

Introduction to Corruption: Concepts, Theories & Evidence

Workshop on Corruption Risks and Anti-
Corruption Strategies in Climate Aid Financing

Manila, Philippines

25 to 27 May 2015

Session objective and outline

Objective: Establish a common understanding of corruption

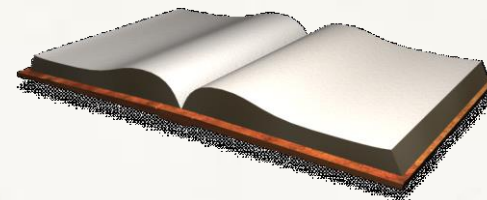
Outline

1. Concepts: Definitions & types of corruption
2. Understanding corruption: theories of causes
3. Why care? Corruption's consequences for development
4. Corruption in the Philippines context

Is it corruption? What is corruption?

- Group exercise

Academic definitions...



“[b]ehaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence” (Nye: 1967)

“The violation of public duties by private interests when rules or norms objectively define those two realms” (Chabal & Daloz: 1999)

Practitioner definitions...

- *Abuse of public power for private benefit (World Bank)*
- *Abuse of entrusted power for private benefits (gain) (Transparency International)*
 - **Abuse:** Behaviour that deviates from formal *or* informal rules established by the one that delegated the activity
 - **Delegated Power:** Appointive (bureaucrats, managers), elective (politicians), or by tradition – includes private sector
 - **Private Benefits:** Cash, goods, power, benefits to relatives/kin, religious, ethnic or political groups, today or in the future for both bribe taker and bribe maker
 - **Undue influence:** (through corrupt practices or threats) on the rules of the game (laws, regulations etc.)

Forms of corruption: grand vs. petty

- **Grand or high-level corruption**
 - Usually takes place at policy formulation end of politics
 - “Grand” or “high” due to level at which takes place, not amount of money → “political corruption”
 - Can involve appointments, inside information, policy influence, political party financing, public official misuse of power
- **Petty or bureaucratic corruption**
 - Exchange of small amounts of money or favors between the public and the low-level civil servants/bureaucrats who are supposed to serve them
 - Everyday corruption where public official meets private citizen

