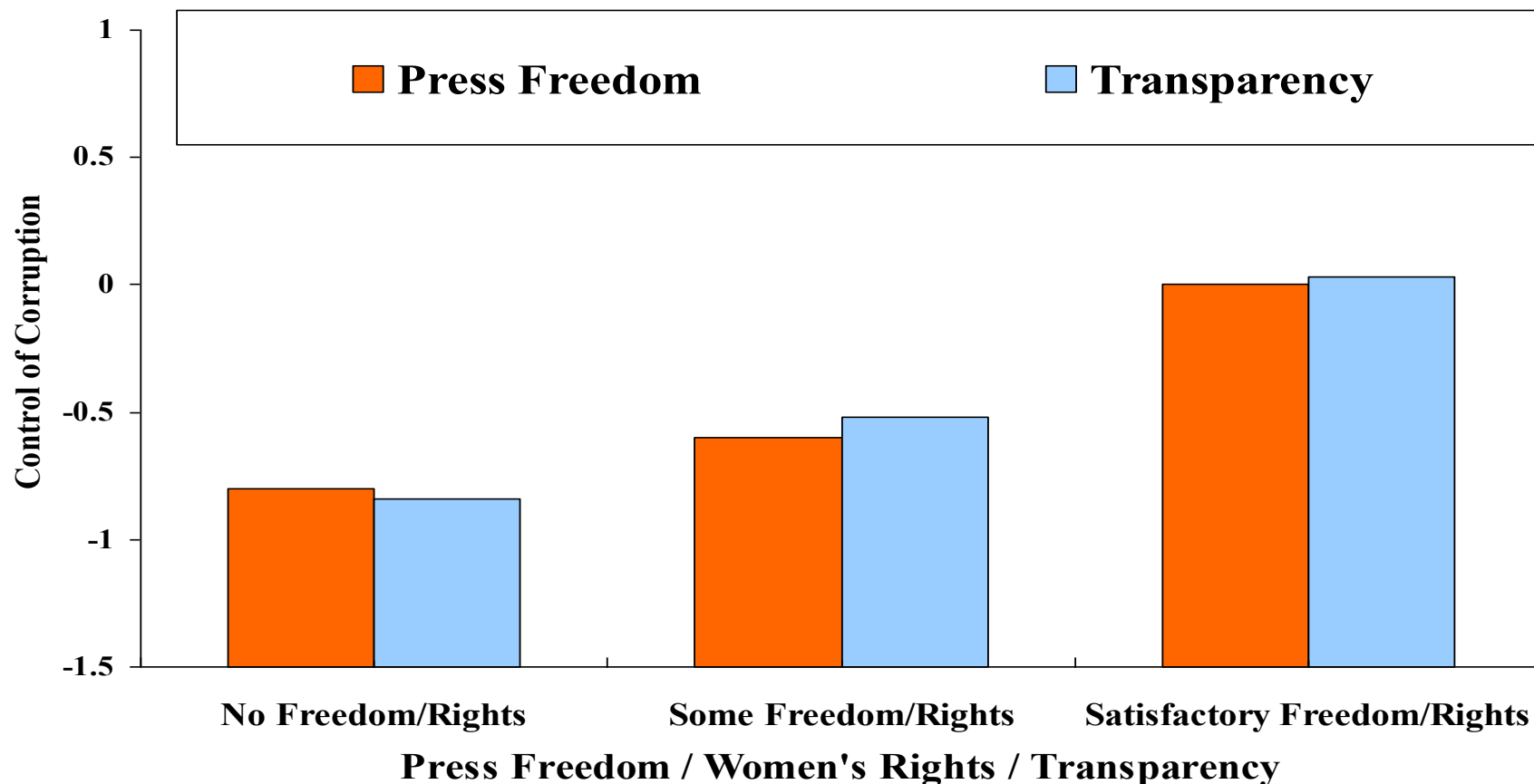
Control of Corruption and Voice & Accountability



Freedom of the Press and Transparency is Associated with Corruption Control

(Emerging Economy sample-- 135 countries)

Good

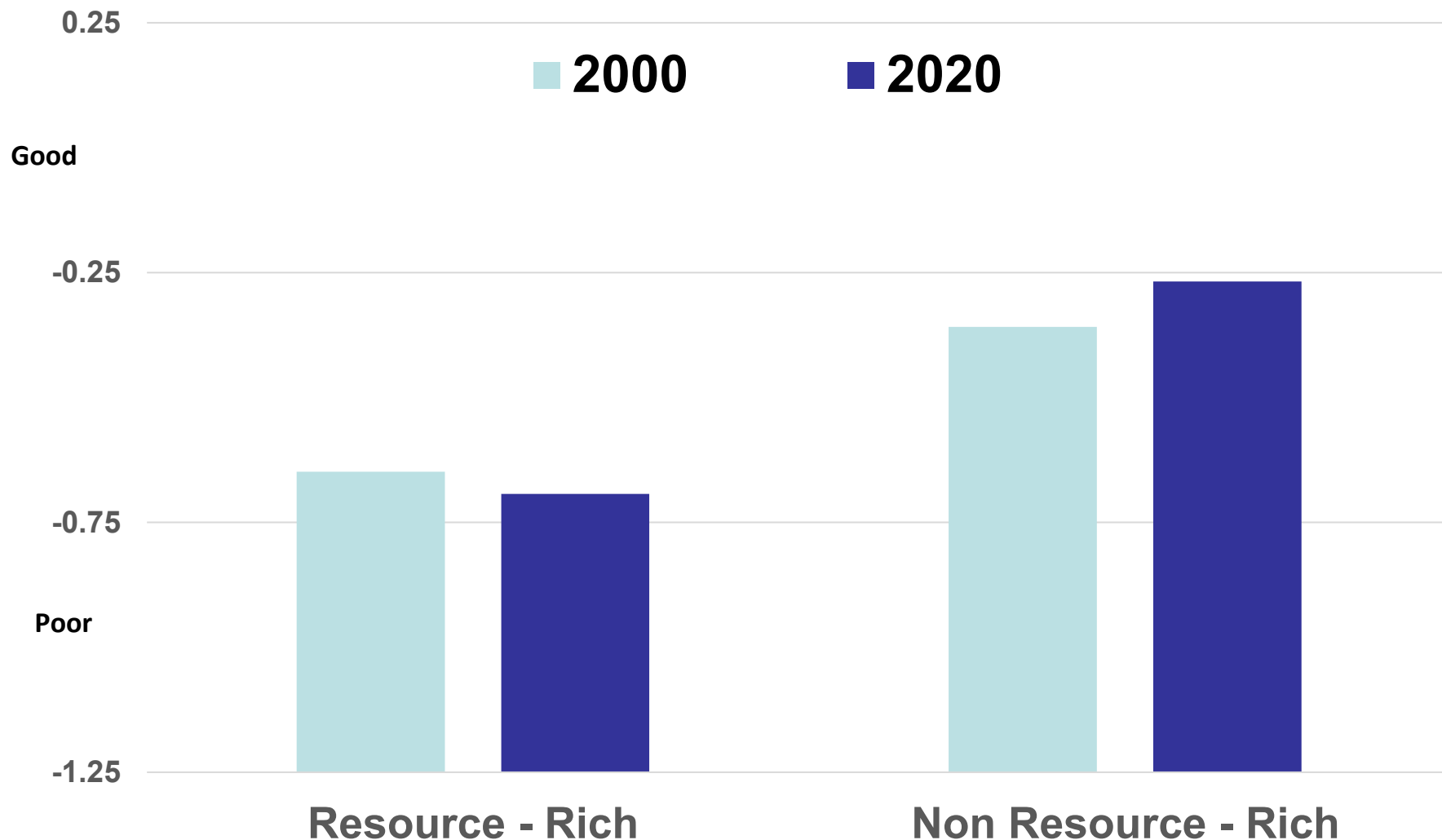


Source for Control of Corruption: : 'Governance Matters IV: Governance Indicators for 1996-2004', Kaufmann, D., A. Kraay and M. Mastruzzi, (<http://www.worldbank.org/wbi/governance/govdata/>); Source for Press Freedom: Freedom House. Source for Gender Equality: CPIA 2004. Source for Transparency: 'Transparency Matters: Transparency', A. Bellver and D. Kaufmann. Satisfactory Freedom/Rights reflect higher ratings from Press Freedom, women's rights, gender equality and transparency ratings.

Governance & Anti-Corruption in Natural Resources: ***Tackling the Development Challenge of a Generation***

- Man-made resource curse affecting about 1 bn. people living in poverty in midst of abundance**
- Experience + our evidence: resource curse *not* pre-determined, good NR governance *possible***
- Yet many resource-rich countries face a ‘governance deficit’ -- *w/ corruption & capture***

