Corruption and its impact on Governance and Development

Sumedh Rao, Research Fellow, GSDRC
Main concepts

PART I

• Why worry about corruption?
• Definitions of the phenomenon
• Forms and Typologies
• Causes and Consequences
• Conclusions
Why worry about corruption?

Cost of Corruption:

€ Decreases GDP by 1%/yr (UN)
€ Bribery alone $1 trillion/yr (World Bank)
€ 3-5% world GDP (World Bank and IMF)

Corruption

• wastes development resources
• major impediment to development (MDGs)
• in the ‘Age of Austerity’ less tolerated by funders?

“Mister President. I thought all the millions of Dollars, were to educate us, fight aids and help our families water their crops!”
Definitions of corruption

• *Defining corruption is complex* because of ‘absence of a fixed disciplinary allegiance’ (Williams, 1999)

• *Definitions vary* according to approaches, aims and needs of analysts/policymakers

• *How corruption is defined determines how it is viewed*, policy approaches adopted, and the legitimacy of policies

• Recognizing this complexity, *it is important to acknowledge several approaches to defining corruption*:
Legal approaches to defining corruption

- National legal definitions for corruption-related offences vary, due to different legal traditions and social norms.

- Difficulties in international cooperation due to principle of dual criminality.

- International conventions provide harmonised definitions of corruption-related offences facilitating judicial cooperation between partner countries.
Socio-economic approaches to defining corruption

Defines corruption as the result of individual rational decisions: e.g.

- “The abuse of public office for private gains” (World Bank)
- “The misuse of entrusted power for private gain” (TI)

Addresses:

- The motivation for corrupt acts (e.g. private gain)
- The nature of power (formal/informal or public/private)

But:

- Socio-economic understandings vary according to organisations’ scope for anti-corruption strategies
Anthropological approaches to defining corruption

• Concerned for the:
  • Motivations
  • organisation of power
  • contexts where corrupt acts take place

• Considers corruption as both individual and collective phenomena

• The anthropological approach insists upon:
  -the norms, rules, customs, and perception of corruption
  -emphasising the importance of morality and trust issues as well as forms and organisation of powers
Typologies of corruption

- Bureaucratic versus Political
- Petty v Grand
- Need v Greed
- Active v Passive
- Incidental v Systemic
- Quiet Corruption
Forms of Corruption

Public sector corruption
- Bribery
- Fraud
- Embezzlement
- Favouritism
- Extortion
- Abuse of discretion
- Conflict of interest
- Illegal contribution

(UNODC)
Causes and Consequences of Corruption

**Causes of Corruption**

- **Domestic**: e.g. weak states and the unintended consequences of economic liberalisation;

- **International**: e.g. unintended consequences of Foreign Direct Investment
Causes and Consequences of Corruption

Consequences of Corruption

- Hampers economic growth and development
- Jeopardizes poverty reduction
- Increases social costs
- Weakens democracy
- Contributes to conflict

…..It's not the war, it's the corruption…
(Sri Lanka)
Summary

- Corruption is far from a universal phenomenon
- Singular understandings are inadequate and fail to recognise complexity
- There is a strong case for context-specific action
- Challenges include:
  - Poor contextual understandings
  - Lack of understanding of international drivers
  - Poor assessment and monitoring tools
PART II

Addressing corruption in a globalised world

- Historical context
- United Nations Convention against Corruption (UNCAC)
- Assessing Corruption and Monitoring Anti-Corruption
- Integrity, accountability and transparency
Historical Context

- 1810 Napoleonic Code
- 1977 Foreign Corrupt Practices Act (FCPA)
- 1996 Inter-American Convention against Corruption
- 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
- 1998 Council of Europe Criminal Law Convention on Corruption
- 1999 Council of Europe Civil Law Convention on Corruption
- 2003 African Union Convention on Preventing and Combating Corruption, AUCAC
- 2003 United Nations Convention against Corruption, UNCAC
United Nations Convention against Corruption (UNCAC)

• Does not explicitly define corruption

• Sets out to define and criminalise the actions of corruption

• 4 main pillars:
  • Prevention
  • Criminalisation
  • International Co-operation
  • Asset Recovery
United Nations Convention against Corruption (UNCAC)

- Self-assessment system (UNODC)
- Peer review process:
  - Each State reviewed by two other States. State under review should be involved
  - Governmental experts will be appointed by States to carry out reviews
  - Active dialogue between the country under review and reviewers is a key component of the process
Assessing Corruption and Monitoring Anti-Corruption