Corrupt practices: wide range of behaviors

Bribery

Extortion

Embezzlement

Favouritism /
Nepotism /
Clientalism

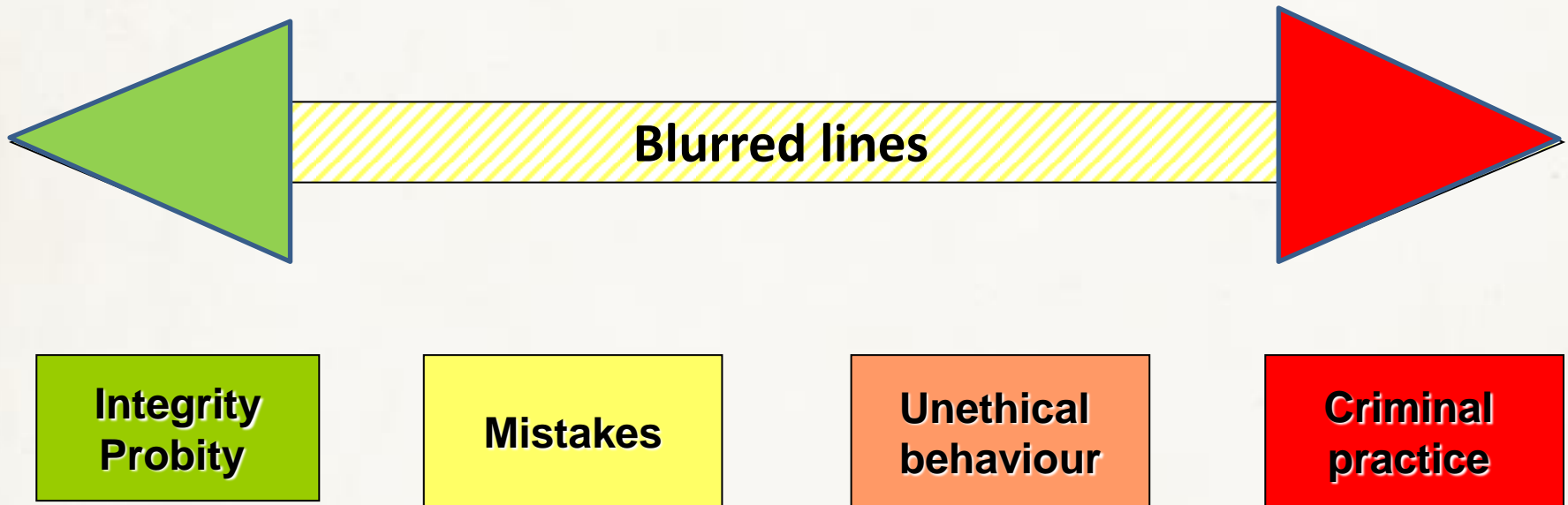
Fraud

Kickbacks

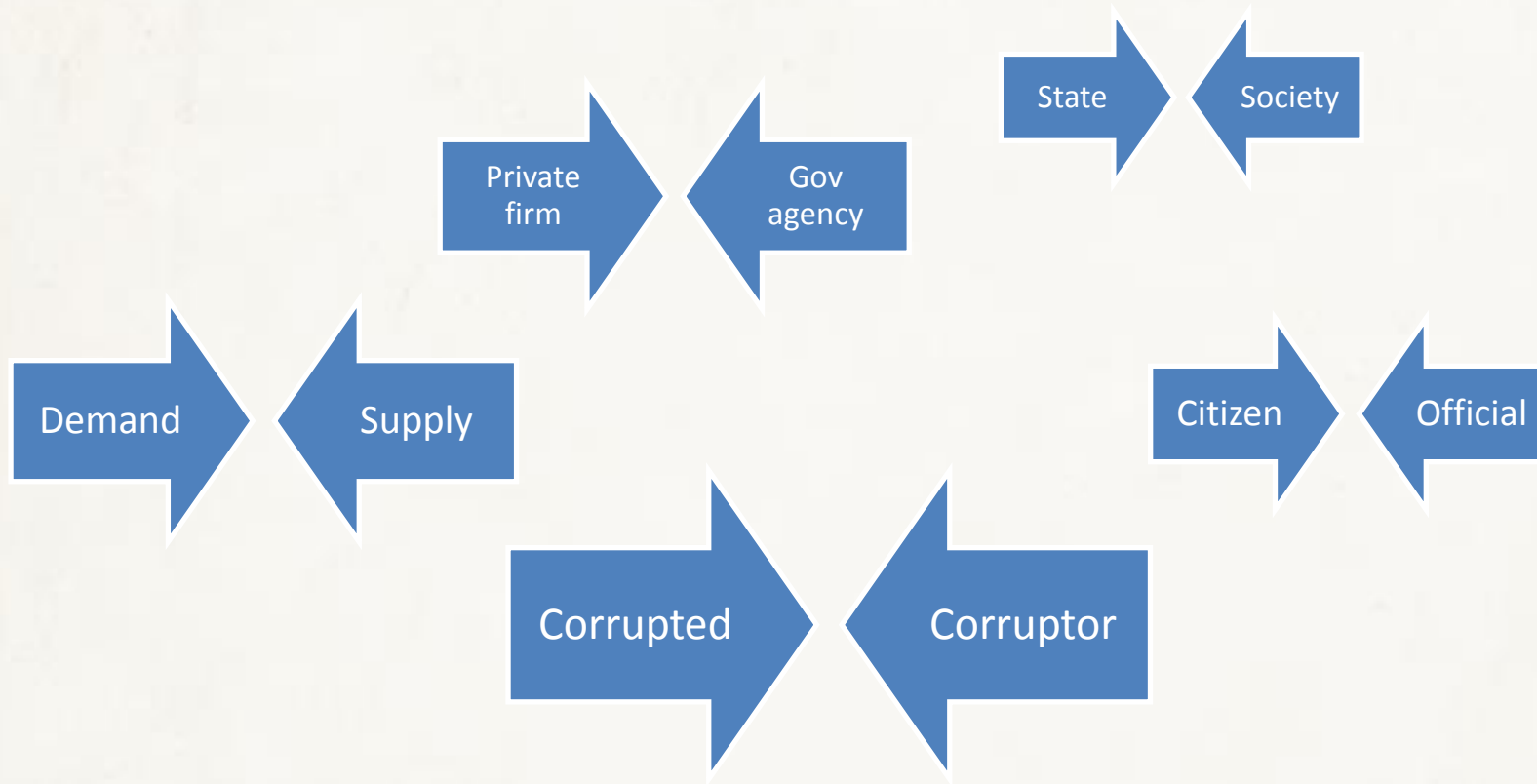
BUT...

