

A decorative graphic consisting of a horizontal row of seven small squares. From left to right, the colors are: light gray, medium gray, white, orange, orange, orange, and orange.


**Lucy Koechlin**

**December 2008**

**Poverty and Corruption:  
About Poorer and Richer Ways of Life**

*GOVERNANCE*

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## Thanks

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As Programme Manager and consultant she has undertaken evaluations and assessments for development agencies on a wide range of governance issues, and facilitated workshops, seminars and training sessions on governance and anti-corruption policies for the public sector, business and civil society.

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## 1. Development, Poverty and Corruption

The Millennium Development Goals were adopted by the global community under the aegis of the UN in 2000. The first of these goals aims at halving absolute poverty of the about 1.1 billion people who live on less than 1 US dollar a day. Although poverty-reduction has always been an important concern of development policy, the Millennium Development Goals have brought it back onto centre stage with renewed vigour, in that joint efforts to reduce poverty worldwide has become a moral as well as financial obligation of the global community.<sup>1</sup> Just a glance at the global development indicators reveals how urgent the renewed efforts to fight extreme poverty, especially – and not surprisingly – in least developed countries. According to the UN statistics the number of persons living in extreme poverty has decreased slightly between 1990 and 2001; but it is still estimated that worldwide still approximately one billion people live on less than 1 US dollar a day.<sup>2</sup>

These brittle numbers disguise a reality that is characterised by impoverishment, dependence, exclusion and a lack of perspective. Absolute poverty means the inability to cover the basic needs for oneself and one's family without a daily struggle to survive. But, moreover, poverty also implies the inability to enjoy basic social, political and economic rights; not least the right to develop one's own skills. Amartya Sen is probably the scholar who elaborates this encompassing concept of poverty the most clearly. In his seminal book he points out that development cannot be equated with economic development, but – more radically and normatively – for him development means freedom.<sup>3</sup> In this case development is not reduced to economic growth or structural transformations, but, in a lateral sense, seen as an expansion of liberties for individuals, communities and societies. Consequently Sen defines poverty not as economic deprivation, but as lack or insufficient realisation of basic human liberties.<sup>4</sup>

This broadened and differentiated understanding of development and poverty establishes an important counterweight to statistically and economically reduced models, since it focuses on the human being. In doing so the impact of economic development on public well-being and on the individual quality of life is by no means neglected. However, what becomes decisive are the distribution of the material and immaterial benefits of development, and, equally important, the access to these benefits, be it in terms of infrastructure, work, education or health.

For the last sixty years development theory and policy have tried to understand and overcome the causes of these diverse and inequitable processes of development. In the past decade, a new factor has entered the scene: increasingly, it is recognised that one of the main perpetrators of poverty is corruption. It is almost intuitively plausible that there is a correlation between poverty and corruption. This assumption is reinforced by the statistics: poverty and corruption go side by side, which is vividly illustrated the

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1 For statistics and further information about the Millennium Development Goals cf. UN 2005 and <http://www.un.org/mdg/> (last access on 01.02.07).

2 For the Millennium Development Goals cf. webpage <http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&goalId=5&menuId=LNAV01GOAL1> (last access on 02.04.07); or cf. Table 3 'Human and income poverty: developing countries' in UNDP 2005:227-29.

3 Sen 1999.

4 'The capability approach defines poverty as the absence or inadequate realization of certain basic freedoms, such as the freedoms to avoid hunger, disease, illiteracy, and so on.' (Sen 1999:34).

latest Corruption Perceptions Index (CPI)<sup>5</sup> that shows that almost all countries with low income are confronted with serious problems of corruption.<sup>6</sup> Although corruption is by no means a phenomenon that is restricted to poor countries, it is obviously intertwined with the problem of poverty in a corrosive way.

From today's perspective it seems astonishing that in the development debate the problem of corruption was trivialised for decades. Until the late eighties corruption in developing countries was seen as a relatively unproblematic phenomenon of a changing society. Corruption was primarily conceived as a lubricant of a transitional society, smoothing the inevitable tensions between 'traditional' and 'modern' values and institutions. Classic development theory conceptualises corruption in terms of 'growing pains' of modernisation, a transitional period during which personal relationships and informal processes facilitate the adjustment of a traditional, agrarian community to a modern, complex and industrialised society. The assumption was that in a fully developed country corruption, at least in its more pervasive forms, would vanish.<sup>7</sup>

Today corruption is no longer trivialised, quite the contrary. Experience has shown that corrupt practices do not just go away in the course of time, but structural inequities and social polarisations caused by corrupt practices tend to become more and not less entrenched. The position of the World Bank, which had been renowned as well as notorious for its steadfast apolitical and uncritical stance on corrupt and kleptocratic regimes, is representative for the change of attitude in this respect. Interestingly enough it was this very institution which framed the reorientation of development policy. After a decade in which the World Bank, together with the International Monetary Fund, declared the primacy of market to be the ultimate development dictum, in their 1989 report on the economic situation in Sub-Saharan Africa they shifted their focus away from the markets and advocated effective public institutions which would provide the preconditions for a lasting development.<sup>8</sup> This reorientation was based on the fact that a decade of Structural Adjustment Programmes had left many African states in a state of destitution instead of wealth.<sup>9</sup> The bleak social and economic indicators at the end of the 'lost decade' of the eighties, the shameless enrichment by African elites against the backdrop of the impoverishment of the population, and not least the end of the Cold War and the fundamental reorientation of geo-political interests had triggered a dramatic change. Bloated administrations, incapable governments, social polarisation, the erosion of political legitimacy, stagnating or faltering economic growth, as well as worrying poverty rates made it apparent that these trends are not simply symptoms of 'underdevelopment' or 'backwardness', but above all also the product of corrupt and