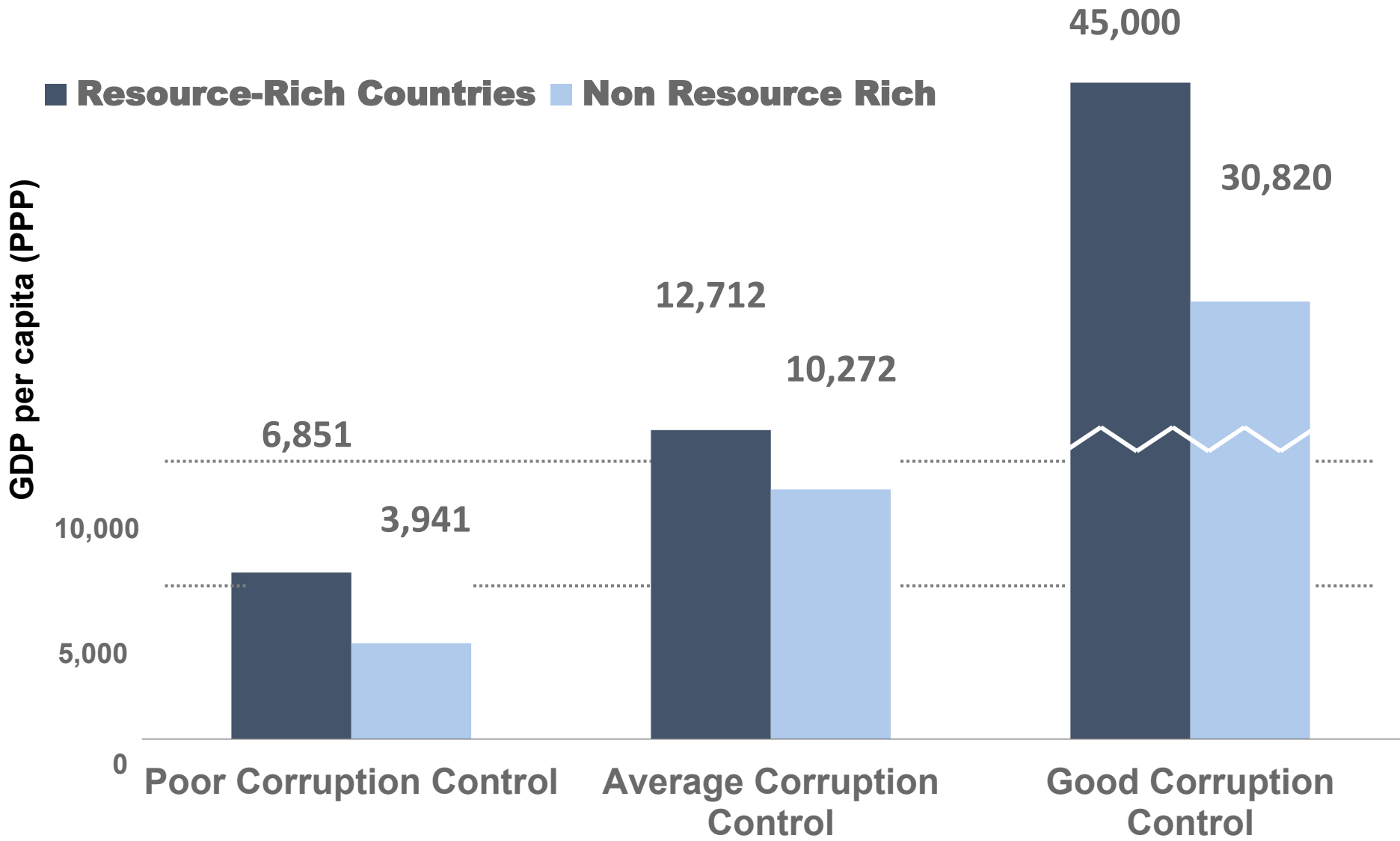
Control of Corruption 2000 & 2020 (WGI): *Resource Rich vs. Non Resource Rich emerging economies*



Note: Sample of 134 developing countries (of which, 80 are considered resource rich)

Source: Worldwide Governance Indicators (<http://www.govindicators.org>), additional information at Kaufmann, Daniel, Kraay, Aart and Mastruzzi, Massimo, The Worldwide Governance Indicators: Methodology and Analytical Issues (September 2010). World Bank Policy Research Working Paper No. 5430 (<http://ssrn.com/abstract=1682130>).

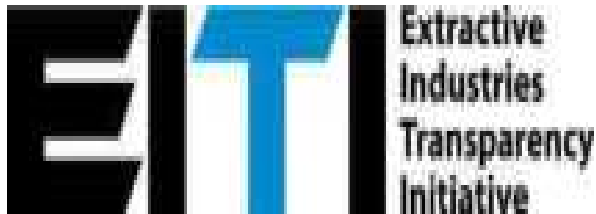
El Dividendo de desarrollo de mejoras en gobernabilidad y control de la corrupcion



Sources: GDP per capita (atop each column) from World Bank World Development Indicators, 2012. Corruption Control data from Worldwide Governance Indicators (WGI, 2012) Countries grouped into terciles based on WGI Control of Corruption scores. Resource Rich country classification according to IMF (2010).

International Initiatives

EITI/UNCAC / OECD Foreign Bribery / FCPA / IFIs



EITI: 52 implementing countries

-- Well over a trillion in payments and revenues in EITI reports



Mandatory Reporting Requirements on Companies:

- Dodd-Frank Financial Reform Act, section 1504**
- EU Directives**
- Canada**



Addressing Illicit financial flows/ AML / FATF

State Capture Matters:

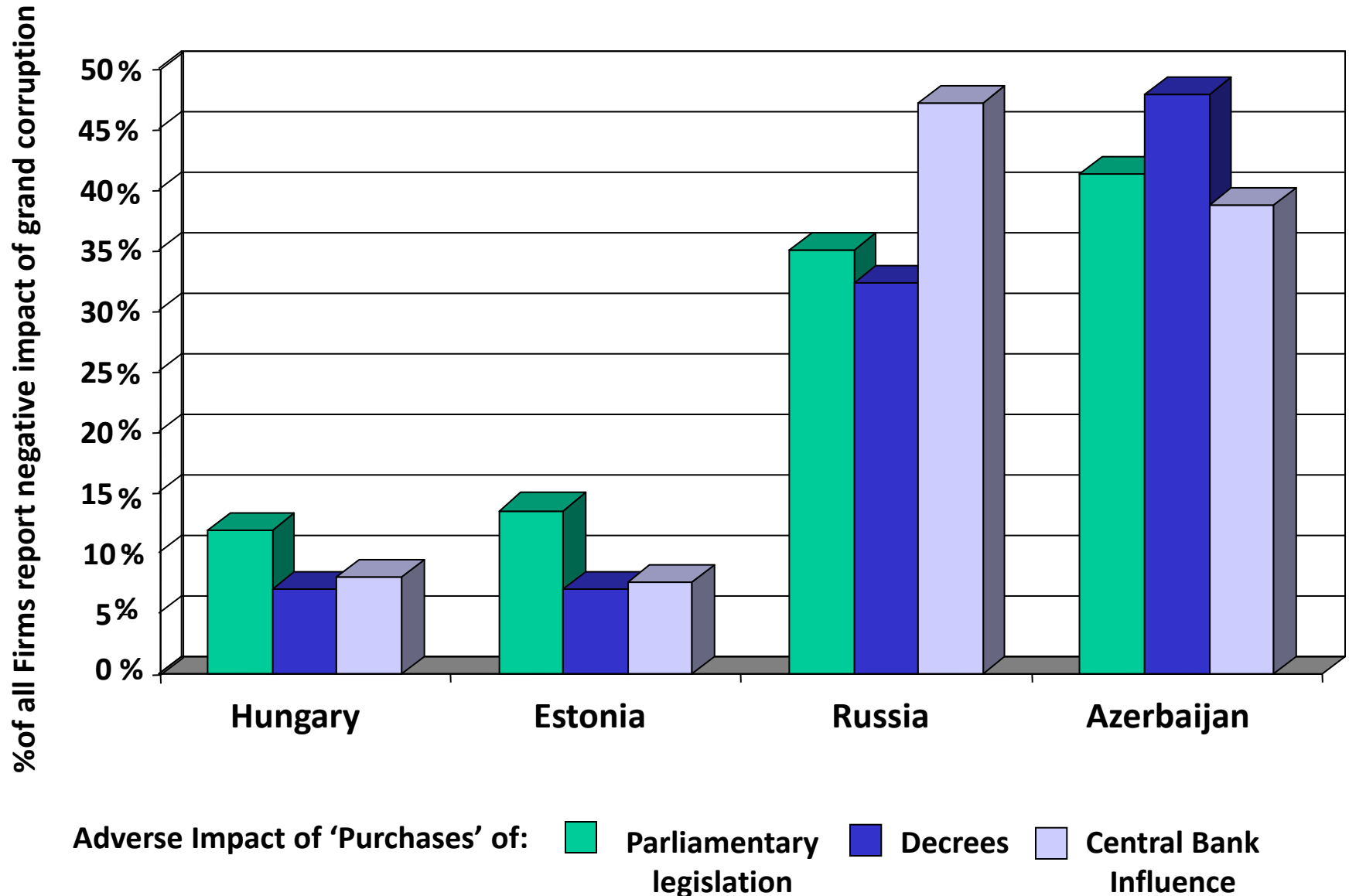
State Capture – *what were we talking about?*

- ***Contrast*** -- Traditional notion of Administrative Corruption as acts in the *Implementation of the pre-set Rules of the Game*, vs. State Capture = *Shaping of the Rules of the Game (incl. Institutions, budget) by the Economic & Politically Influential, at the expense of the public good*
- The focus shifts away from a 'corrupt public servant' to the economic & politically influential 'captor': it can be *a powerful non-state actor, or a politician, or both colluding*
- State Capture can be Legal, by design (even if far from ethical)
- Related to acute Inequality of Influence by the few
- A fundamental driver of socio-economic and political outcomes (*vs. corruption – more often a symptom*)
- Rethink of corruption definition: *from 'abuse' to 'privatization'*

Evolution in the study of State Capture since the '90s

1. State Capture concept, and the field, has expanded, with a more political and interdisciplinary treatment
2. Scope of actors engaging in capture is larger. State actors can also be captors as well. Non-state & state actors can collude.
3. In-depth inquiry into the process of capture, & on the '*objects of capture*' – the institutions, policies, regulations, laws.
4. Empirical work expanded from initial focus on FSU/CEE transition (e.g. *SAfr*): *a universal challenge, yet country variation*
5. Awareness about the dire consequences & costs of capture, leading to Commissions of Inquiry and to focus on prevention

‘Seize the State, Seize the Day’ Research on Capture, 1999-2000: Differences in Transition Countries on the Extent of State Capture



Towards measuring State Capture worldwide: SCI

Why SCI?