Not always clear lines between:

- Abuse, unethical behaviours and mistakes
- Gifts & socially accepted favours versus small-scale bribe
- Corruption and legitimate political lobbying



Relationships are important



Causes of corruption: Cambodia

“In Cambodia (...), [h]ealth workers interviewed reported a going rate of up to US \$100,000 for a post as director at the provincial or national offices of the health ministry. A job as a low-level public servant in the health sector may go for US \$3,000. These sums represent a large investment considering that government employee salaries are generally very low: on average US \$40 per month.”

Source: Transparency International (2006): Global Corruption Report. London, Pluto Press, pp. 22-24

Is money/poverty the only incentive?

- *In Cambodia (...), [h]ealth workers interviewed reported that posts of director at the provincial or national offices of the health ministry were allocated only to members of the Khmer ethnic group.*
- Incentives for corrupt behavior:
 - Poverty
 - Social norms
 - Political pressures

Clitgaard's formula:

Corruption = Monopoly + Discretion – Accountability

(Exclusive power, limited information, no way to complain)

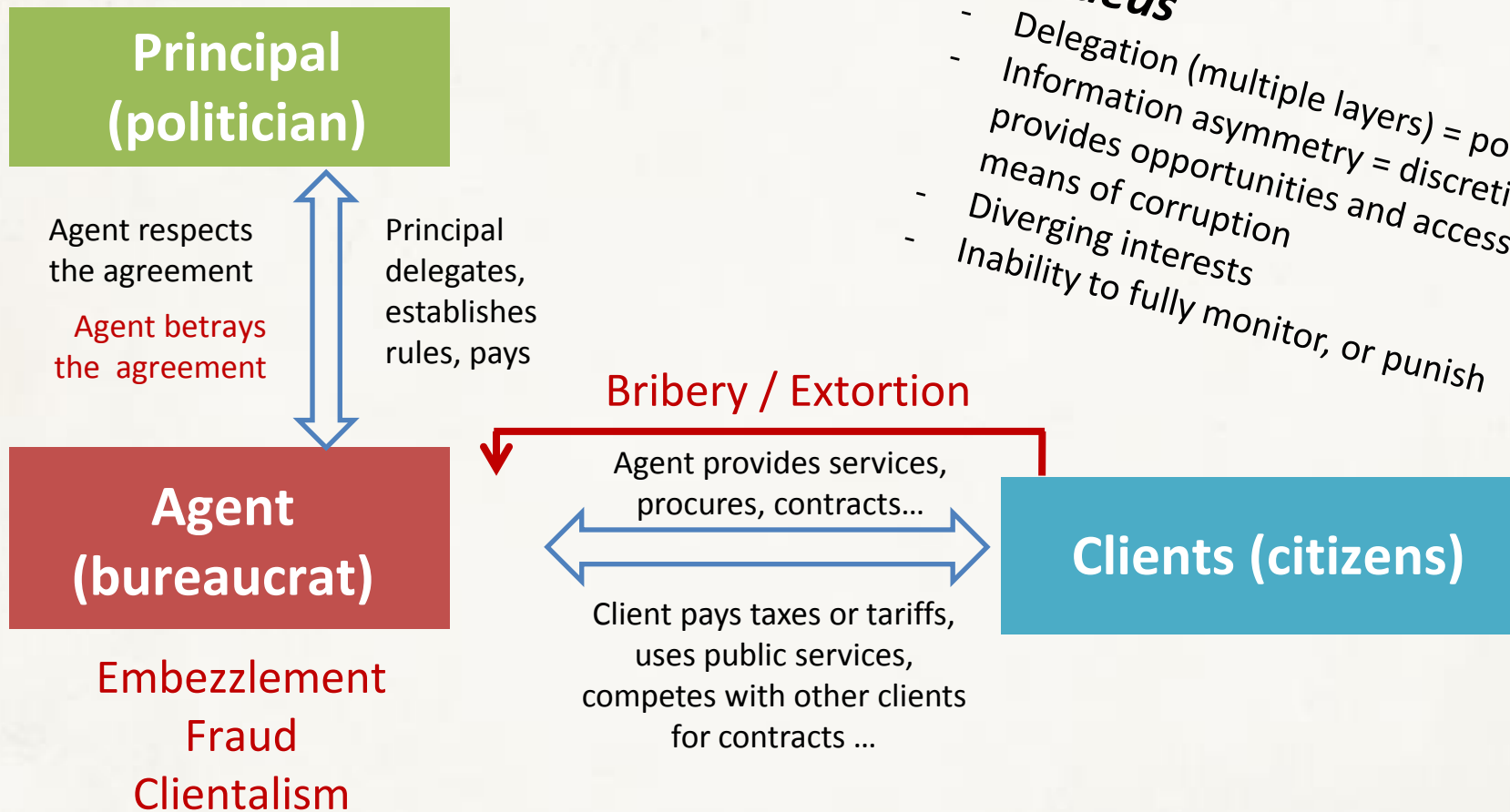
Low Risk (punishment) /High Reward (corruption) Environment:

