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Tackling Corruption for Human Development

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Does corruption undermine human development?

Corruption can affect people's livelihoods as income generation programs or credit access is compromised. It can interfere with access to and quality of education for children and undermine an important institution for building ethics – the education system. Corruption in health systems can compromise drug trials, result in spurious vaccines and other drugs, deprive the poor of basic health services and even contribute to extreme practices like harvesting organs from the poor without informed consent. Corruption in the judiciary, police and civil services can not only deny justice to those who cannot afford to pay, but also harm people through false cases and other forms of harassment. Corruption in utilities like water and electricity can undermine essential services which are already in short supply. The poor rely much more on public provisioning hence corruption in these sectors hurts them much more. While the poor are less able to bribe, the bribe amounts constitute a much higher share of their limited incomes as compared with the better off. Collusion between large business interests and government can undermine rules and laws regulating the use of natural resources like forests, land, water or minerals, aggravating environmental degradation, undermining livelihoods and compromising the interest of future generations. Corruption derails private enterprise by creating disincentives for investment, domestic and foreign. It drains scarce resources and diminishes a country's prospects for development. Constrained government revenue presents serious problems for public services - health, education, safe drinking water, electricity.

While most people are hurt by corruption, the relatively disadvantaged are hurt more as it deepens poverty, debases human rights. Moreover, this section of the population has little say in shaping agendas of big businesses or the crafting of government policies, but is impacted by them. It thus limits choices in many ways, making it a critical issue for human development.

Corruption is commonly seen as politicians and bureaucrats misusing public authority for private gain. How well does this capture the phenomenon?

There is a lot of focus in the literature on corruption in government, but public sector corruption is only part of the problem. Corruption can occur in public and private spheres – wherever there is power and potential for gain. For example, corruption is seen in sports, in financial markets or in subverting shareholder interests on the one hand, as well as in government contracts, in staff matters, or in the judicial system. For every corrupted official there is a counterpart corruptor, who might well be the powerful one. Corruption by citizens, small

entrepreneurs and NGOs also happens, for example, in health care, water or electricity connections, or for access to low cost or no cost funds. Corruption often happens within the grey area where public and private sectors meet.

Is corruption primarily a national concern?

Corruption is both, a national and an international concern. It crosses national borders in many ways - through transnational companies, off-shore tax havens that are harmful, money laundering, mercenaries working in collusion with law-enforcement officials or politicians. Most large-scale cases feature collusion that results in unauthorized gains for both sides. Natural resources like forests or minerals, where huge profit opportunities combine with remote locations and poor populations provide enormous potential for cross-border corruption. This directly harms life and livelihoods of the disadvantaged, apart from harming the environment, thus, compromising options for future generations. International arms and drug trading are other sectors which often involve corruption, harm health and aggravate conflicts.

Are women are less corrupt than men?

One does observe a much smaller number of corrupt women than men, making it seem so. But this myth rests on a fallacy of small numbers. Many ministers are not comfortable with a female departmental head, especially in ministries of finance, commerce, public works, commercial taxes, home, etc. – the so called ‘wet posts’ – at least partly due to this myth, for fear that they may interfere with the ‘natural rate of corruption’ or the ‘velocity of circulation of funds’. Women tend to be less in positions of power (so less open to bribes) and less in control of money (so less able to bribe). It may be that women simply have fewer opportunities than men.

Is corruption always illegal?

Corruption can be illegal and legal. There is a common assumption that what is legal is always ‘good’ and what is illegal ‘bad’, but that would depend upon what the legislature passes as law. While there is certainly a large overlap between what is illegal and corrupt, the two can be quite distinct. All crimes are not corrupt – murder and robbery may deserve to be eliminated but are not corruption. And while many corrupt acts are illegal, others may be perfectly legal. Creating or changing a law through collusion between, say, political leadership and a mining company which ‘helps’ the government in drafting may make it legal, but in effect here private interests, through bribery or undue influence, have taken over state functions to further immediate private interest. Lobbying is another example which is acceptable in some countries due to local laws, but is totally unacceptable in others. Opportunities for corruption can arise through offshore tax havens, electoral funding or political executives that may be immune to prosecution by law. Large scale corruption, especially cross-border, is difficult without legal facilitators – accountants, lawyers, trust administrators.

It is important to be alert to the fact that *many acts can be technically legal but perfectly corrupt*. Laws and rules are important, but can be imperfect guides in identifying what is or isn’t corruption. Human development and justice may be useful complementary checks.

What type of political system is better equipped to tackle corruption – the relatively free or controlled? If a strong state is needed to fight corruption, is an authoritarian state better equipped than a democracy?

All political systems are vulnerable to corruption, though forms differ. Monopoly over power that restricts people’s choices is not conducive to tackling corruption. But we do have examples of relatively authoritarian conditions of governance where corruption is perceived to be less, like Singapore or Hong Kong, if political will is present. The Corruption Perceptions Index of Transparency International ranks them among the least corrupt in the developing world and among the 15 least corrupt worldwide (Transparency International 2007). However, such cases are few and there is no guarantee that pressure from above will be retained

over time without appropriate institutions.

On the other hand, democracies have the potential for changing governments through an institutionalized process. One might expect democracies to be less corrupt because of greater individual freedoms, freedom of association, free elections with better checks and balances. However, elections rely upon large sums of money for campaigns, wooing voters, keeping members of parliamentarians in check in coalitions. Not many countries have found a satisfactory solution for electoral funding that makes politicians align with big-businesses. Clearly democracy does not come cheap! Overall, the stronger the citizen voices and the better the availability of information, the less one might expect corruption. The education and freedoms dimensions of human development are critical.

How can human development help tackle corruption?

Effective *voice* and *choice*, for a wide cross-section of the population, essential aspects of human development, can provide the conditions to check corruption. The role of citizens as a force from below can work against corruption in government, in businesses and by each other. People's voice can make it worthwhile for those with opportunities to shun corruption. Political will is important to generate pressure from above – but even where it exists, supplementation by people's pressure from below can help retain it over time. Where political will is ineffective or non-existent, voice and choice could be powerful in *forging* and *retaining* it. An informed citizenry, buttressed by access to information and a free and competitive media can strengthen checks and balances and deepen democracy – thus strengthening the operation of formal anti-corruption agencies. Having the right institutions for anti-corruption is important. But getting the institutions to work in public interest needs pressure from below. In the long run, this 'sandwich' approach, combining pressure from above with pressure from below may be the most effective way to create a tipping point. Human development is undermined through corruption; better human development conditions need to be an integral part of the solution set.

Some general sources:

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