- lack of cross-country measures (incl. multi-year) for an increasingly studied and relevant phenomena
- ‘If it cannot be measured, it cannot be controlled’ (*Lord Kelvin*)
- State Capture $\neq$ Corruption or Absence of Rule of Law
- Variance over time & space: gold mine for research & policy analysis

What SCI? Conceptual - based on the 6 basic tenets (*in previous slide*) which remain robust, with an evolution: *captor can be a kleptocrat*

How SCI?: Statistical considerations:

- As with measuring phenomena such as governance & corruption, *the true extent of state capture is unobservable* in strict statistical sense.
- We are in world of proxies → margins of errors around ‘true’ capture
- Thus, interpretative caution: *small differences are not meaningful*
- Even more so here: *A preliminary index as work in progress*

Basic Framework to Assess State Capture: *Law, Polity & Policy, Enabling Environment*

**Capture & Corrupt
Rule of Law (CCRL)**

**Capture of Polity & Policy
(CPAP)**

(The 'What')

**State Capture [SC]
*(by Captor)***

The 'How'

Capture-Enabling Ecosystem (CENE)

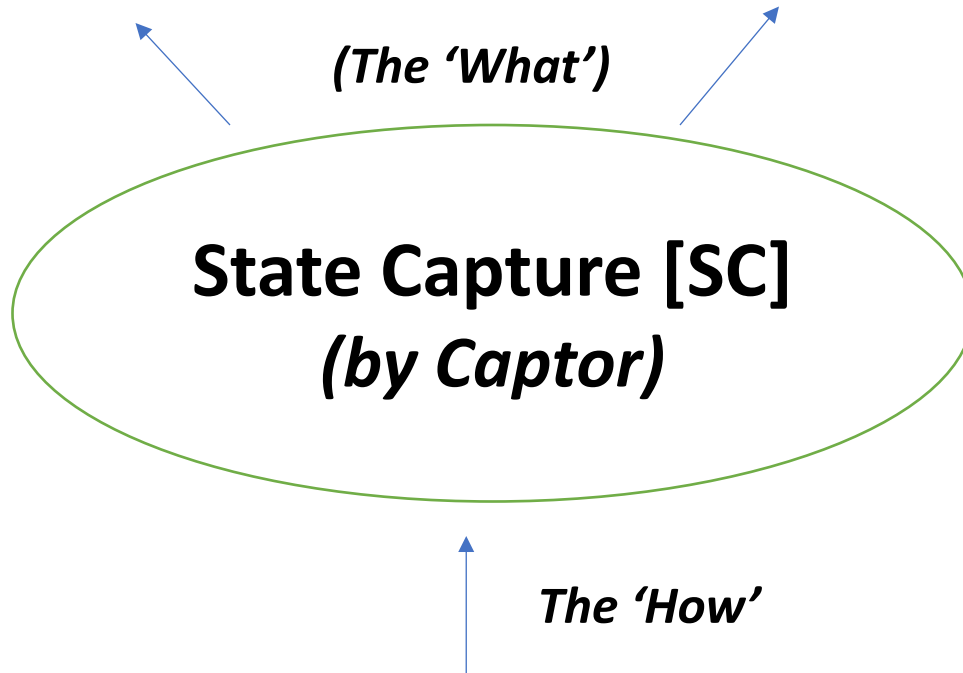
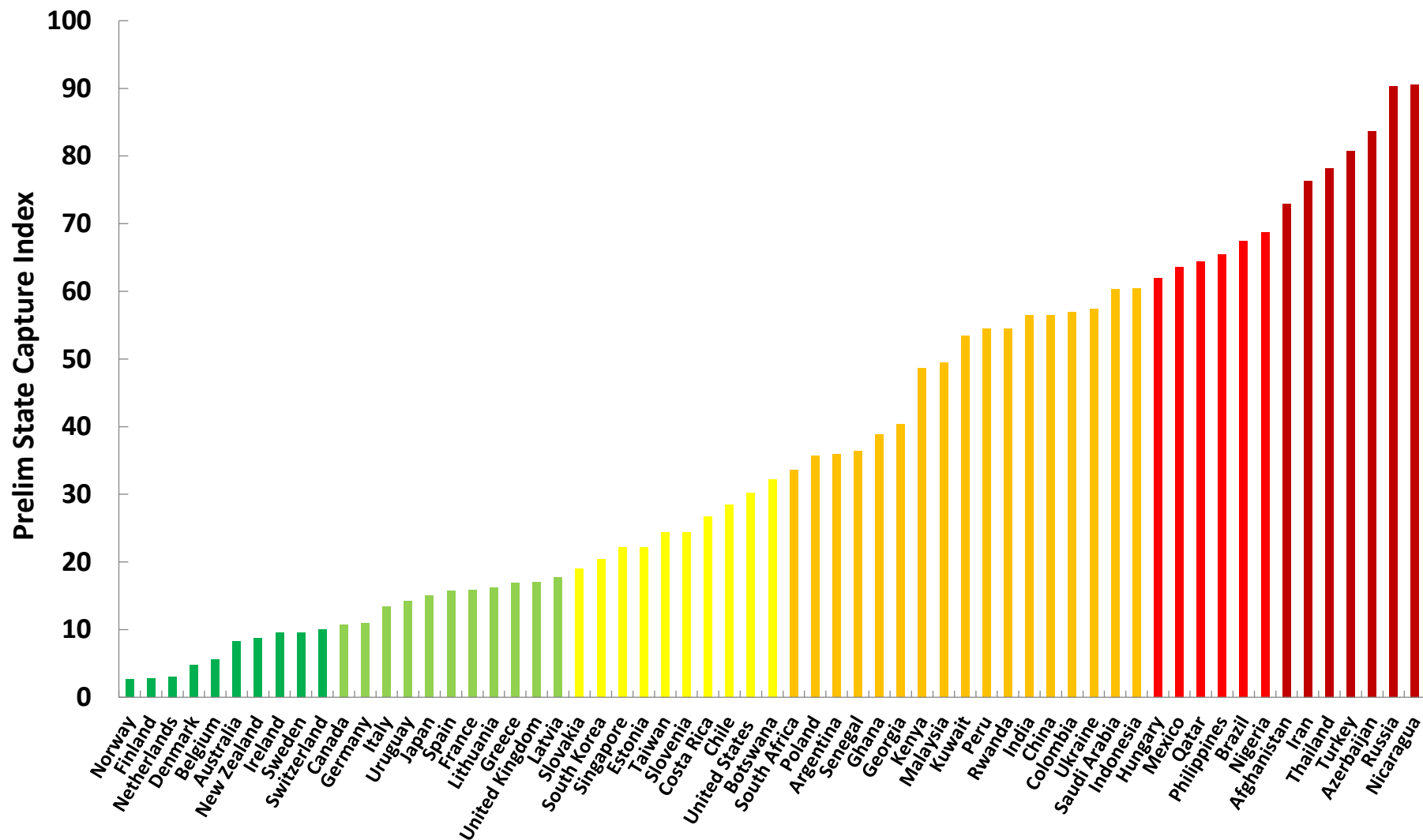


Table 1 SCE Components, Variables, Sources & Country Coverage*

SCE Component and Sources	Components and Variables	No. of countries at source
1. CCRL	Captured & Corrupt Rule of Law	
Source: V-Dem	1a. Legislature corruption	176
	1b. High level Judiciary corruption	176
	1c. High Court lack of Independence	176
	1d. Top/High level Corruption in Executive	176
	1e. Media corruption	176
2. CPAP	Captured Political Access and Public Goods	
Source: V-Dem	2a. Power distributed by Socio-economic position	176
	2b. Disclosure of Campaign Finance	176
	2c. Election Vote buying	176
	2d. 'Captured' (mis)allocating 'Public Goods'	176
	2e. Policy Reform Justification by Political Elite	176
	2f. Range of Contributions	176
3. CENE	Capture Enabling Environment	
Source: WGI	3a. Lack of Voice & Accountability	208
	3b. Lack of Rule of Law	201
	3c. Lack of Regulatory quality	201
	3d. Extent of Corruption	201
Source: WID	3e. Top 1% income distribution	172
	3f. Top 1% wealth distribution	176
	3g. Top 0.1% income distribution	172
	3d. Top 0.1% wealth distribution	176

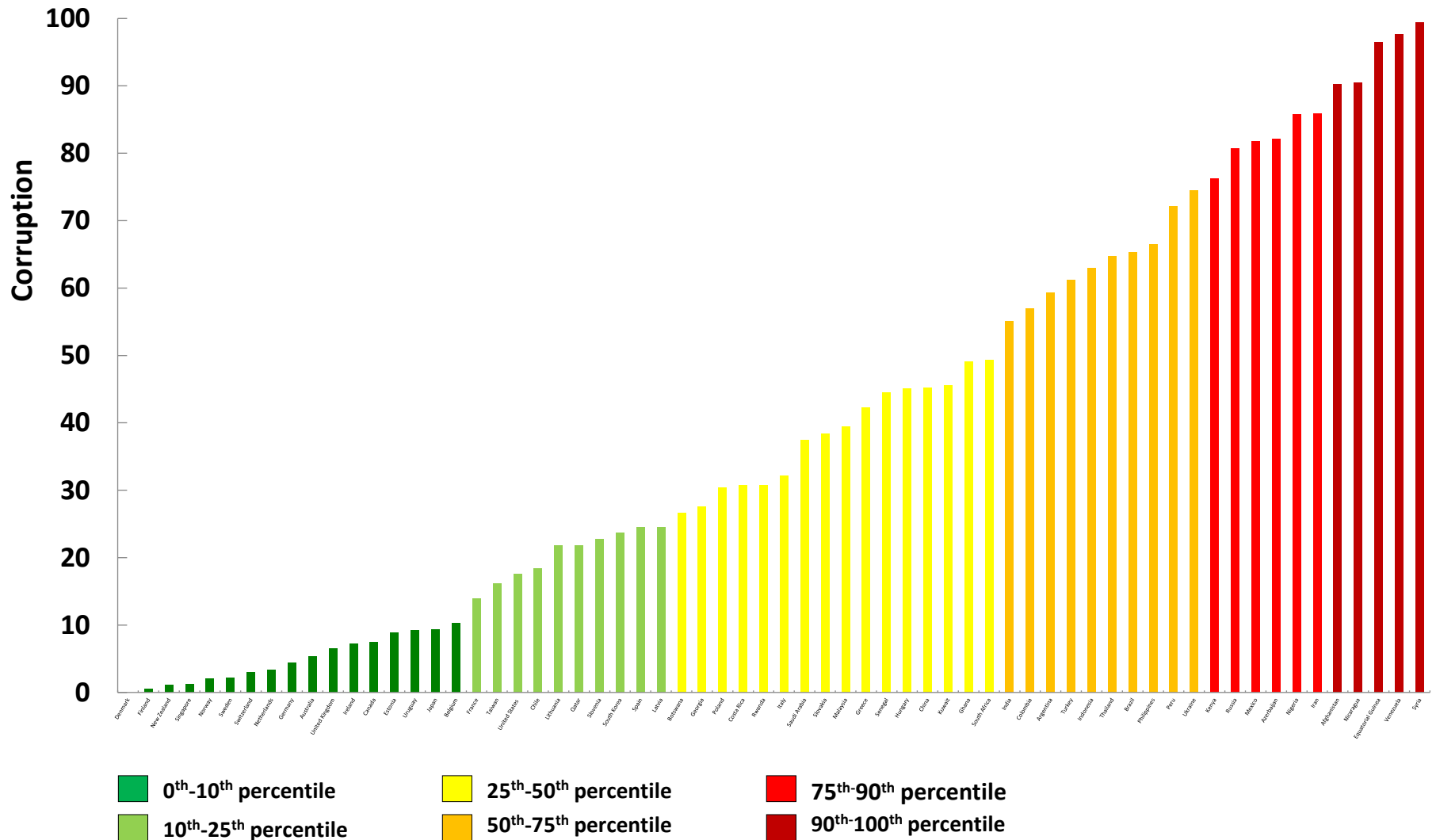
State Capture Index (SCI) 2020-2022: *Selected Countries*