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5 The Corruption Perceptions Index is a country comparative index for measuring corruption which, on an annual basis, is compiled on behalf of Transparency International, an international organisation for the fight against corruption. For further information and the latest statistics about corruption cf. <http://www.transparency.org>. For an annual report and statistics on corruption cf. Global Corruption Reports by Transparency International.

6 For a categorisation of countries according to income and social indicators cf. UNDP 2005; for further statistics and elaborations cf. World Bank 2006.

7 For a groundbreaking book that treats this thesis from the perspective of development theory cf. Huntington 2006 [1968].

8 World Bank 1989.

9 Engborg-Pedersen et al. 1996.

kleptocratic behaviour of public officials and government representatives.<sup>10</sup> For the first time the blatant enrichment and private-regarding by African despots and escalating corruption were made responsible for this failure. This approach was made public by the former president of the World Bank, James Wolfensohn, who in a powerful speech described corruption as a ‘cancer of development’.<sup>11</sup> In the meantime, the fight against corruption has been reinforced as a prime objective of the World Bank, as the recently published World Bank anti-corruption strategy underlines.<sup>12</sup>

Today corruption is seen as a serious obstacle to the creation of equitable, sustainable, and productive development. In the context of good governance the fight against corruption holds a central role in achieving the most important development goals, since poverty-reduction strategies and the empowerment of vulnerable and marginalised groups are contingent on controlling corruption. The World Bank puts it as follows:

‘The Bank has identified corruption as among the greatest obstacles to economic and social development. It 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.’<sup>13</sup>

Or, as the former Secretary-General of the United Nations, Kofi Annan, states: ‘Corruption hurts the poor disproportionately by diverting funds intended for development, undermining a government’s ability to provide basic services, feeding inequality and injustice, and discouraging foreign investment and aid.’<sup>14</sup> Considering that estimates by the World Bank indicate that worldwide annually about USD 1,000 billions<sup>15</sup> are diverted from public budgets to private pockets due to bribes, the sheer economic dimension of the damage brought about by corruption can be gleaned. On the basis of these insights the prevention and control of corruption has become a central element of development policy.

10 The corrupt behaviour of foreign businesses is described in following sections. For a seminal book on grand corruption see Moody-Stuart 1997.

11 This metaphor was used again by James Wolfensohn in May 2005, shortly before the end of his term, to back up the anti-corruption efforts by the World Bank. Cf. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0..contentMDK:20368613~menuPK:34463~pagePK:64003015~piPK:64003012~theSitePK:4607.00.html> (last access on 12.02.07).

12 See the Governance and Anti-Corruption Strategy that was endorsed in March 2007, cf. World Bank 2007; for updated information consult [www.worldbank.org/governance](http://www.worldbank.org/governance).

13 Cf. the anti-corruption website of the World Bank: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/EXTANTI-CORRUPTION.html> (last access on 12.02.07).

14 This was said in his speech on occasion of the UN General Council’s endorsement of the United Nations Convention Against Corruption (UNCAC) in 2005. Cf. also further information on the global anti-corruption programme of the United Nations on <http://www.unodc.org/unodc/corruption.html> (last access on 12.02.07).

15 <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0..contentMDK:20190187~pagePK:64257043~piPK:437376~theSitePK:4607.00.html> (last access on 12.02.07).

In other words, there is no doubt that corrupt practices strongly associated with the failed realisation of the development potential of individuals and states, and hence the rates and distribution of poverty. In spite of the consensus on the harmful nature of corruption, however, it is still not well understood how exactly corruption and poverty are correlated. The basic chicken/egg problem lies in the question whether poor countries are poor because they are corrupt? Or are they corrupt because they are poor? In pursuing this question in the following sections a somewhat deeper and more nuanced focus shall be put on the connection between poverty and corruption. Historically as well as geographically, we can see that corruption is an extremely persistent and widespread phenomenon. Although it is very difficult to measure and observe corruption, it is evident that ‘corruption’ is not one single phenomenon or activity: on the contrary, ‘corruption’ denominates a plethora of corrupt practices, ranging from routine palm-grease to one-off, large-scale fraud. Moreover, not only the practices of corruption are manifold, but also the perceptions of corruption. Whereas in one country the tipping of a public official is culturally acceptable, in another society the same deed may be perceived to be morally and legally offensive.

In assuming a vision of sustainable development, in which the human being is the central focus, we are confronted with the prominent question how the population of developing countries experience corruption. This is a potentially uncomfortable inquiry, as there are some serious risks with regard to cultural relativism that will be discussed further down. However, there is an unresolved tension in the conceptualisation and perception of corruption that needs to be unravelled: Are everyday *baksheeshs*, ‘gifts’ and bribes really discretionary, arbitrary and obstructive demands by all-to-powerful bureaucrats and public officials? Or are they perceived and accepted as normalised practices of reciprocity and respect? And how do citizens regard the big enrichment acts by politicians and ministers? As especially harmful and immoral acts flying in the faces of ‘ordinary’ citizens, or, on the contrary, as the rewards of attaining a certain position and responsibility? And how do these practices relate to patterns and opportunities of individual and social welfare?

