

Petty Corruption – Hitting hardest the poorest

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Corruption has various forms and affects everyone

Petty Corruption

- Public officers usually lower level
- Small amounts - frequently
- Severe social impact

Grand Corruption

- High level officials and politicians
- Large amounts of money
- High economic impact

Political corruption / State capture

- Political and economic elites
- Big money & influence of power
- Manipulating of policies & institutions

Controlled vs. uncontrolled petty corruption

- Centralised, organised, co-ordinated and disciplined (“controlled”) corruption vs. decentralised, disordered, chaotic and irregular corruption (“uncontrolled”)
- Corruption in most countries can be characterised as somewhere in between
- In controlled corruption, the ruling elite exercises relatively strict control over the processes and proceeds of corruption (e.g. some former Soviet republics or economic tigers such as South Korea and Taiwan)
- In cases of controlled corruption, businesses are also able to forecast and estimate the level of corruption, and include it as a **measurable expense**, i.e. less of an impediment to investments and trade
- Uncontrolled corruption tends to be more unpredictable: the rulers are not in command of who will gain how much, nor from where the gains will be made
- Uncontrolled corruption is generally considered more harmful to a country's economy, but also depends if the role of the state is “predatory” or “developmental”

Corruption is not always easy to spot... or define



Integrity

Mistakes

**Unethical
behaviour**

**Admin.
Misconduct**

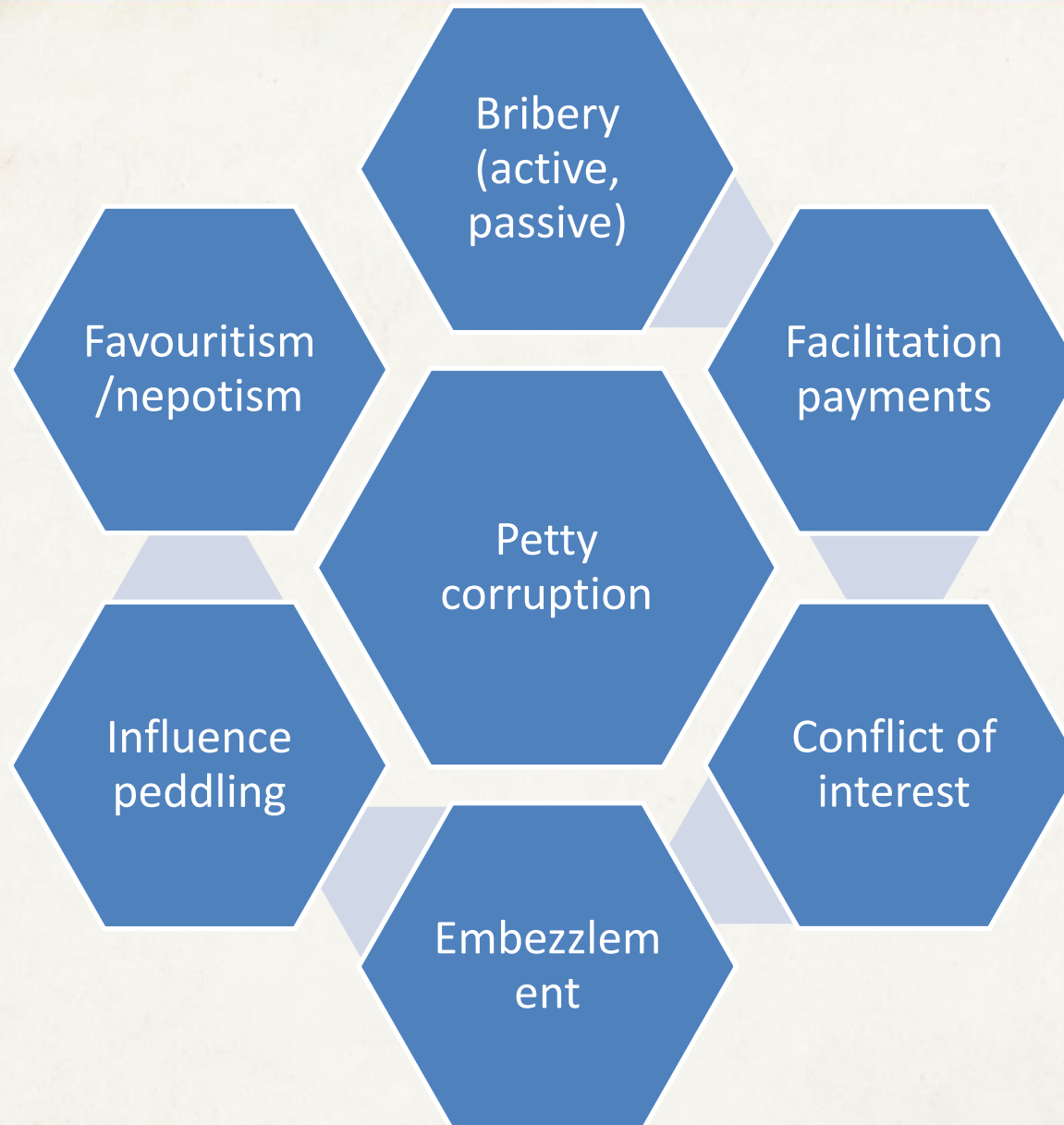
**Criminal
practice**

- Not always clear lines
 - between abuse, unethical behaviours and mistakes
 - between gifts, socially accepted favours and small-scale bribe