High Capture



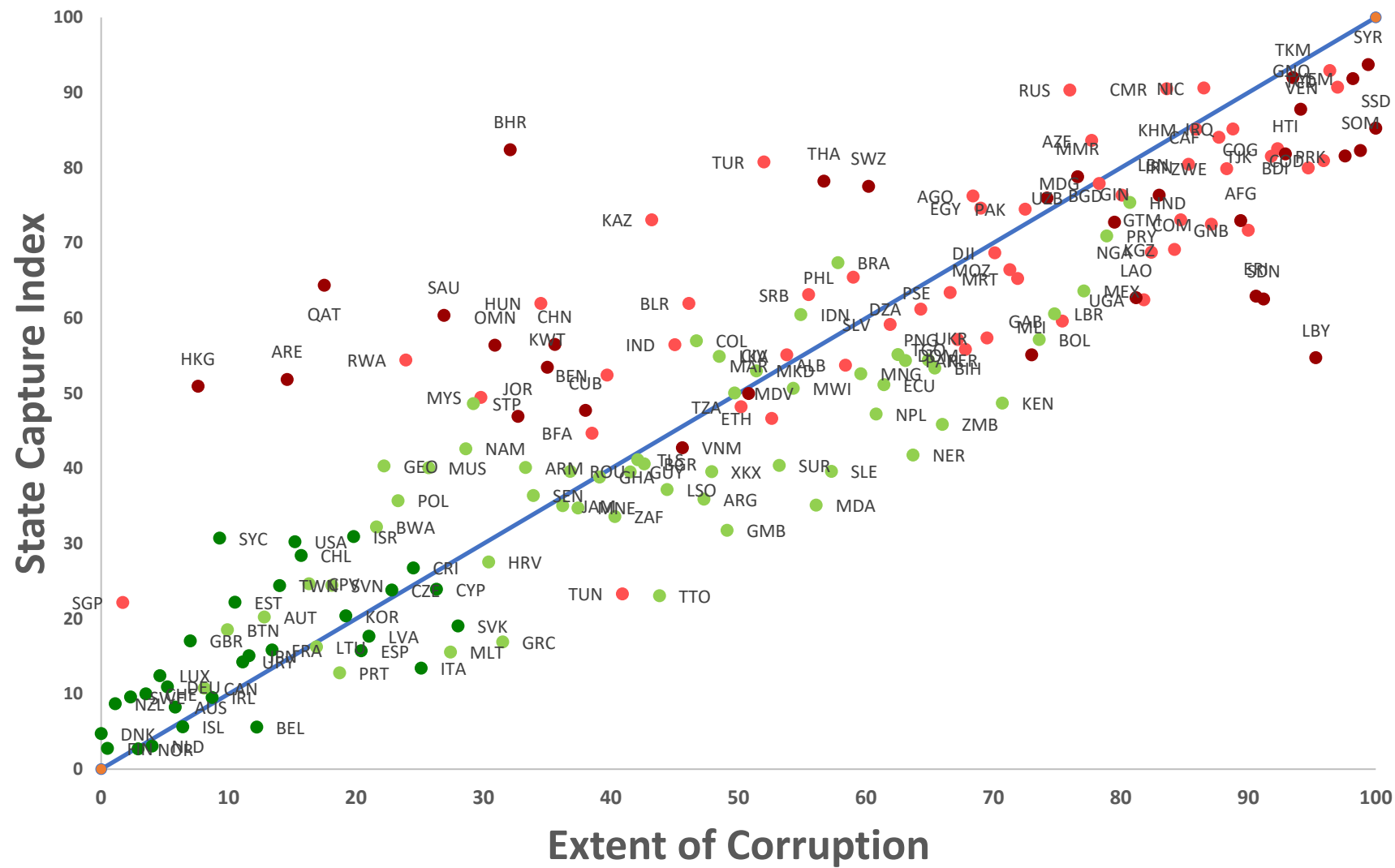
WGI Corruption 2020-22: *Selected Countries*

High Corruption

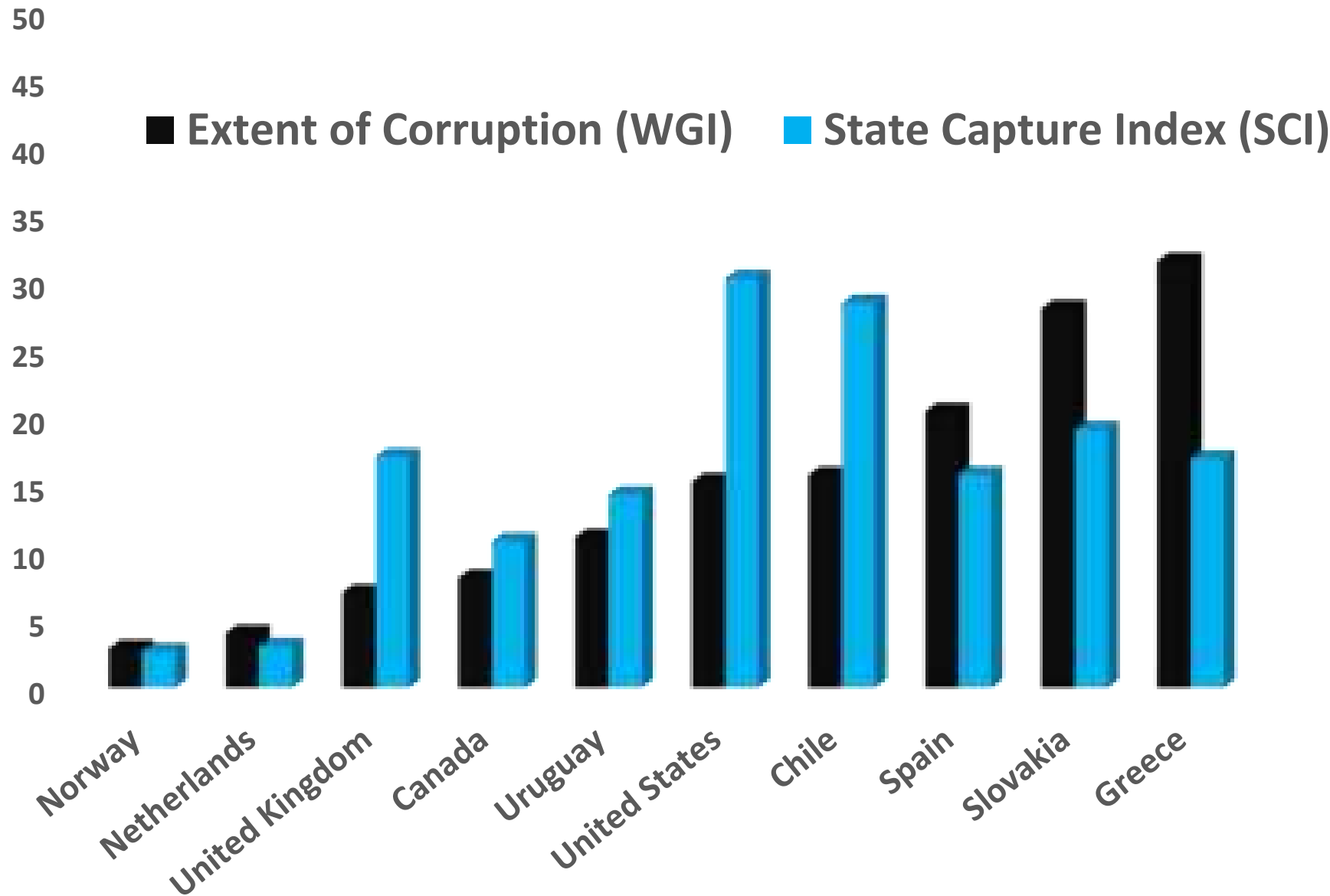


Source of WGI data: www.govindicators.org For comparison with SCI, the source data has been converted into a 0-100 scale using the smaller SCI country sample (172 countries), and it has been inverted (100 highest value for corruption)

