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# Understanding corruption

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Recommended minimum time required: 3 hours

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## Introduction

«No country can be well governed unless its citizens as a body keep religiously before their minds that they are the guardians of the law, and that the law officers are only the machinery for its execution, nothing more».

Mark Twain

This quote captures one of the main determinant of governance and corruption, for it is the well informed, active and engaged citizens that could guarantee well governed society with minimum corruption. Moreover, as we could see later in this course, this guarantee of good governance has a spill-over effect on security as well as poverty. Against this background then, this course will aim to introduce some of the main concepts of corruption and its measurement as well as the link between corruption and security as well as corruption and poverty.

## Objectives

This module has a few main objectives:

1. To provide a basic understanding of the concept of corruption (including definition, measurement etc).
2. To lay the foundation for understanding the links between corruption and security.
3. To provide a basic understanding of the links between corruption and poverty, whilst also laying the foundation for some policy actions aimed at breaking the poverty/corruption cycle.
4. Based on (i) to give s from some of the most corruptible sectors (e.g. education, health).
5. Finally (ii), to give some s of how civil society could be harnessed in order to reduce instances of corruption.

## 1. Corruption – introduction of the concepts

Corruption involves behaviour on the part of officeholders or employees in the public and private sectors, in which they improperly and unlawfully advance their private interests of any kind and/or those of others contrary to the interests of the office or position they occupy or otherwise enrich themselves and/or others, or induce others to do so, by misusing the position in which they are placed.

More simply put, it comprises the misuse of entrusted power or responsibility for any private benefit of self or others (Hope 1985, 2000).

These types of corruption can be further classified into petty (low level, small scale, administrative, or bureaucratic) or grand (high level, elite, or usually political) (see, for, Hope 1987, 2000; Hutchinson 2005; DFID 2015).

1) **Petty corruption** applies to the kinds of corruption the ordinary citizen encounters or is likely to encounter in their everyday lives, such as bribery in connection with the implementation of existing laws, rules and regulations, or service delivery. It is the kind of corruption that people can experience more or less daily, in their encounter with public administration and services like hospitals, schools, local licensing authorities, the police, and taxing authorities, for, and may complement and reinforce high-level corruption and undermine efforts to establish and maintain an honest and well-run state (Hope 1987; Byrne 2009; Holmes 2015; Rose-Ackerman and Lagunes 2015).

2) **Grand corruption** (usually but not always synonymous to political corruption) refers to corruption at the high or elite level. It is not so much the amount of money involved as to the level in which it takes place –at the high-ranking levels of the public sphere, where policies and rules are formulated in the first place, such that higher-ranking government officials and elected officials exploit opportunities that are presented through government work, for, politicians adopting legislation that favours a group that has bribed them, or senior officials granting large public contracts to specific firms or embezzling funds from the treasury (Byrne 2009; Graycar and Prenzler 2013; DFID 2015; Holmes 2015).

It is important to note that corruption in the healthcare sector is often a reflection of the overall corruption situation in the country. Put simply, in countries that are more corrupt and where the rule of law is not respected, it is expected that the healthcare sector would also be prone to corruption. As an illustration, we present the overall **Corruption Perception Index** (CPI) for 2017 for

the countries where UNDP is a **Principal Recipient** (PR) of the Global Fund resources. Of the 21 countries examined, perceived corruption was highest in South Sudan, Syria and Afghanistan. The countries which performed well were Cuba, Sao Tome and Principe, and Bosnia and Herzegovina. Despite a positive performance from these latter countries, none scored better than high income countries in the rest of the world, which, on average, achieved a CPI score of 67. Further, when examining average CPI scores in countries where the UNDP acts as a PR of funds on behalf of the Global Fund compared to the rest of the world, it is clear that these countries perform worse than the average of low income countries, which are susceptible to corruption. It is, hence, expected that corruption would exist in various sectors in these countries (e.g. education, health, business practices).