• Users of Corruption assessments:
  • Development agencies and practitioners
  • Governments and civil society
  • Academics and researchers
  • International advocacy /human rights orgs
  • Media

• Emphasis of corruption assessments:
  • to help promote the fight against corruption
  • to compare levels of corruption over time and space
  • to provide a comprehensive and nuanced assessment of corruption issues in a specific context
Assessing Corruption and Monitoring Anti-Corruption

• Key questions users must ask when designing an assessment:
  • What is the particular purpose of the assessment?
  • What is the level or focal point of the analysis?
  • What data is most suited?
Assessing Corruption and Monitoring Anti-Corruption

• Purpose:
  • Diagnosis
  • Early-warning
  • Awareness-raising
  • Coalition-building
  • Monitoring
  • Research guidance
  • Political dialogue
  • Fiduciary risk
  • Programme failure
Assessing Corruption and Monitoring Anti-Corruption

• Level
  • **Supranational** (e.g. Corruption Monitoring System (CMS) of the Center for the Study of Democracy)
  • **Multi-country** (e.g. Global Integrity Index)
  • **National** (e.g. National Integrity Study)
  • **Sub-national** (e.g. Good Governance for Local Development: GOFORGOLD Index)
  • **Sectoral** (e.g. National Health accounts)
  • **Multi-level** (e.g. Bertelsmann Transformation Index)
Assessing Corruption and Monitoring Anti-Corruption

• Data collection
  • Desk-study
  • Interviews
  • Focus groups
  • Postal survey
  • Internet surveys
  • Expert coding of narrative reports

• Types of data
  • Objective
  • Perception
  • Composite indicators
Assessing Corruption and Monitoring Anti-Corruption

• Challenges and limitations:
  • Popular but inappropriate indicators
  • Indicators which fail to measure what they are supposed to
  • Trying to reduce the unquantifiable to numbers
  • Indicators that do not guide policy
  • Input and output indicators that complement each other
  • Failing to use pro-poor or gender sensitive indicators
  • Over-reliance on perception data
  • Differences between de jure and de facto
  • Assuming causation where there is only correlation
  • Data limitation
Integrity, accountability and transparency

- Building/measuring integrity as opposed to corruption
- National Integrity System (NIS) assessment approach
Integrity, accountability and transparency

National Integrity System

Role
- LEG. Legislature
- EXE. Executive
- JUD. Judiciary
- PS. Public Sector
- LEA. Law Enforcement Agencies
- EMB. Electoral Management Body
- OMB. Ombudsman

Governance

Capacity

Foundations
- Politics
- Society
- Economy
- Culture

SAI. Supreme Audit Institution
ACA. Anti Corruption Agencies
PP. Political Parties
MED. Media
CS. Civil Society
BUS. Business
Integrity, accountability and transparency

- **Service delivery**
  - complaints mechanisms
  - public information/transparency campaigns
  - citizen report cards/score cards
  - community monitoring
  - social audits

- **Budget transparency:**
  - participatory budget approach
  - public expenditure monitoring
  - participatory auditing
  - the Open Budget Index
Integrity, accountability and transparency

• Natural resources
  • Extractive Industries Transparency Initiative
  • Publish What you Pay

• Aid transparency
  • International Aid Transparency Initiative
  • Publish What You Fund
  • World Bank Inspection Panel
Integrity, accountability and transparency

• Can contribute to a range of positive outcomes:
  • increased state or institutional responsiveness
  • lowering of corruption
  • building new democratic spaces for citizen engagement
  • empowering local voices
  • better budget utilization and
  • better delivery of services

BUT There must be supply and demand pressures
Integrity, accountability and transparency

Key factors

• On the citizen voice (or demand) side
  • capabilities of citizens and civil society organizations to access and use information
  • extent to which initiatives are linked to broader forms of collective action and mobilization
  • degree to which accountability, transparency and participation initiatives are embedded throughout all stages of the policy cycle,

• On the state (or supply) side:
  • level of democratization or space for accountability demands
  • degree of ‘political will’ for accountability and transparency demands
  • broader political economy, including enabling legal frameworks, incentives and sanctions which affect the behaviours of public officials.
Summary

• Policy measures to tackle corruption is a relatively new phenomenon
• UNCAC remains the dominant international standard
• There is a wide range of specialised tools to measure corruption
• Building and assessing integrity, accountability and transparency is a useful strategy
Further resources

• Governance and Social Development Resource Centre
  • www.gsdrc.org
• U4 Anti-Corruption Centre
  • www.u4.no
• Transparency International GATEway (upcoming)
  • http://www.undp.org/oslocentre/docs08/users_guide_measuring_corruption.pdf