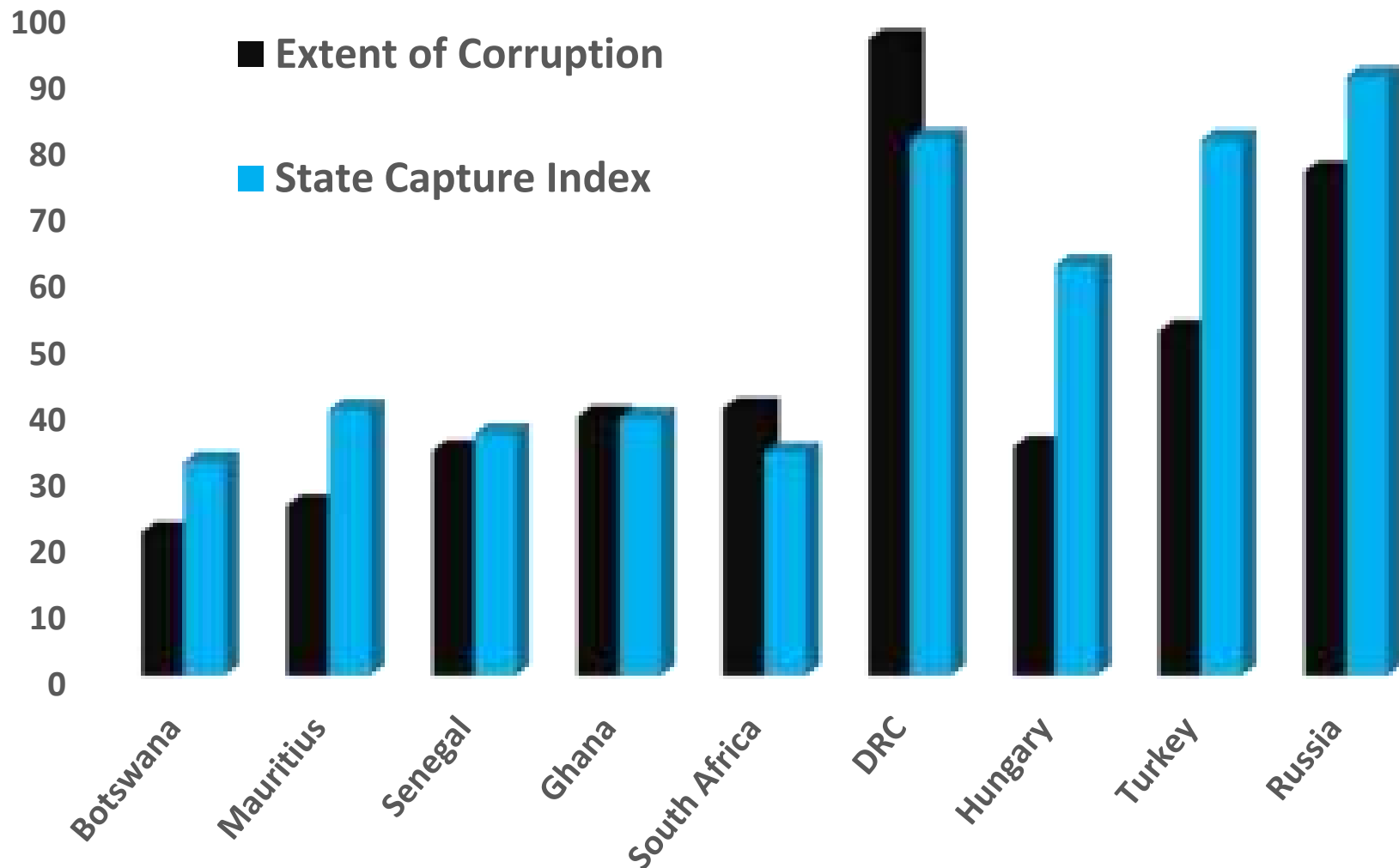
State Capture vs Extent of (traditional) Corruption: 2020-22



Extent of Corruption vs. State Capture (2020-2022): *Countries in OECD*

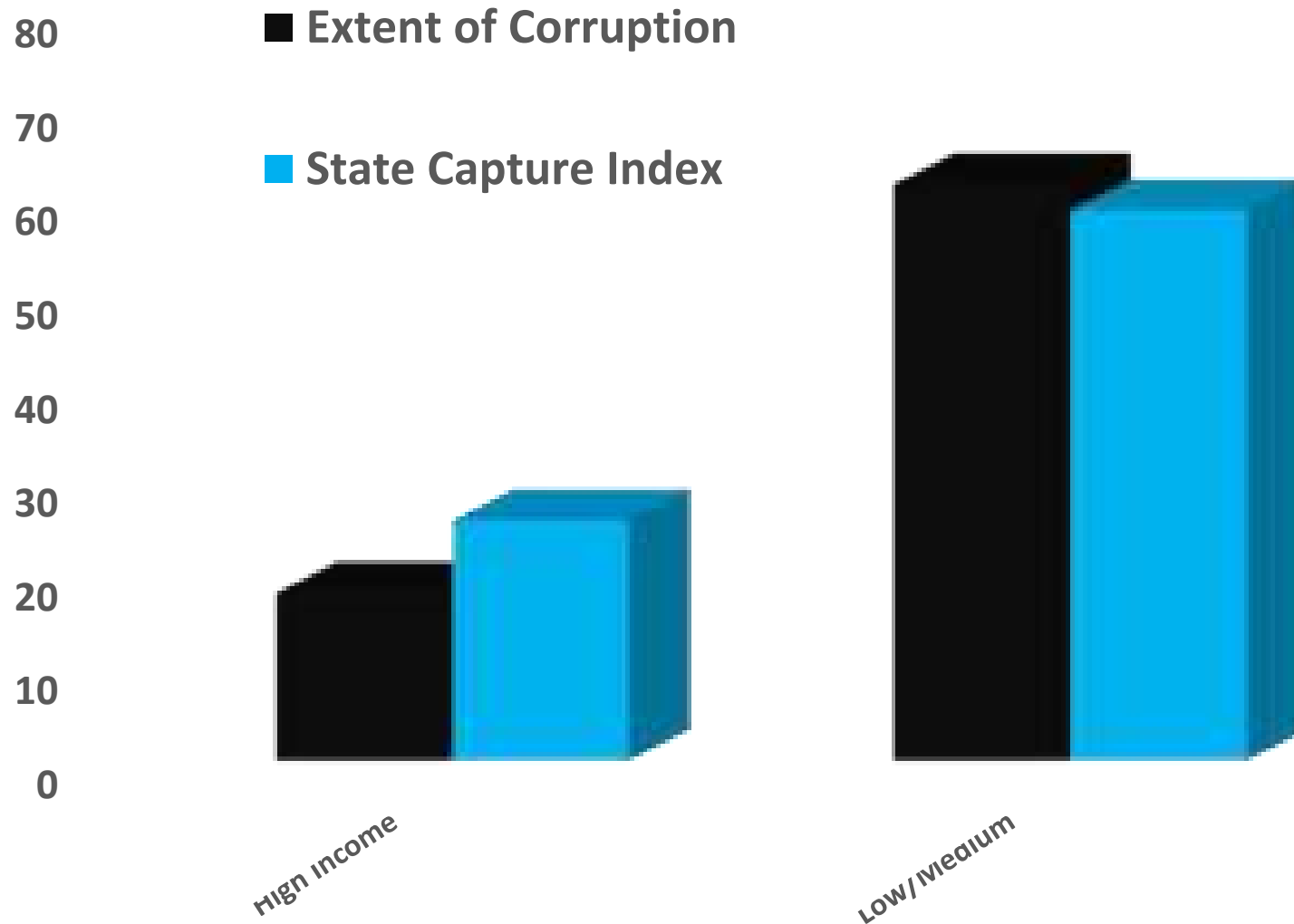


Extent of Corruption & State Capture (2020-2022): Selected Countries

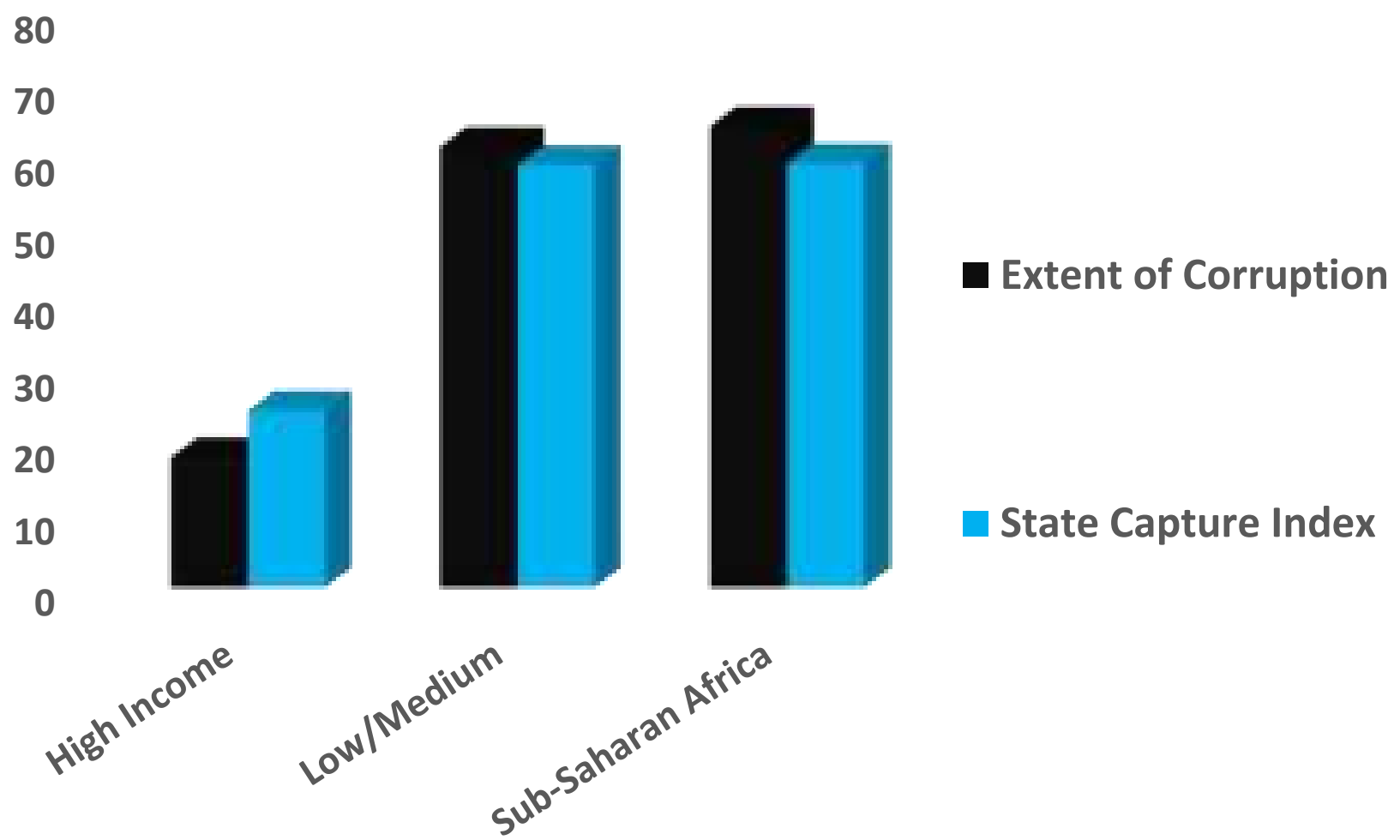


Source: Kaufmann, D. (2024). State capture matters: Considerations and empirics toward a worldwide measure. In S. Rose-Ackerman (Ed.), *Public sector performance, corruption, and state capture in a globalized world* (pp. 31). Routledge.