Table 1. Corruption Perception Index (CPI) 2017 where UNDP is a Principal Recipient of Global Fund funds

Country	CPI score 2017	Corruption rank
South Sudan	12	179
Syria	14	178
Afghanistan	15	177
Guinea-Bissau	17	171
Iraq	18	169
Turkmenistan	19	167
Chad	20	165
Haiti	22	157
Uzbekistan	22	157
Zimbabwe	22	157
Tajikistan	21	161
Kyrgyzstan	29	135
Iran	30	130
Djibouti	31	122
Mali	31	122
Bolivia	33	112
Panama	37	96
Zambia	37	97
Bosnia and Herzegovina	38	91
Sao Tome and Principe	46	64
Cuba	47	62
<b>AVERAGE</b>	<b>27</b>	-



Country	CPI score 2017	Corruption rank
By income status (rest of the world )		
Low income	30	-
Lower middle income	34	-
Upper middle income	40	-
High income	67	-

In addition to summarizing the overall corruption in the countries where UNDP acts as a PR for Global Fund projects, we have also conducted further analysis on the link between corruption and:

1) global rule of law; and

2) access to healthcare (the results are summarized in figure 1 and figure 2 below). In both instances we find a clear positive correlation between the two variables. In other words higher transparency is associated with higher rule of law. By the same token we find that high transparency is associated with higher access to healthcare.

Figure 1. TI Corruption Perception Index 2017 (x axis) and WJP Rule of Law 2017 (y axis)

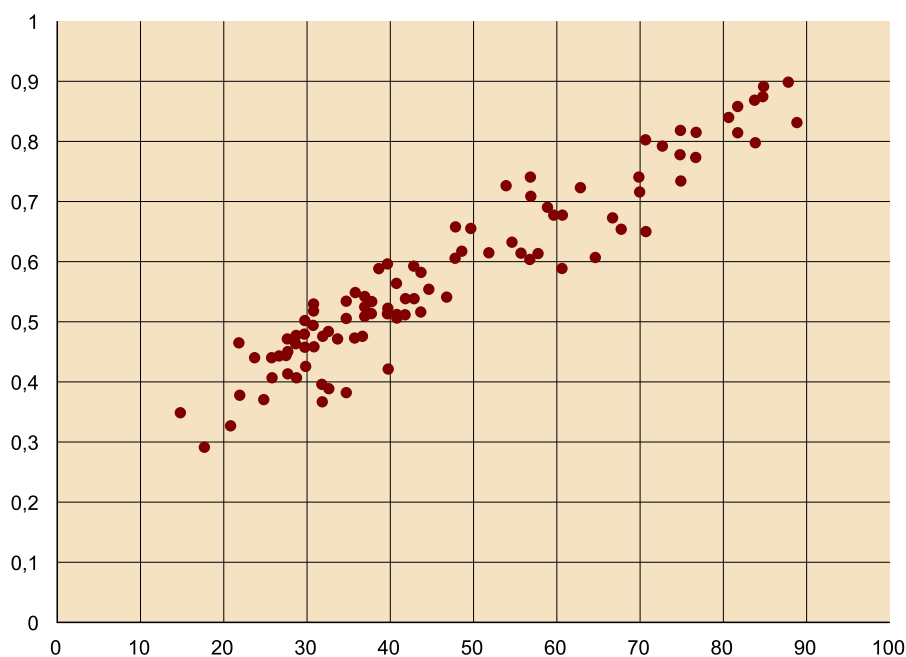
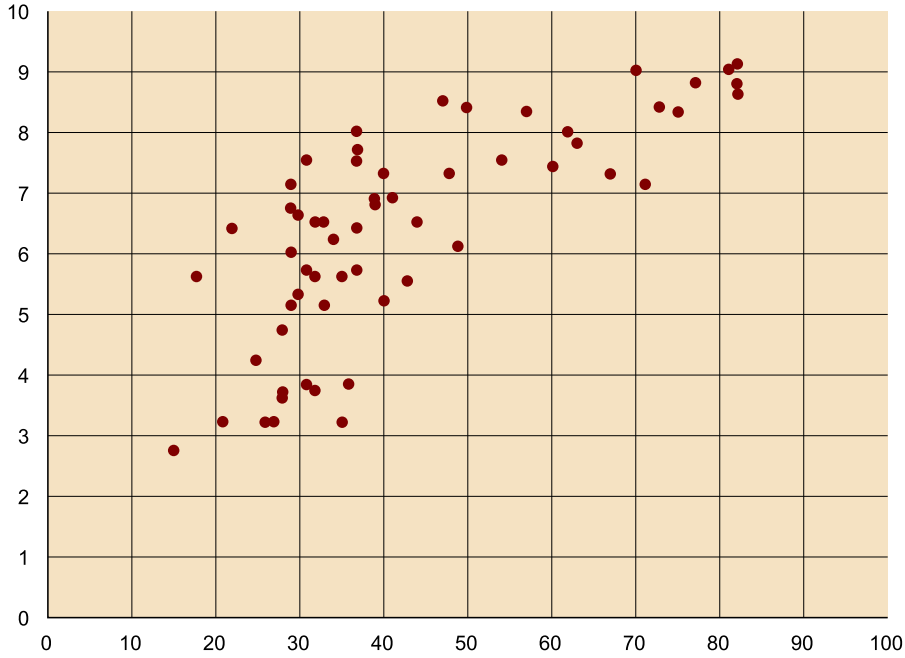