In the following sections, these lines of inquiry will be pursued in more detail. However, first ‘corruption’ will be defined more precisely in order to carve out a clearer understanding of a rather ambiguous term. Secondly, the question broached above on possibly differing realities with regard to understanding and experiencing corruption will be explored in more detail. The focus lies on the question of how citizens of developing countries perceive corruption in their everyday lives, and within what cultural, socio-economic and political context this perception is framed. Thirdly, the conclusions drawn from these ultimately subjective realities are put into a wider frame of reference by linking them to national and international strategies against poverty and corruption.

## 2. What is Corruption?

What is the defining feature of corruption? From which moment onwards can we say an act is not merely unsavoury, but actually corrupt? Is it the boundary between legal and illegal acts? Or is it rather a moral borderline that is overstepped? In a discussion among friends the chances are that as many different conceptions of corruption will come up as there are participants involved in this exchange. The crux of the matter is



that corrupt practices seldom adhere to the distinction between legal and illegal. Most often they are set in a grey area between social and legal norms, in a complex space between what is considered to be legitimate (and yet illegal), illegitimate (and perhaps, but not necessarily, also illegal), and the illegal. Consequently particular behaviour patterns are accepted or at least tolerated in certain groups or societies, whereas as soon as the very same behavioural patterns are looked at from a different perspective, they become unacceptable, i.e. corrupt. The perception of 'corrupt' or 'not corrupt' behaviour is highly contingent, nationally, regionally as well as in time. This should not be surprising, as norms and social acceptance are dynamic entities, which makes an objective or even ultimate definition of corruption impossible or irrelevant.<sup>16</sup>

Nevertheless it is useful to recall some of the basic reference-points of corruption. Besides the many academic elaborations on the topic there is a very simple, applied definition that represents a general consensus on the basic elements of corruption, which the anti-corruption organisation Transparency International coined: 'Corruption is operationally defined as the misuse of entrusted power for private gains'.<sup>17</sup> The key feature of a corrupt act is the distinction between 'entrusted power' and 'private gain'. In general the 'entrusted power' relates to the position held in the public sector, e.g. as official, politician, minister. Thus the core of the matter boils down to the misuse of a public position: whoever takes advantage of this power and does not serve public, but private interests acts in a corrupt manner. This can mean cases in which a publicly employed person only does their job correctly – as doctor, tax collector, police officer – if additional money is provided. It can also imply cases in which a public official's behaviour is determined by personal and not professional factors; for example, recruitment that is based on nepotism rather than merit, or other decisions that are not necessarily derived from rules and procedures but from personal or particularistic criteria.<sup>18</sup>

In this definition the range of abuse is not determined, both with regard to the level of advantages obtained by corrupt acts, as well as to the level on which a position of trust is abused. A common distinction is made between 'petty' and 'grand' corruption.<sup>19</sup> Plausibly, the level of the public position frequently matches the amount of money gained by corrupt acts. Most of the grand corruption cases involve staggering amounts of stolen assets. Notorious are the looted fortunes of dictators such as Mobutu Sese Seko (former Zaïre, today Democratic Republic of Congo), Sani Abacha (Nigeria) or Ferdinand Marcos (Philippines), who all stashed away millions and in some cases billions of US dollars in foreign bank accounts, at times amassing fortunes that exceeded the foreign debts of the country in question.<sup>20</sup>

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16 Johnston 1996.

17 Cf. [http://www.transparency.org/news\\_room/faq/corruption\\_faq](http://www.transparency.org/news_room/faq/corruption_faq) (last access on 12.02.07).

18 However, increasingly the conventional understanding of corruption is not restricted to the public sector, but also extends to dealings among private persons; e.g. between a supplier and an employee working in the private sector. Of late this is also legally acknowledged, e.g. in the Criminal Law Convention by the Council of Europe or in the UN Convention against Corruption.

19 For a succinct discussion see, for instance, Robinson 1998.

20 For more facts and figures see Transparency International 2004; see the recently launched Stolen Asset Recovery Initiative (StAR) of the World Bank and ICAR for concrete actions to recover stolen assets: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21475359~pagePK:64257043~piPK:437376~theSitePK:4607,00.html> (last access on 12 November 2007).

However, although the sums involved in grand corruption schemes are staggering, it is petty corruption that is more visible and immediate for the population: the doctor who earns a salary, but treats patients only against an additional fee or ‘present’; the teacher who only admits pupils to an examination against extra payment; the trade inspectors who withdraw the licences of tradespeople if they are not granted provisions on the profits – these and similar examples taken from everyday life are unfortunately legion.

However, all types of corruption, whether petty or grand, have an impact on the poor. As far as grand corruption is concerned, substantial amounts of the national economy which could be invested in social and physical infrastructure are diverted. The means of existence of the population, as such already precarious and vulnerable, continually get eaten away by pervasive petty corruption. And in any case the capacity of the state to protect and provide for its population and to sustain the people’s trust in public institutions is seriously affected.