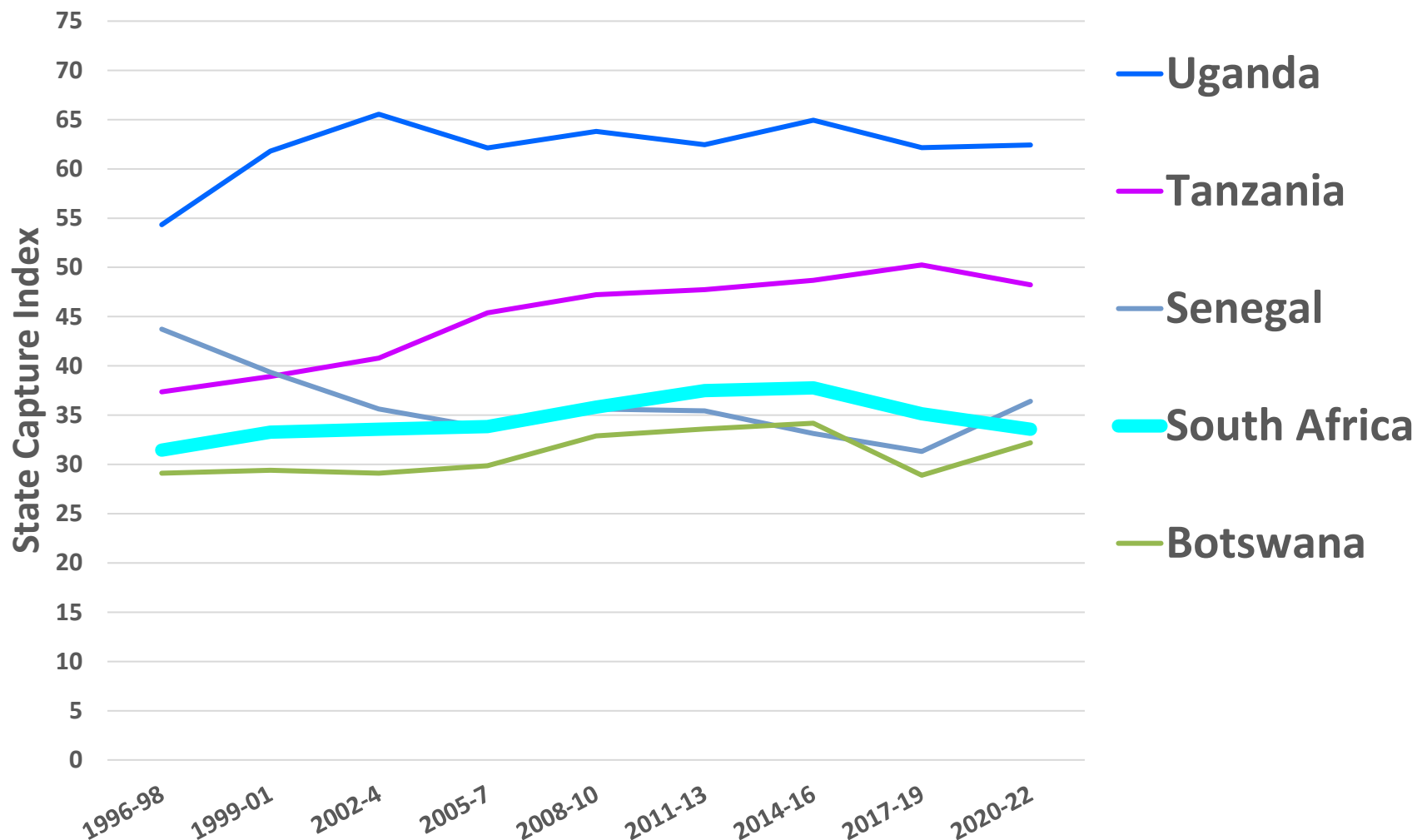
Extent of (traditional) Corruption (WGI) vs. State Capture Index (SCI) for High Income and Low/Medium Income Countries (2020-22 period)



Extent of Corruption & State Capture (2017-2020) : Selected Countries

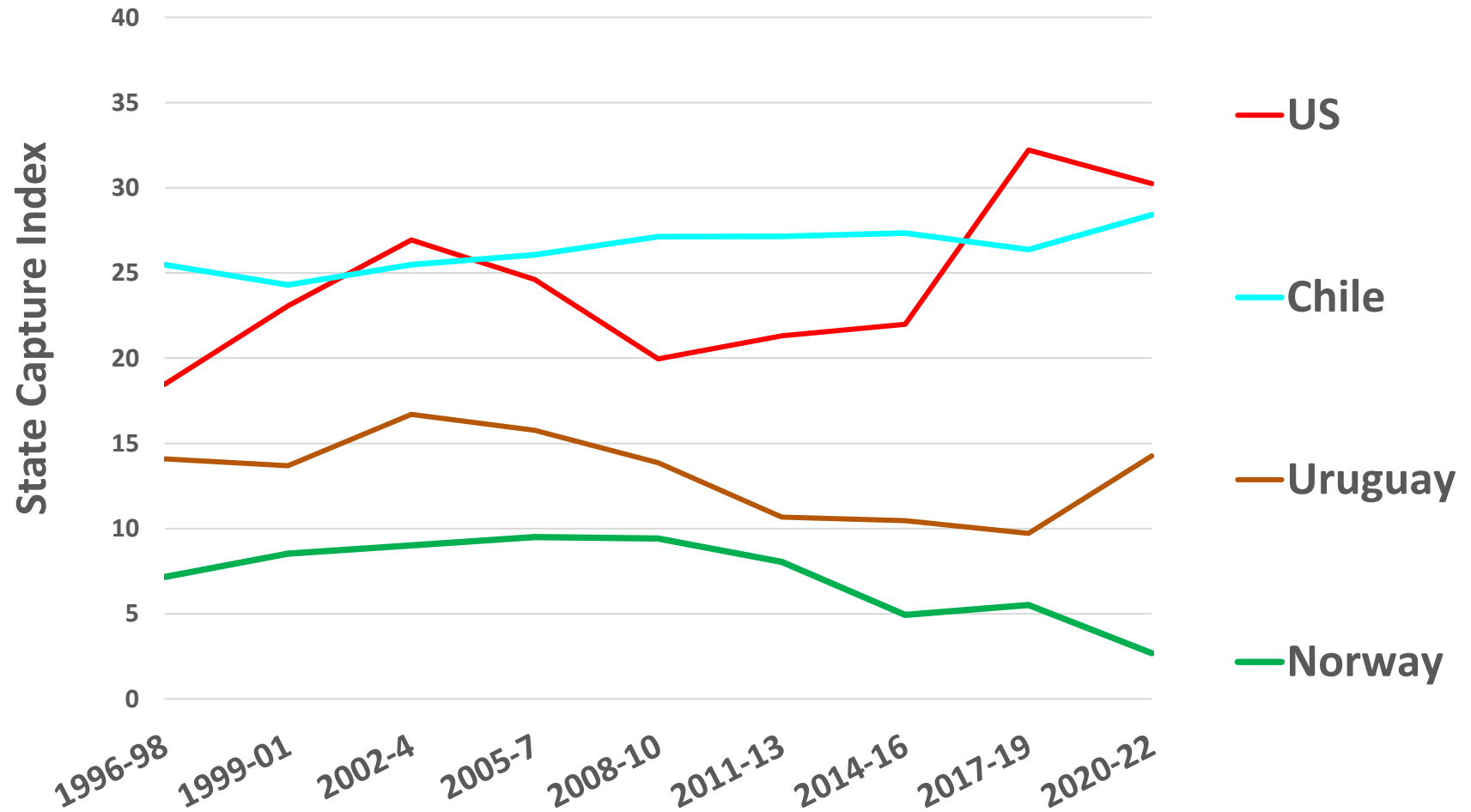


State Capture: some countries in Africa, 1996-2022

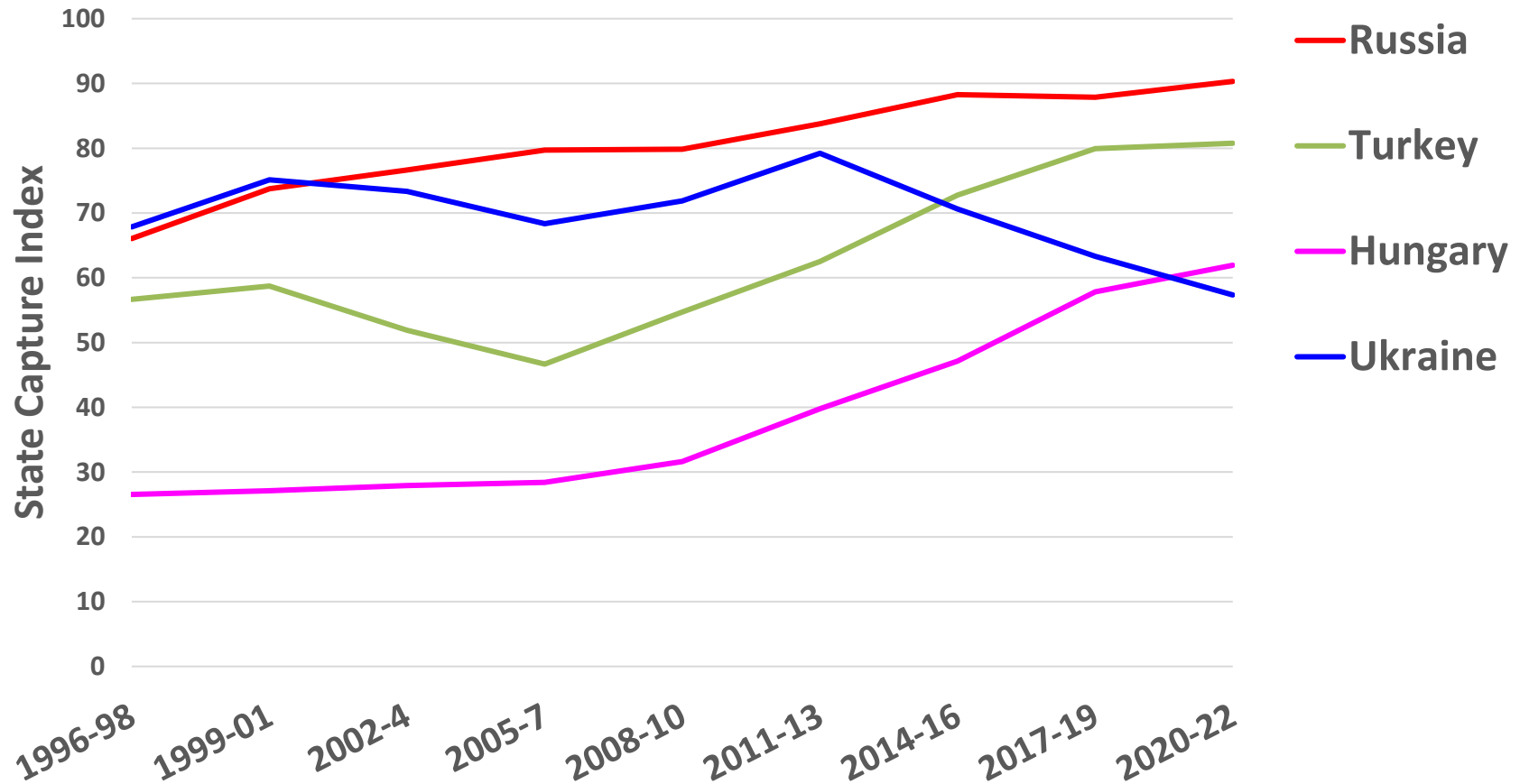


Source: Kaufmann, D. (2024). State capture matters: Considerations and empirics toward a worldwide measure. In S. Rose-Ackerman (Ed.), *Public sector performance, corruption, and state capture in a globalized world* (pp. 31). Routledge.