Figure 2. TI Corruption Perception Index 2017 (x axis) and Global Access to Healthcare Index (y axis)



## 2. The link between corruption and Sustainable Development Goals (SDGs)

Corruption has a vast impact on people's lives, especially in countries where it is widespread. Moreover, existing research points to the corrosive effect that corruption has on the attainment of the **Sustainable Development Goals** (Transparency International, 2017). High levels of corruption are associated with lower rates of economic growth, inferior public infrastructure, increased public spending, higher income inequality and poverty, and risks to national security (Gupta et al. 1998; Louise 2005; Mackey and Liang 2012; Tanzi 1998). Corruption tends to distort the motivations and incentives of decision-makers, service providers, and beneficiaries (Gupta et al. 2002; Mackey and Liang 2012; Scott et al. 2011).

Existing research points to the negative impact corruption has on poverty, inequality and governance structures, all of which are reflected within WHO's Sustainable Development Goals:

- no poverty (SDG 1);
- decent work and economic growth (SDG 8);
- and peace, justice and strong institutions (SDG 16) (see for, Transparency International, 2017).

The impact of corruption is far-reaching and extends beyond the aforementioned SDGs. For, corruption may reduce the amount of funds dedicated to improving a country's education system thereby preventing it from achieving a high-quality, equitable and inclusive education system (SDG 4, quality education). Further, high rates of poverty will translate into a greater proportion of the population living in hunger (SDG 2, zero hunger).

More specifically, high levels of corruption could significantly endanger the attainment of SDG3 (improving health) and SDG 16 (inclusive, just and peaceful societies). To date there is a burgeoning literature on the link between corruption and health outcomes and as such it could be divided into two main strands.

1) The **first strand** finds a direct link between corruption and health outcomes. Glatman-Freedman et al. (2010) examined 35 GAVI Alliance-recipient countries and found that combined governance score –using World Bank governance indicators– was positively associated with the successful introduction of the Hepatitis B and/or Haemophilus influenza Type B vaccines. This association remained significant when adjusted for other contextual factors, including healthcare expenditure per capita. Among a cross-sectional study of 120 countries, Holmberg and Rothstein (2011) adjusted for national spend-

ing on health and found a statistically significant, positive relationship between quality of government (rule of law, government effectiveness, and corruption perception) and better health in five indicators: life expectancy at birth, child mortality, maternal mortality, healthy life expectancy, and self-reported health status. Of these, the most statistically significant relationship was found between quality of government and healthy life expectancy, which is the average number of years that a person can expect to live without suffering from disease or disability. The independent effect of the government effectiveness variable was most evident among countries where healthcare expenditure per capita was low. Burchi (2011) examined 102 countries across 28 years and found that countries with greater democracy, control of corruption, and government effectiveness scores experienced fewer deaths during a famine. Categorizing the countries as either 'democratic' or 'autocratic', based on the political rights index, Burchi found that among autocratic states, low values for voice and accountability and political stability were significantly associated with greater famine mortality. Olafsdottir et al. (2011) found a significant association between governance variables and under-five mortality in 46 African countries even after adjusting for covariates reflecting the health care system, e.g., financing, education, and physical infrastructure. Finally, Gupta et al. (2002), drawing on data from 89 countries over more than a decade (1985–1997), found a significant link between corruption and child and infant mortality, low birth weight, lower likelihood of an attended birth, and lower rates of immunization. Their finding is resonated by Azfar and Gurgur (2005) who suggest that corruption causes a reduction in immunization rates, delays in newborn vaccination, makes citizens more reluctant to resort to health care in public clinics and augments waiting time.