In sum, these are the most pertinent reasons for putting the prevention of corruption, together with poverty reduction, on top of the development agenda: corruption harms equitable, legitimate and capable public institutions framing inclusive and sustainable development processes.

### 3. Corruption in Everyday Life

It has been made clear that corruption is harmful, and especially harmful for marginalised and disenfranchised people of a society. However, we cannot automatically assume that a society free of corruption is a normal state of affairs. If we take a look at the spread of corruption world-wide – which is possible thanks to the world corruption map by Transparency International<sup>21</sup> – above all one thing becomes apparent: the globe is dominated by states in which corruption is entrenched. The corruption perceptions index (CPI) reveals that there is no country in the world that is totally clean of corruption; according to the latest CPI it is a rampant problem for more than half of all states. Almost all the developing countries are concerned, with a few notable exceptions such as Botswana. But maybe more surprisingly industrialised countries like Italy, Mexico or Hungary are also significantly affected.

Trivial, but true: everyday an enormous amount of people are actively or passively confronted with corruption. What does this mean for the people, and what does it imply for wider developmental issues? The complex web of interdependencies will be illuminated by some quotes from citizens of countries in which corruption is endemic. The viewpoint chosen is hence not from the external one of a development ‘expert’, but rather the inside perspective of citizens in developing countries who live with corruption in its different forms and implications will be explored.

#### 3.1. ‘Corruption is a Way of Life’

Let us begin with a frequently heard statement, not by someone who profits of corruption, but by normal citizens of states in which corruption is widespread. In this

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21 For facts and figures with regard to the latest and earlier CPI and the World Corruption Map cf. [http://www.transparency.org/news\\_room/in\\_focus/2007/cpi2007](http://www.transparency.org/news_room/in_focus/2007/cpi2007) (last access on 12 November 2007).

case it was the irritated exclamation of a colleague from Kenya, who complained about the implicit assumption that corruption should be perceived as a problem in everyday life. Instead, he stated, it is a fact that in many regions of the world corruption is seen to be something altogether normal.<sup>22</sup> What may be coined as corruption by outsiders is widely accepted to be commonplace by the population.

As indicated in the introductory remarks, this critique of sweeping and generalising statements about the inherently harmful nature of corruption, that have become conventional knowledge in development discourse, is valid. However, there are very few explorations which seek to identify the exact nature of this complex web, partly because it is, by definition, context-specific and hence requires in-depth empirical investigation, partly because of the fine and precarious line between cultural relativism and cultural determinism. Cultural nuances in the acceptance of specific behaviours are indeed to be found everywhere. A good example is captured for instance by the so-called ‘olive-tree-divide’ between the relatively less corrupt and predominantly protestant countries in Northern Europe and the more corrupt, catholic countries of Southern Europe; the proverbial difference between the Prussian official who is regarded as being rigid and incorruptible in performing his duties, whereas his Mediterranean counterpart is seen to be more flexible when it comes to the interpretation of the law. Albeit deriving from a stereotype, this perception derives from a prevalent mentality towards a public office. The example of such opposing work ethics mirrors not only individually differing attitudes, but mentalities that are culturally nurtured, since they are embedded in socially accepted norms and patterns of behaviour and replicate them accordingly. Even taking the author’s home country, Switzerland, as an example, in spite of its squeaky clean image (at least in matters not relating to the financial sector) nepotism and favouritism on a local level are extremely common; public tendering processes are routinely tailored and subverted, and old-boy-networks or family ties blur the boundaries between public office and private (commercial) interests.<sup>23</sup> Viewed from the outside, these practices are obvious cases of problematic and often illegal conflicts of interest; a view that causes outrage in the communities involved, and strangely not just by the persons profiting from these practices. From an internal point of view, such practices are not just common, they constitute everyday and accepted ‘normal’ behaviour which does not call for any regulation – although it is obvious that the decisions made, ostensibly in the public interest, are based on personal and not objective or merit-based criteria.

These examples are not very remote from everyday life in Kenya to which the quotation refers. The preferential treatment of family members, or the giving of monetary or other gifts to officials and dignitaries are accepted as normal and common behaviours. Such practices are indeed framed by a specific cultural context: the norms of solidarity and reciprocity that include monetary exchanges as well as inclusion in social and economic networks; or gift-giving which is seen as a basic principle of politeness and is expected out of respect towards elders or more senior persons. The cultural component is noticeable – in all the cultures around the world, even in the most rigid administration, there are the ‘human’, personal decision criteria without which bureaucracies and public officials could not operate. But even though evidently

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22 This Kenyan colleague attended a workshop chaired by the author on 7 August 2006, dealing with ‘Corruption and Empowerment’ at the Conference ‘A True and Honest Dialogue with Africa’ in Caux, Switzerland.

23 For examples and analyses of culturally accepted forms of corruption in Switzerland – a people commonly perceived to be incorruptible – see Queloz, Borghi and Cesoni 2000.

everywhere certain forms of corruption are tolerated and accepted, it is also apparent that we are confronted with problematic aspects of corruption alluded to above; if, for example, officials or doctors routinely expect and even demand gifts for their services, or if someone is awarded a job only because he or she is a relative of the employer.