Evolution of State Capture, selected countries: 1996-2022



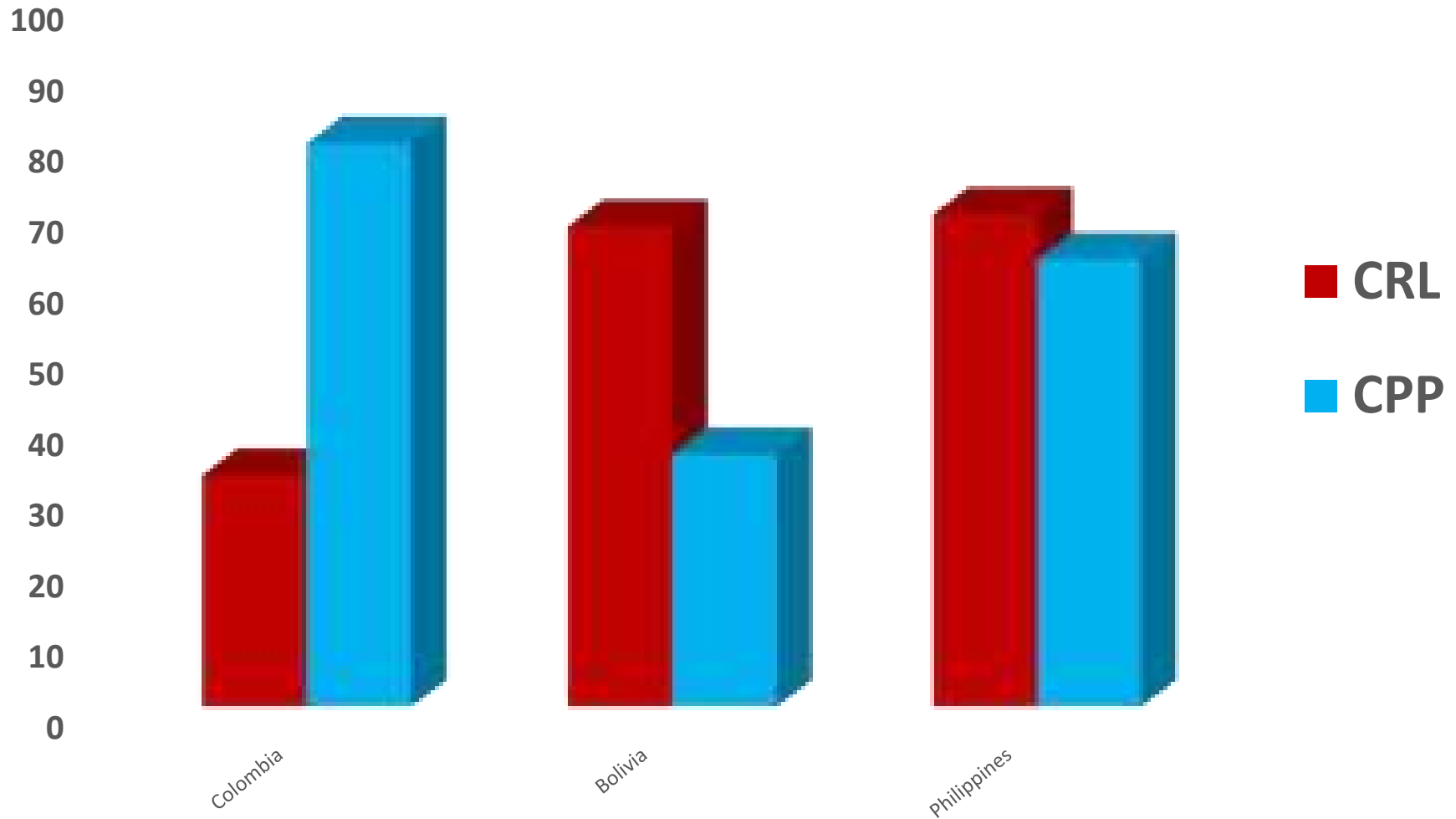
Evolution of State Capture, selected countries: 1996-2022



Source: Authors' calculations based on the ongoing construction of the SCI, September 2023 Initial draft not for circulation.

Unbundling: manifestations & Extent of State Capture differ across countries

Capture of Rule of Law (CRL) vs. of Polity & Policy (CPP) in select countries



State Capture can be confined or broad in scope. *Dire societal consequences*

Scope: 5 broad pillars which are capture targets –

- 1. Constitutional/Rule of Law (parliament, High Court, Intel..)**
- 2. Economic Policy/Administrative (*Public finances [budget/tax], Central Bank, civil service, regulatory agencies, etc.*)**
- 3. Dismantling Anti-Corruption/AML framework (norms & laws)**
- 4. Cultural/Informational (*incl. media; AI; narrative/cognitive*)**
- 5. Transnational & Sectoral (*incl. Natural Res., finance, trade*)**

Dire Consequences:

- Huge Socio-Economic & Developmental Costs: *likely a multiple of the cost of traditional corruption***
- Undermining of civil and political rights**

Paths to Prevention of State Capture

I. Contextual elements to develop strategies to prevent state capture -- *recognizing universality & country differences:*

- 'Early warning system': *diagnostic tools, red flags, data*
- Probing into Inequality of Influence: *who wields inordinate hold on power & influence; what is direction of travel?*
- Main vulnerabilities vs. areas of institutional strength for leveraging checks & balances and entry points
- Multi-stakeholder participation: government + civil society, & role of industry/financial sector also key.

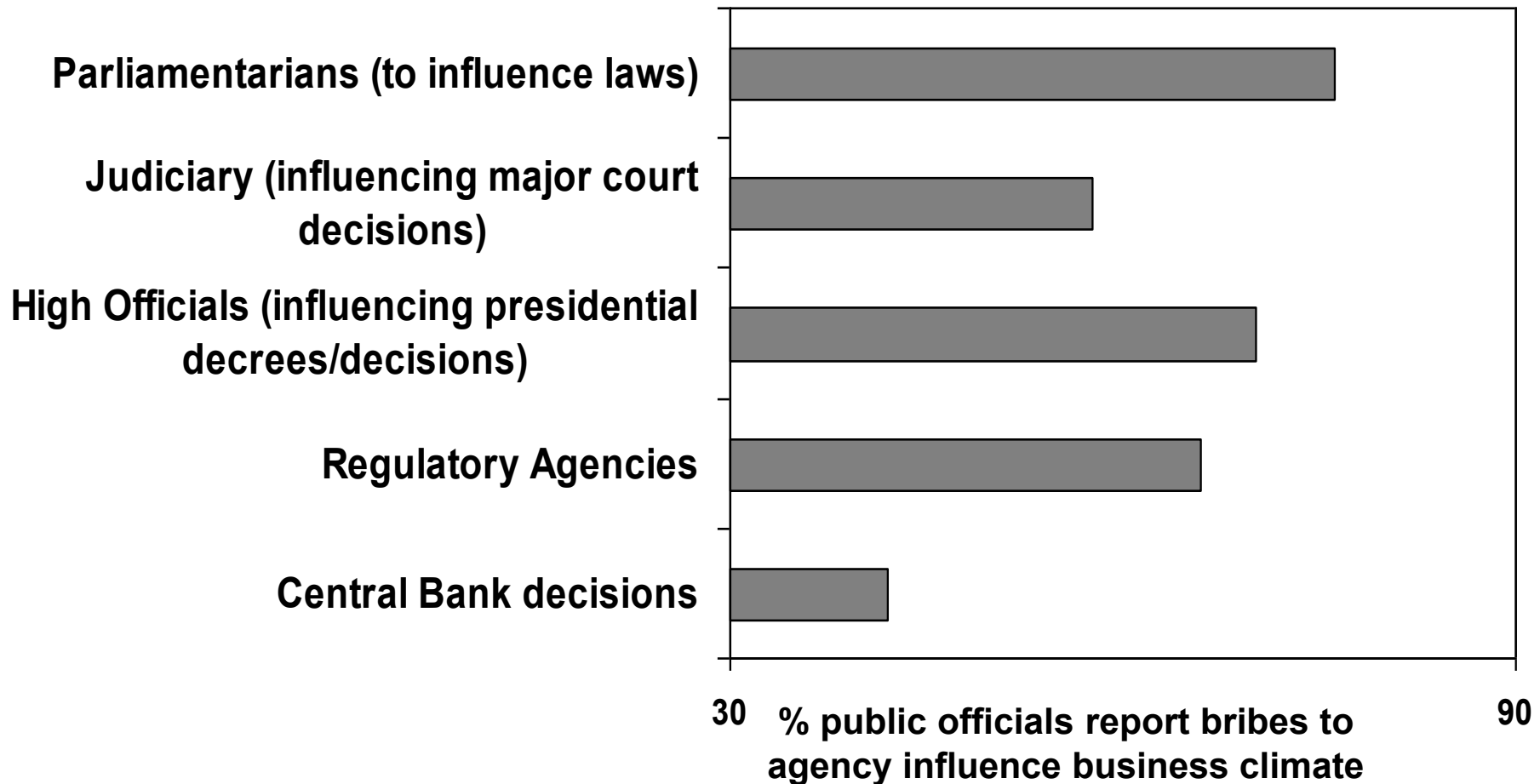
II. Specific Areas for diagnostic

1. Public Access in Norm-Producing Process
2. Regulatory & Oversight Mechanisms
3. Electoral Process and Political Engagement Standards
4. Information, Transparency & Technology Integration
5. International, Systemic and Sectoral areas and reforms