2) A **second strand** of the literature has focused on the indirect effect that corruption has on health outcomes – mostly by reducing government expenditure on healthcare. One study (Rajkumar & Swaroop, 2008) of 91 countries found that two components of good governance –control of corruption and strong institutions– modified the effect of public health spending on child mortality, showing that public spending had a stronger effect on reducing child mortality in those countries that have lower levels of corruption and high levels of institutional capacity. A second study (Shandra et al., 2004), examined infant mortality across 59 developing countries and found that the detrimental effects associated with exports, multinational corporations, and international lending institutions have a more exacerbated effect on infant mortality rates at lower levels of democracy than at higher levels of democracy. In effect, higher levels of democracy safeguard low- and middle-income countries against the unintended consequences of unfavorable economic and trade policy, such as reliance on a single export. A higher level of corruption was shown to be correlated with lower investment in human development, as measured by life expectancy, educational attainment, and standard of living (Akçay 2006). Finally, Factor and Kand (2005) show that higher corruption is associated with lower levels of health expenditure as a percentage of GDP per capita, and with poorer health outcomes. Overall, and as suggested

by the most recent empirical studies, life expectancy, infant mortality, and under-five mortality are significantly affected by corruption such that countries with better control of corruption or a lower level of corruption display longer life expectancy, lower infant mortality, and lower under-five mortality (Lio and Lee 2016). Hanf et al. (2011) estimate that more than 140,000 annual children deaths could be indirectly attributed to corruption.

Corruption represents a major obstacle to reaching SDG 16. Corruption occurs at every stage of the service delivery chain, from policy design and budgetary allocations to procurement (e.g. bribery), thereby undermining the quantity and quality of public services and restricting access to quality health, water and education services, with a disproportionate impact on the poor. As witnessed during the implementation of the Millennium Development Goals, positive outcomes in the short term will not be sustained over the longer term if corrupt practices go unabated (Transparency International, 2017). Finally, reduction in corruption and bribery as well as developing effective, accountable and transparent institutions at all levels are explicitly stated as targets 16.5 and 16.6 of the SDG 16. The importance of anti-corruption efforts in the context of Agenda 2030 has also been emphasized in the latest UNDP Strategic Plan (2018-2021) (UNDP, 2017).

Moreover, corruption has negative spill-over effects, particularly on exacerbating conflict, insecurity and violence. In 2014, the **Pew Research Centre** (a US-based research think tank) released a report on the key problems experienced by those living in emerging and developing countries (Pew Research Center, 2014). Of the nine issues posed in the research centre's survey, crime and corruption were viewed as the two biggest concerns with 83% and 76% of people, respectively, indicating these were 'very big problems' (Pew Research Center, 2014). These results indicate a correlation between the two issues with corrupt countries experiencing more violence, and violent countries being more corrupt.

Correlation, however, does not imply causation. To demonstrate the explicit link between violence and corruption, figure 3 outlines the causal pathways between the two issues. To start, and in no particular order, poor governance in a country implies decisions made by government are not transparent, further, leaders are not held accountable for their actions. Corruption is more common in countries with weak governance structures as it allows decision-makers, groups, individuals etc. to engage in such behaviour without the risk of being punished. For, as outlined by the United Nations Interregional Crime and Justice Research Institute, during a post-conflict era where governance structures are weak, instances of illicit arms trafficking and the trade of counterfeit goods increase as people take advantage of the diminution of government-enforced restrictions across borders (UNICRI, 2018). Weak governance structures are also linked to violence, with mistrust of public officials causing social unrest and violent protests. A report undertaken by The Economist in