- Clear opportunities to abuse (lack of transparency)
- Pressure to abuse (economic, political pressure)
- Low risk of getting caught or punished
- Perverse incentives (i.e. reward fire stations for number of fires they put out...reduces fire prevention activities)
- Rationalization – norms, beliefs, attitudes

Understanding corruption

Key ideas

- Delegation (multiple layers) = power
- Information asymmetry = discretion provides opportunities and access to means of corruption
- Diverging interests
- Inability to fully monitor, or punish



Why care?

“[Corruption] undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends. The harmful effects of corruption are especially severe on the poor, who are hardest hit by economic decline, are most reliant on the provision of public services, and are least capable of paying the extra costs associated with bribery, fraud, and the misappropriation of economic privileges. Corruption sabotages policies and programs that aim to reduce poverty [...]”

World Bank



Corruption's negative consequences

- **Political impacts**
 - Trust in the political and institutional system
 - Social divides (ethnicity, race, class, regions, etc.) – can lead to conflict
- **Economic impacts**
 - On foreign investment, markets, and economic growth & development)
 - Provision of basic services – quality and quantity – poverty eradication
 - Inequalities: women and children hardest hit
- **Natural resources and the environment**
 - Higher depletion & pollution, trafficking of endangered species

Corruption and earthquakes



- 17/08/1999: Izmir, Turkey
 - 7.4 Richter, 15.000 casualties, 213.000 destroyed buildings
 - 65% (Istanbul), 50% (Izmir), 25% (Ankara) violate building regulations
- Escaleras, Anbarci, Register (2007): **344** earthquakes, **42** countries, **1975-2003**: Corruption *explains* no. of casualties



“Corruption is killing us, not earthquakes”

Hurriyet Headline

Corruption in the Philippines context

- Low ranking on TI's Corruption Perceptions Index
 - Considered to be a corrupt country, though improved
 - Ranks 85 out of 175 on the CPI, score of 38 out of 100 in 2014
 - Score of 36 out of 100 in 2013; 34 out of 100 in 2012
- Long history of government corruption
 - Ferdinand Marcos and family stole billions of US dollars
- Corruption reportedly high among civil servants, in court system, and in customs – and also in private sector
- Legislative framework against corruption exists
- President Aquino's commitment to fighting corruption



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