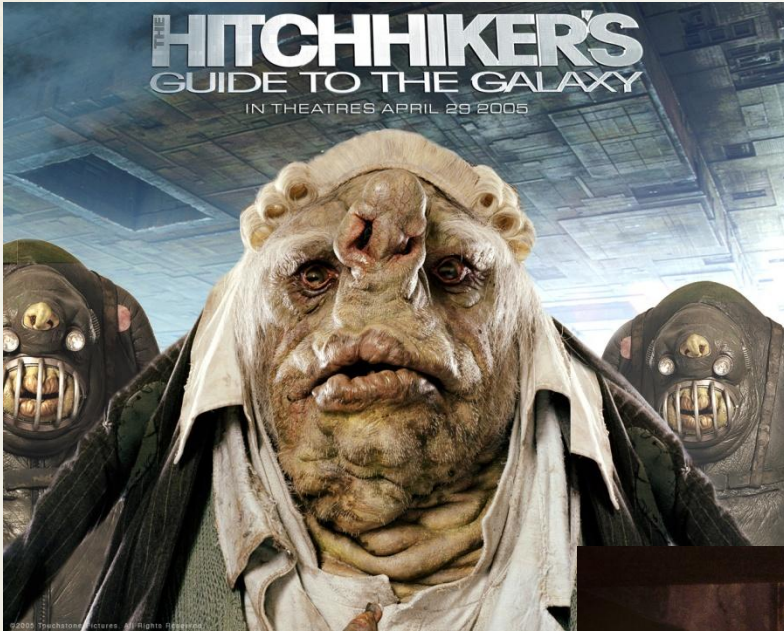
Bureaucrats taking advantage of the public

- “Petty” corruption, i.e. administrative or bureaucratic corruption, is the everyday corruption that takes place when bureaucrats meet the public directly.
- Petty corruption is also sometimes referred to as "survival" corruption: a form of corruption which junior or mid-level agents engage in.
- They may be grossly underpaid and dependent on relatively small but illegal rents to feed and house their families
- Sums are usually smaller than acts of "grand" or political corruption, the amounts are not petty for the individuals adversely affected.
- Cumulative impact of such corrupt acts necessarily minor for the society, economy or polity.
- Petty corruption disproportionately hurts the poorest members of society, who may experience requests for bribes regularly in their encounters with public administration (in hospitals, schools, with local licensing authorities, police, taxation authorities etc)

Petty corruption comes in different shapes



Vogons – the Galactic Bureaucrats



Bureaucracy invents and multiplies itself
unless there are checks and balances for its
own operations



Consequences of (petty) corruption

Drop in education quality and participation

- Illegal payments for school entrance and bribes are among the causes of low school enrolment, high dropout rates and the relatively poor quality of public school teachers in developing countries
- Fees to buy forms, books and school materials that should be free.
- Sale of exams or the withholding of exam results until payments are made.
- Increased costs because of teachers drawing salaries on behalf of “ghost” and absent teachers
- Process of accrediting, selecting, promoting and transferring teachers may be influenced by bribes and/or sexual favours

Poor health services

- Inappropriate links to pharmaceutical firms or doctors' own pharmacies or clinics
- Sale of counterfeit and substandard drugs as a result of corruption in regulatory agencies and/or health inspectorates
- Regulation of product quality, services, licensing, medical research, education and accreditation of professionals can be compromised by a combination of bribes, political considerations and conflicts of interest
- Informal or unnecessary payments are a frequent practice in many developing countries due to the low wages of medical personnel
- Interruption or incomplete treatment
- Lack of access to healthcare because of inability to make informal payments

- High barriers to enter the market for small entrepreneurs who cannot pass the legal formation and licensing stage
- Bribery of officials (licensing, inspections) increase the cost of doing business – non-tax recoverable
- Dilemma: to pay or not to pay? Will the inspectors be coming more often and in larger numbers?
- Shifting the cost of bribes to the final consumer
- Inability to expand business, hire more, pay higher salaries to staff (operating under the radar)
- Corrupt judiciary affects commercial disputes – justice doesn't win but bribes do
- General insecurity, lower investment, lower GDP, market and price distortions