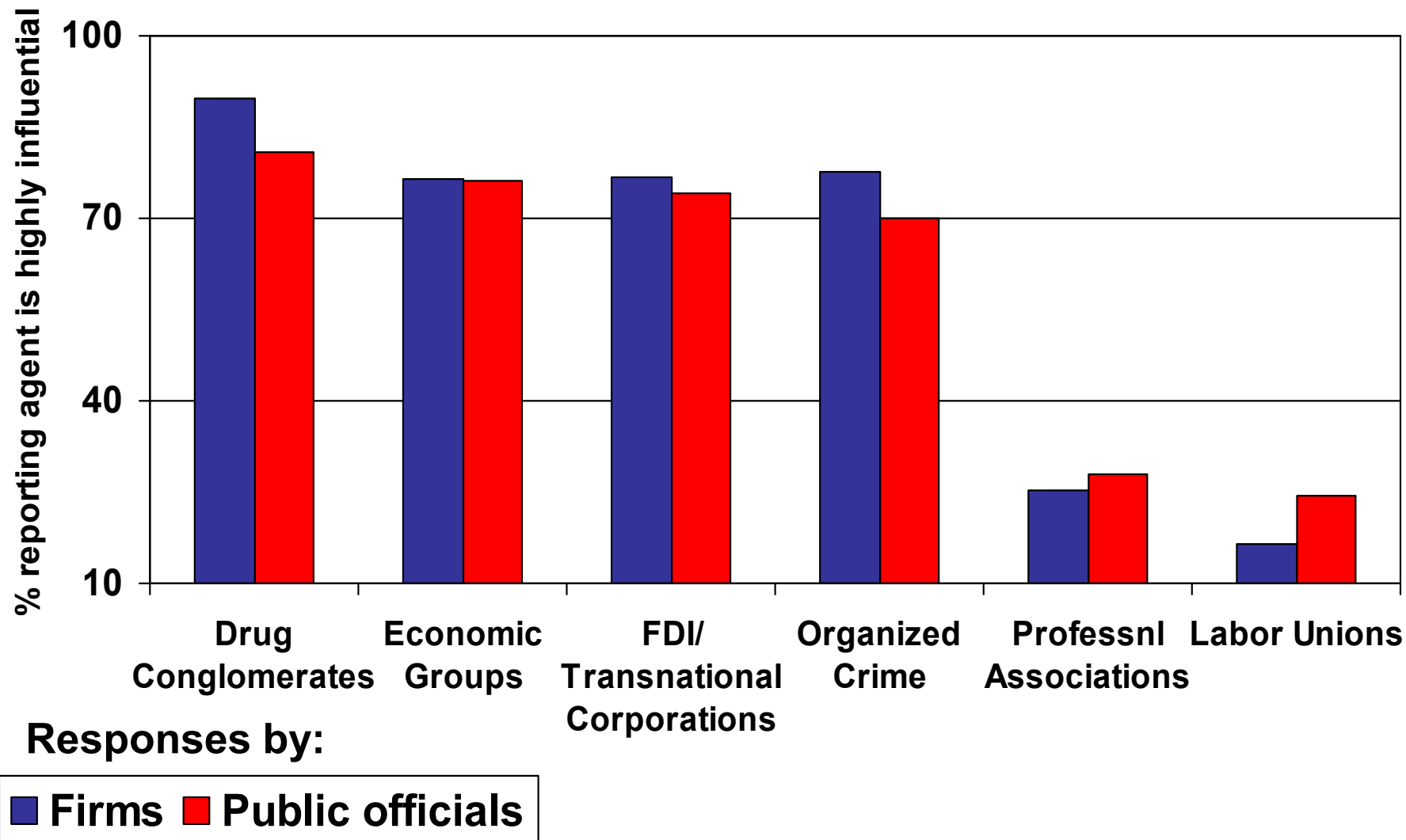
Colombia: Extent of "State Capture" by elite unduly influencing laws and regulations

(as reported by public officials, 2001)

Capture by Vested Interests of:



Peru: Sources of Undue Private Influence on the State – Who Captures the State? (2000)



Based on governance diagnostic surveys of public officials and enterprises

In sum

- Moving beyond traditional corruption notions and templates: State Capture -- *to assess fundamentals, not symptoms. It can be broad.*
- Prevention of full capture: possible -- *via timely identification and exposure, collective action, & 'no resting on laurels'. Power of Data.*
- In-Country Diagnosis to understand: *i) the vulnerabilities (judiciary, police, parliament, conflicts of interest in gov't?); ii) the strengths (media, citizens/civil society -incl. think tanks-, & iii) agents of change (exec/judiciary/legislative). Identify points of entry/actions*
- Audacity: in exposing & addressing state capture, with evidence

r4d.org/resources/state-capture-index/

State Capture data in the FT & the Economist, 2025 articles

FT: In Defense of the State, Martin Wolf

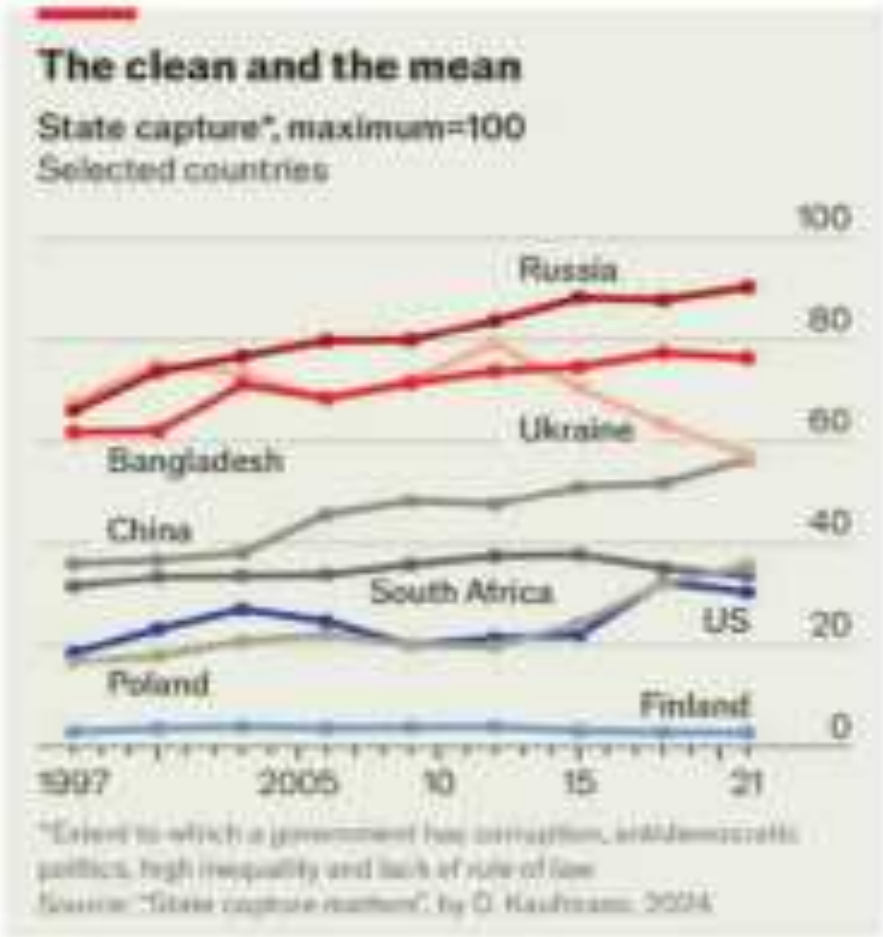
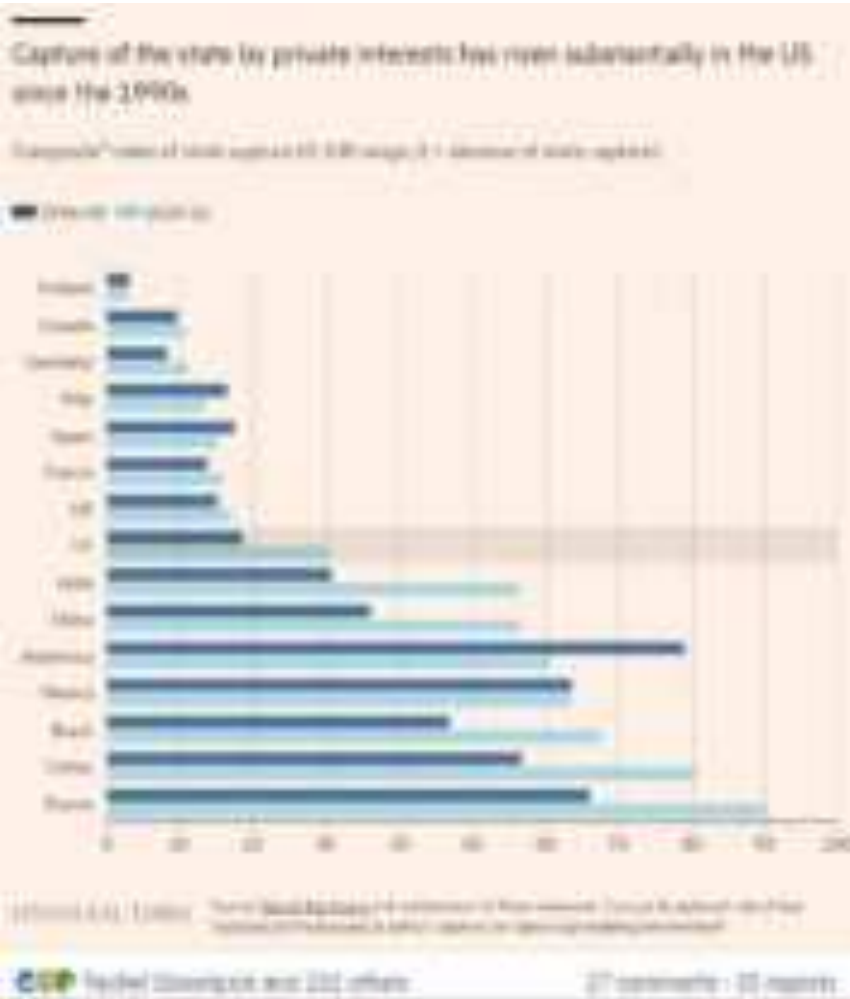


CHART: THE ECONOMIST

State Capture is a Growing Threat