Hence, we need to sharpen our inquiry to what makes corruption so harmful? The answer may be obvious: it is the spread of corruption. Entrenched nepotism in a Swiss community is not less problematic than in an African one; both here as well as there particularistic interests are enforced at the expense of public welfare, and socio-economic injustice is reproduced. In comparison to an African community the citizens concerned in Switzerland have, however, more possibilities to avoid and refuse corruption, either by formal procedures and legal means, or with the help of the media and the public opinion, which can usually generate a certain political pressure. In cases of doubt Swiss citizens can rely on a generally effective rule of law. Even if individual institutions are affected by corruption there are a number of processes, officials and authorities that citizens can turn to claim their rights, demand accountability and redress.

However, in states where corruption is endemic these alternatives do not exist; the system of 'checks and balances' of the various institutions and organisations is suspended by the spread of corruption. A study about African states puts it as follows: 'Thus, personal relationships are a factor at the margin of all bureaucratic systems, but in Africa they constitute the foundation and superstructure of political institutions.'<sup>24</sup> Public services, by ideal definition rule-based and in the public interest, are personalised by the intrusion of corruption and abused for private interests. Hence, on a macro level, the interrelationship between endemic rates of corruption and high rates of poverty can be explained. From an economic point of view corruption has a harmful effect on a state with regard to rule of law, regulation possibilities and economic investments; while, from a political perspective, the preferential treatment of particular persons or group of persons fosters both the material and socio-political polarisation of the population, which profoundly runs counter to a democratic, stable and legitimate political order.

The normalisation of corruption is especially precarious for the population of a weak state, i.e. a state characterised by dysfunctional public institutions, inadequate or absent public goods and services, incompetent and/or discretionary public officials, lacking income opportunities, inadequate social security, and general vulnerability of large parts of the population. In this context, cultural gestures of politeness turn into survival strategies. The call for social rights and duties, such as solidarity and reciprocity, takes on a fundamentally different meaning when they are nurtured in a surrounding scarred by poverty and unemployment. Cultural idiosyncrasies must not disguise the core of corruption, namely the abuse of entrusted power. Wherever corruption is culturally legitimised there must be the question raised about the context in which this happens.

Thus, for example especially in many parts of Africa, it is striking how compulsively such duties of solidarity and reciprocity are called for, even with regard to very far-reaching relationships. It is against the imperatives of basic decency to refuse a 'favour' to a relative; it is seen as arrogant not to let one's extended family profit from the opportunities offered by one's own position; not to accept a 'gift' is an insult to the

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24 Bratton and van der Walle 1994:458/9.

one who makes the gift. Such offences are punished with corresponding rigorous social sanctions which cannot just simply be ignored by the persons concerned. In a study about West Africa Jean-Pierre Olivier de Sardan and Giorgio Blundo, two French anthropologists, circumscribe this kind of almost compulsive (and often definable as being corrupt) relationships with the term ‘social moral’, which is actually to be embedded in a concrete economic context: ‘Toute une morale sociale supporte cette “obligation de rendre service”, ce qui aboutit à un système généralisé de services et contre-services dans lequel chacun est “pris”.’<sup>25</sup> Also the small, everyday and endemic kind of corruption must be seen in this context. Especially in a situation of low salaries money gifts to public officials are accepted, expected and requested; what we define as ‘bribe money’ is not necessarily experienced as such in everyday life – they can be totally integrated and even almost trivial actions. They occur in a complex network shaped by politeness, subservience and understanding for the difficult situation of officials.<sup>26</sup>

However, it must be emphasised that corruption does not take place in a idyllic community that is free from power relationships and injustice. Corruption, whether petty or grand, takes place in a concrete socio-political and socio-economic context. Although certain practices as well as the degrees of their acceptance are rooted in social norms, the potential for their deeply harming effects is extremely high, since corruption has not an equalising but a polarising effect. Those who are equipped with bureaucratic, political and economic resources have the opportunity to accumulate them even further and thus to keep the wheel of inequality in motion even more. Relationships of dependency are created and/or entrenched, based on unequal distribution of and unequal access to resources. Perversely, this serves to ‘normalise’ and entrench corrupt exchanges even more, as patronage networks actually offer protection from the vulnerability and exclusion that poverty and deprivation create.<sup>27</sup>

When we consider the situation of the poor people, it is once again the question of power that comes up most prominently. Under circumstances of social, economic and political disempowerment, it is perfectly possible that everyday corrupt practices, as described above, are regarded as normal, precisely because chains of dependency and reciprocity define everyday social life.<sup>28</sup>

To speak with Amartya Sen, we are again confronted with the problem of (lacking) freedoms. As we have seen so far, different forms of corruption and their acceptance in the population can be partly explained on cultural grounds, but this does not defuse its problematic nature. Although corrupt practices, like nepotism, are partly formed and legitimised culturally, the problem of inequality is not mitigated.<sup>29</sup> If citizens have no possibility of realising and shaping life chances which are not directly dependent upon their personal relationships, if they have no possibilities to oppose arbitrary decisions by government officials, then the norms against which the ‘normalisation’ of corrupt practices are measured, are primarily derived from and enforced by the economic and political realities, and are not primarily the expression of a collective will.