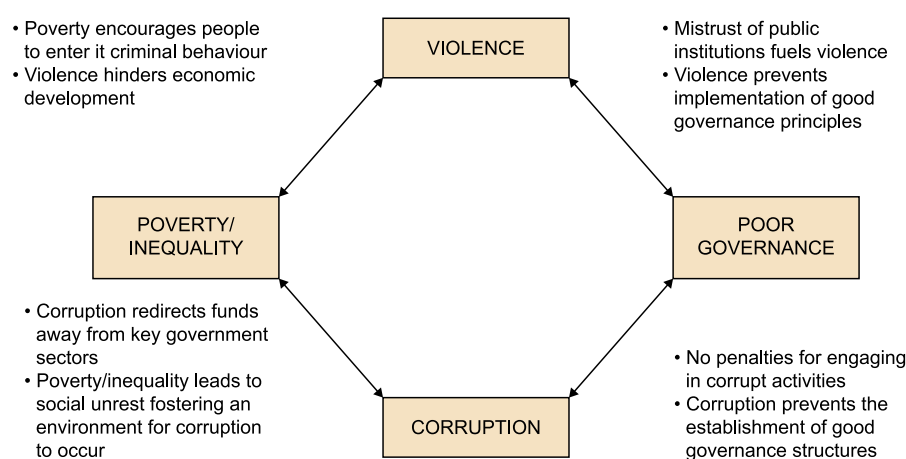
2011 found that countries with good governance structures experienced lower rates of murder and were less likely to have suffered from a civil conflict (The Economist, 2011).

Poverty/inequality is also closely related to both corruption and violence. In regard to the former, corruption redirects funds away from sectors such as education, health and infrastructure which hinders economic development and widens the income inequality gap (UNICRI, 2018). Conversely, high levels of poverty make engaging in corruptive behaviour more attractive as it may yield greater economic benefit (UNICRI, 2018). Regarding the relationship between poverty/inequality and violence, firstly, violence hinders economic development, and secondly, high levels of inequality encourage individuals/groups to commit violent acts. The link between poverty and violence was explored in a 2011 report which found that two-fifths of young people who join gangs/rebel groups in developing countries do so to avoid unemployment (with only 1/10 citing belief for the cause as the main reason for joining) (The Economist, 2011).

The literature is clear, violent countries are more likely to be corrupt, and corrupt countries are more likely to be violent.

To help unpack this relationship, an examination of the impact governance and poverty/inequality have on both these issues has been explored. In short, weak governance structures and high rates of poverty both encourage violence and corruption which helps us understand why countries that are violent are more corrupt, and vice versa.

Figure 3. Causal pathway between violence and corruption



Source: Developed by author.

The next sections further build on this notion and further elaborate on the link between corruption and security as well as corruption and poverty.

### 3. Corruption and security

Studies show that it is no coincidence that low accountability, reduced transparency, heightened corruption and greater insecurity are occurring simultaneously in many countries (Collier, 2007). Corruption weaves different actors together at different levels who chip away at the pillars –political, military, social, economic and environmental– that sustain security:

**1) Political:** The ‘buying’ of political candidates, the judiciary and local police forces. These monies may flow from drug traffickers, businessmen or powerful political elites and be used to distort security-related decisions.

**2) Military:** Unaccountable and questionable procurement processes by ministries or private contractors.

**3) Social:** The use of bribery and power by organised crime groups to facilitate, for, human trafficking and small arms running.

**4) Economic:** The theft of public monies generated from natural resource wealth to fund paramilitary groups or insurgents.

**5) Environmental:** The payment of bribes by governments and companies to dump hazardous waste and materials in marginalised communities.