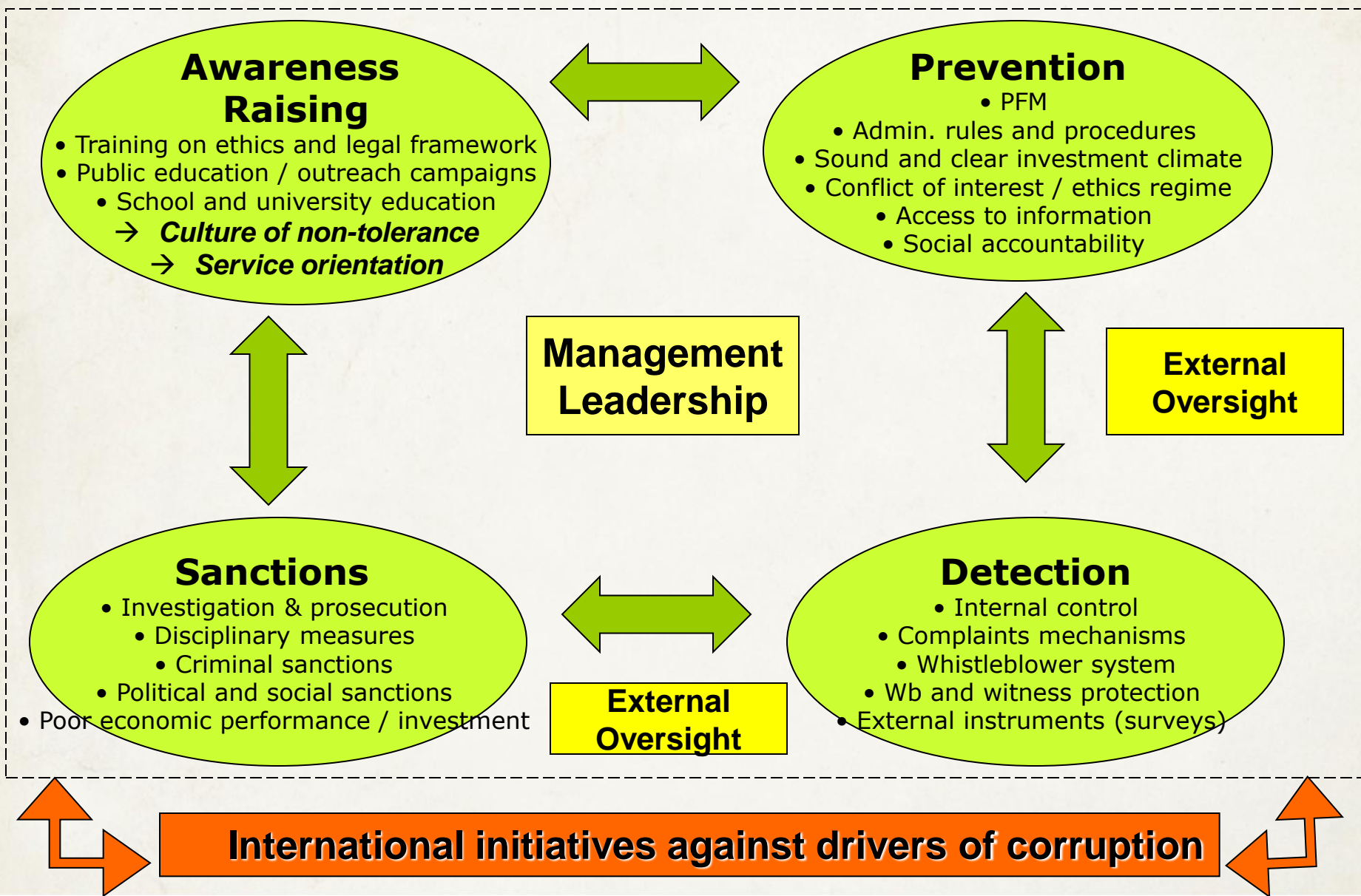
- Corruption can erode already weak confidence in democratic institutions, undermine economic development, divert scarce public resources, reduce the delivery of vital social services, and contribute to a “winner-take-all” environment
- In unstable environments that can trigger renewed conflicts
- Sudden inflows of donor aid and the desire of peace-building actors to disburse funds quickly, create incentives and opportunities for further corruption
- Aid delivery conditioned upon bribes or sexual favours – deprives the most needy from assistance

- Corruption perpetuates and exacerbates poverty and marginality:
 - Diverting public resources, services and benefits towards the rich and away from the poor.
 - Disturbing the pattern of public spending and investment and diverting poverty reduction efforts.
 - Imposing an additional unofficial tax on goods and services, which the poor are least able to pay.
 - Reducing tax revenues to governments which could be used to reduce the cost of public services which benefit the poor.
 - Undermining social and political stability generally and specifically for the poor.
 - Perpetuating social exclusion and preventing the poor from challenging structural inequalities in the distribution of power and resources.
 - Depriving the poor of their legal rights and entitlements.

Reforming the system of corrupt administration

- Efficiency, transparency, accountability, and institutional strengthening through:
 - reducing opportunities for discretion and incentives
 - increasing risks through oversight and enforcement

Today's (holistic) menu of options





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