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25 Blundo and Olivier de Sardan 2001:34.

26 Olivier de Sardan 1996; Dianor 2000.

27 For recent research see Gruenberg 2007.

28 For seminal contributions on the genesis, structure and effects of such economies of affection see Scott 1976 and Hyden 1980.

29 Eisenstadt 1984; Putnam 1993.

Corruption has a polarising effect, even in cases of socially legitimised corruption, for instead of fostering inclusion it entrenches exclusion. Institutions established to define, protect and realise the public interest are inverted to protect personalised interests favouring particular groups or individuals. The excluded part of the population, be that individuals, groups, regions etc. – is kept power- and resourceless. Although citizens may feel that it is a way of life, the perspectives for a lasting development, the gains of which can be enjoyed in the long run by the whole population, are not very promising.<sup>30</sup>

### 3.2. 'Corruption is a Higher Form of Competition'

However, does this line of argument<sup>31</sup> really withstand practical scrutiny? Is corruption truly inherently disempowering? Does not rather the opposite hold true, namely that corruption empowers by opening up individual and social room to manoeuvre, especially given the difficult circumstances a weak and poor states? For a long time exactly this argument was used by international business; for example, it was argued that no clean bureaucracy in the Third World exists and therefore economic activities in these countries routinely imply corrupt deals. The fact that until recently bribes paid in foreign countries was tax-deductible in Switzerland (and in other industrialised countries) shows the widespread acceptance of such attitudes.<sup>32</sup> Indeed, it is intuitively plausible that it is more economic if an enterprise, or an entrepreneur respectively, does not have to struggle through a labyrinth of procedures, regulations, fees, and other bureaucratic (and often purposefully meaningless) obstructions in order to get a licence or even just a telephone extension, but instead only has to ensure that the right amount of money gets to the right person in order to keep the business going. The economic benefit seems to be given on both sides: the enterprise, be it national or international, can go about their business, and the domestic economy profits from the ensuing jobs, tax income, goods and/or public services. In this context corruption is the proverbial grease that oils the wheels of a rusty administrative machinery, and also lubricates the engine of development, namely economic growth.

Smooth as this assumption may sound, it derives on basic and repugnant fallacies. In recent years, it has become clear even to international business that corruption is deeply harmful, not least as a consequence of big scandals. This fundamental change in attitude is supported by a range of diverse international conventions which, for example, criminalise the bribery of foreign public officials.<sup>33</sup> In the wake of adapting corporate social responsibility and efforts to change both policies as well practices, a whole new range of interesting initiatives have evolved that cut across sectors and interests to address some of the root causes of corruption. Renowned examples include the Global Compact between the UN and private businesses that has recently included

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30 For interesting framework and recent research see Newell and Wheeler 2006.

31 Quotation by a Tanzanian construction engineer during the author's research in Dar Es Salaam, Tanzania, in February/March 2004.

32 This was the case in Switzerland until the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions came into force on 1 May 2000.

33 For a good summary explaining the change of attitude and the legal framework cf. Glynn, Kobrin and Naim 1997 or OECD 2000.

a no-bribery-clause as a Tenth Principle<sup>34</sup> or the Extractive Industries Transparency Initiative, developing accountability and monitoring mechanisms for public revenues in the extractive industry.<sup>35</sup>

However, the quotation serving this sub-chapter as a heading was not taken from an international business person, but from a relatively ‘unimportant’, small Tanzanian construction engineer. He meant it in a positive, nearly playful sense, implying that the power of the market can be harnessed in even more innovative and productive ways with the help of corruption. This instinct to ‘play’ with the market and make the most of the opportunities it offers – the heartbeat of every market-based economy – has far-reaching effects in an area in which government controls, regulation and compliance are limited; a common situation in many developing countries. Playing the whole field of opportunities is a clever (and sometimes the only) way of securing an income, a position and making money. How double-edged this attitude is, however, expressed by a young entrepreneur, also from Dar es Salaam, Tanzania, who put it even more blatantly: answering the question why even those officials who had a sufficient income were corrupt, he replied: ‘If you’re not corrupt, you’re stupid’. He went on to explain that if you have the opportunity to enrich yourself then there is no obvious reason why you should not do so, for the fear and risk of sanctions is nearly inexistent, and society rewards individual affluence with prestige and recognition of being able to ‘play the game’.

Here we get a feeling of the ugly other face of the ‘game’. In this context corrupt practices are almost seen as economic rules. But of course the problem is that the rules of the game are determined by those who have the resources, the position and the power. It is a game that is played with unequal stakes. The unbelievably innovative and productive power of the market economy and the competition is inherently based on inequality, i.e. enabling a situation in which each individual and each business can make profit according to their own abilities and possibilities. However, the difference is that the market economy in a constitutional state takes place in a clearly defined framework that serves to protect the public welfare as a whole: the corporate and individual actors of the private sector do not move on a chaotic playing field, but quite the opposite, this field is regulated and controlled by a number of state laws, regulations, obligations, standards etc. protecting to a greater or lesser extent the citizens as persons, consumers, employees and tax payers. In an ideal scenario economic market and constitutional state complement each other, as this has been the case in the economic and political development of the Western world.<sup>36</sup> However, if the state itself becomes a part of the game by turning public institutions and rules into corrupt entities, then the game is no longer about enabling an optimal public welfare, but about the maximisation of particular interests. The difference is fundamental, whether the ‘game’ takes place within a normative framework that has developed out of a politically legitimised process and out of legal proceedings; or – on the contrary – it occurs in a surrounding where individual persons or group of persons have postulated the rules arbitrarily – which is the case in highly corrupt countries.

It is worthwhile to dwell on some farther reaching thoughts about the supposedly harmless effects of corruption on the private sector. The easiest way to illustrate the

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34 See [www.globalcompact.org](http://www.globalcompact.org).

35 See [www.eiti.com](http://www.eiti.com).

36 For a seminal contribution on the relationship between capitalism and development see Rueschemeyer et al. 1992.

interdependencies and repercussions is by taking an example that unfortunately stands for many cases: a weapon deal including USD 4.8 billions was approved in South Africa in 1999.<sup>37</sup> The package ranged from a system of the most modern weapons over tactical aircrafts to highly specialised ships. This deal was agreed upon, although a thorough preceding review process had come to the conclusion that alternative systems would cover the defence needs of South Africa equally well, and would amount to only about a fifth of the sum, namely USD 0.7 billions; in a country still struggling with the socio-economic legacies of apartheid and one of the highest HIV/Aids-rates in the world, this would have made a considerable difference to available expenditures in the development budget. However, adding to the incongruous decision, in the meantime costs have almost doubled to about USD 9 billions. The scandal is further fuelled by some spicy details: for example, several reputable foreign businesses of the weapon industry are suspected or accused of having paid high bribes or being involved in kick-back schemes, from which high-ranking politicians (e.g. the former Vice President) and their advisers have profited.

The consequences of this scandal are obvious: state expenses are not used effectively or even efficiently, but according to individual and corporate profit interests of high-ranking politicians, influential middlemen and big international businesses. Thus not only potential investments in other, more sustainable sectors (e.g. roads, schools, sewage treatment plants, power supply, water pipes, houses, hospitals etc), which are key both for the quality of daily life of the population as well as central pillars of sustainable development are lost; moreover, by making public expenditure decisions dependent on maximising private profit and not on optimising public welfare or financial management, state expenditures are bloated and hence put under further strain in terms of increased revenue and debt servicing. These are some of the macro-economic and distributional consequences of inflated costs due to corruption. However, another key aspect not mentioned so far must also be added: the political legitimacy of the government and the credibility of the administration suffer a loss of trust when high-ranking public officials blatantly abuse their position. This is a serious problem, especially in countries which are undergoing democratic transitions and where relevant institutions and processes are still in the process of being consolidated, and where a loss in credibility and legitimacy increases their vulnerability to resist events that threaten democratic values and processes.

This scandal also shows that realities are more complex than smooth theoretical assumptions: although the blatant abuse of political power and the corresponding personal enrichment by high-ranking politicians are clearly documented, the population does not seem to sanction these corrupt actions with protest and the withdrawal of political support. On the contrary, although one of the politicians involved has recently been found guilty of bribery in a trial, he is celebrated as a hero and future leader of the country by his followers and obviously enjoys an enormous support amongst a large, vocal and seemingly ever growing part of the population – this is disappointing for observers who had hoped for a distinct signal against corruption. Is it contradictory if a politician gains in popularity due to a corruption scandal? Or these populist tendencies can actually be fuelled by transgressing rules and the rule of law? Reality, as ever, is plural and complex, and such a seemingly

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37 For a concise analysis cf. Transparency International 2003b:252/53; for a detailed and comprehensive description cf. <http://www.globalintegrity.org/2004/country.aspx?cc=za&act=timeline> (last access on 25.08.06).



contradictory reaction can only be explained when the local political context is taken into account. In this case certain historical and ethnic components loom large in the political conflict, i.e. the volatile issue of the representation of Zulu-interests in ANC politics, which to a large extent is Xhosa-dominant; an issue which becomes more heated with regard to the election campaign surrounding the succession of the current president.

To summarise: The scandal of the South African weapon system does not only show how high the sums can be that are diverted by corruption, but also how deeply embedded the phenomenon of corruption is in the global as well local context. Only with the help of a nuanced comprehension of this context can corrupt practices be understood. Here it becomes also clear that strategies and programmes for the fight against corruption must integrate this local context. General principles and rules are useless if they miss reality.

### 3.3. 'We Survive through Corruption, we Perish through Corruption'

The ambivalence which pervades the perception and practice of corruption becomes obvious in this third and last quote.<sup>38</sup> In a way it mirrors the preceding quotation which says that corruption is a sophisticated form of competition. This quotation is not about the subjective perception or the cultural boundaries, but – more simply – the question of economic survival. Paradoxically this sigh of despair was not uttered by someone who is immediately affected by poverty, but from a young and reputable Tanzanian architect. Under the pledge of anonymity she described her situation as entrepreneur which is representative for the struggling and fragile middle class. As in many developing countries the private sector in Tanzania is relatively small, with the greatest number of companies composed by very small enterprises with hardly any access to credit or the security of collaterals. This makes them inherently highly vulnerable to risks. The public sector is by far the most important client of local companies. In the context of a weak regulatory framework, inadequate control processes, and a spreading culture of corruption, this de facto enormous dependency of the domestic private sector upon the public sector fuels a situation in which corruption becomes more and not less entrenched.<sup>39</sup> As a result of the economic dependency the entrepreneurs are at the mercy of the officials' discretion. In practice this means that in formally absolutely clean tenders it is already evident from the start which 'provisions' have to be handed in. Those who do not have a good grasp of the 'real' rules of the game have no chance in the award. Entrepreneurs affected by such corruption know that in the majority of cases it is useless to lodge complaints, even where appropriate authorities exist. They are either part of the game, or they are not independent and strong enough to proceed against corruption. Moreover, being relatively tightly circumscribed business communities, it would quickly be known who the 'black sheep' is, which puts whistleblowers at serious risk, as they will not receive any orders from the relevant officials anymore, which usually means bankruptcy.

Hence, entrepreneurs generally only survive economically if they give in to corruption. Paradoxically, however, even if they 'survive through corruption' by generating

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38 Quote by a Tanzanian architect in Dar Es Salaam, Tanzania, February/March 2004 during a research project of the author.

39 See also the National Integrity System country study of Tanzania by Transparency International 2003a.

enough work, the bribes, kick-backs, ‘provisions’ etc they are compelled to factor in cut into their already very scant profit margin. In other words, their economic survival is not necessarily improved by corruption; on the contrary, their precariousness is propelled. In interviews this dilemma was confirmed by larger and seemingly successful architects and constructing engineers. The economic situation of most of the entrepreneurs is fragile: there are only few individual, private or public securities, collaterals, insurances or credits which help protect them from unforeseen losses of income or other economic difficulties. The largest share of domestic businesses of poor countries therefore is highly vulnerable to external pressure. Under such circumstances it becomes extremely difficult to resist the pressure of corruption.

Quite apart from the moral dilemma that many individuals are caught in, causing great personal distress, there is also a larger developmental effect of this quandrum. The corruption margin needs to be created, usually either by inflating the costs and budgets and/or by cutting corners on the quality of the product, and evidently both have disintegrating effects on the developmental potential of a state. From the poorest entrepreneurs of small businesses to the experienced and successful large scale manufacturers, all deplore the hopelessness of this corrupt and corrupting dynamic.

Thus the ‘we’ in this quote can be understood in a narrow as well as in a wider sense: in the narrow sense of ‘we, the entrepreneurs’ for whom corruption belongs to everyday business, without which there is no work, no income and no future; where the system of corruption constantly reproduces a highly precarious situation of insecurity and dependency which makes the risk of poverty hover over the entrepreneurs like a Damocles sword. Corruption thus becomes existential in the positive as well as the negative sense.

However, the ‘we’ can also be interpreted in a more general sense as ‘we, the citizens of this country’, whose short- or long-term life chances also are made dependent on the discretion the few. The expression ‘perish’ refers to the hopelessness of the situation. If development is freedom – political, economic as well as social – then corruption as a product and symbol of dependency and inequality is the exact opposite thereof.

#### **4. Overcoming Poverty by Controlling Corruption?**

Looking at the local and individual effects of corruption on the population of poor countries, it becomes apparent that poverty and corruption are actually intertwined in a fatal manner – albeit in more intricate ways than perhaps assumed. Despite or exactly because of this entanglement it must be explicitly stated that the basic principles of the fight against corruption, namely the rule of law, transparency, accountability and integrity, are the basic preconditions for equitable and sustainable development. Be it in primary health care or while claiming democratic rights: the fight against poverty and the fight against corruption are implicitly and explicitly complementary.

It is encouraging to see that on an international level the prevention of corruption has become a recognised priority. The international state community has taken on responsibility and has established a strong symbol by adopting a unique international Convention against Corruption in December 2005 under the aegis of the United

Nations.<sup>40</sup> This Convention is remarkable since it breaks with the taboo subject of corruption in a surprisingly outright way by focusing on especially delicate subjects like, for example, the recovery of stolen assets. This Convention is also remarkable because, for the first time, it formulates common standards for the states of the South as well as for the states of the North, and thus explicitly acknowledges that all global actors are responsible on equal terms – also and especially the states of the North. Furthermore, important factors in preventing as well as fuelling corruption are included, for example, role of the private economy or the vital significance of democratic control by civil society.

Thus the causes as well as the effects of corruption are recognised as a global problem that calls for the cooperation and interaction by all involved. The initiatives and anti-corruption programmes of the international development organisations as well as the regional efforts head in the same direction, and usually in the same breath as the importance of poverty eradication is emphasised. In national and international efforts to prevent corruption many resources and much attention are directed towards the institutional framework of a state. Especially from the perspective of the population stricken by poverty and marginalisation, though, a bit less rhetoric and recipes and a bit more attention for the local situation would be desirable. The participation of the population and engaged citizenship in shaping their own welfare is an essential component in the fight against poverty as well as in corruption-control – a premise whose significance and basic principles are at least in theory indisputable by now. The challenge is to practically transform the relationships of dependency that curtail disenfranchised citizens.

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40 For the Convention as well as for more information about the contract parties cf. [http://www.unodc.org/unodc/crime\\_convention\\_corruption.html](http://www.unodc.org/unodc/crime_convention_corruption.html) (last access on 12.02.07).

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