When it comes to addressing these insecurities, governments can be both part of the problem and the solution. In the cases of countries like China, Chile, Germany and Jordan, government-led efforts to combat corruption have targeted one or more of the dimensions affecting a state’s security risks. In other instances, governments have systematically used corruption to fuel national, regional and global conflagrations at the cost of the security of their citizens. Chad, the Democratic Republic of Congo, Myanmar and Sudan rank in the bottom five per cent on the 2008 Corruption Perceptions Index (CPI) produced by TI. These countries’ governments are also commonly named among the worst perpetrators of violence against their own citizens (Transparency International, 2018).

At the same time, corruption and insecurity can spring from relatively stable and well-governed states when there are breaches in their own accountability, transparency and integrity. Recent scandals in the US and UK regarding opaque defence industry practices serve all too well as a reminder of corruption’s reach. US dealings in Iraq in particular have been under constant scrutiny after a series of shadowy military and oil contracts were uncovered which flouted US and Iraqi government policies (Passas, 2007). One study by the Inspector General for Iraq Reconstruction found that the Coalition Provi-

sional Authority (CPA) mismanaged contracts worth US\$ 88,1 million, overpaid on at least 11 projects and saw US\$ 36 million in weapons go missing. Private and public actors on both sides have been implicated in the abuse. According to the TI Global Corruption Barometer 2007, US citizens' cynicism of their government's ability to fight this and other types of corruption have placed the US in the bottom quintile of countries –and among states such as Argentina, Albania and Russia– for their efforts to combat abuse (Transparency International, 2007).

### **3.1. Understanding the security fall out from corruption**

The security agendas of countries –including more traditional concerns related to questions of borders and defence– have been surprisingly disconnected from the anti-corruption discourse. Yet policies made under a country's security doctrine can produce extremely distorted results when corruption enters into the equation.

Corruption can facilitate as well as cause a rise in security risks for countries and citizens, linking together political, military, social, economic and environmental concerns. In both cases, increased insecurity can lead to increased corruption, creating a vicious cycle. Governments may use citizens' greater sense of 'insecurity' (whether real or perceived) and the banner of 'national security' to hide abuses and withhold information –actions which, in turn, can contribute to elevated security threats. Such opacity is occurring as traditional security funding is soaring. In the last 10 years, world military spending has jumped 37 per cent, with the US accounting for more than half of all current outlays (Stalenheim et al, 2007).

Corruption can facilitate insecurity through different channels and actors. It can:

1) **Serve as an accomplice for violence.** Bribery has been used as the grease for getting nuclear arsenals and arms out of countries (often transitional or fragile states). A variety of former Soviet republics (e.g. Belarus, Georgia and Tajikistan) and other countries like Pakistan top the list of nations sending these deadly materials abroad (Grier et al, 2004). Security checkpoint payoffs have also been used to give a safe passage to terrorists to cross borders and carry out attacks. For, Russian investigators traced the airliner attack by Chechen insurgents in 2004 to a bribe of less than US\$ 180 that was paid to get them on board without proper identification.

2) **Reduce government resources for key sectors.** When corruption casts its shadow on decision-making, already limited resources to address the broader scope of security risks are reduced, inappropriately spent or siphoned-off for personal use. For, studies have shown that corruption is associated with the



skewing of public expenditures towards defence funding and away from basic services, as measured by the share of national income dedicated to each (Delavallde, 2006).

**3) Decrease government accountability.** Executive and legislative privileges may be expanded beyond the powers that citizens have given, and used to dodge questions of accountability on a government's military decisions or actions in other spheres. Under a scenario of limited accountability, arms sales and military support may be granted to countries based on unclear criteria and opaque decision-making. Private military contractors and region-wide security operations may fall into a void, without proper control or safeguards guiding their actions.

**4) Limit access to information.** As perceptions of insecurity rise, the notion of 'national security' may be perversely claimed by governments to prevent the spotlight from being cast on corrupt activities or to quell dissent. By employing the 'security' veil, information may be blocked on issues like the awarding of defence contracts. Even in times of peace, matters of state 'security' have always been considered outside the public domain. For, neither the International Monetary Fund nor the World Bank requires countries to report on defence spending as part of public finance rules, although transparency in government expenditures for education, health, the judiciary and a battery of other sectors is expected (Gupta et al, 2001).

**5) Promote impunity.** Particularly in times of war or conflict, citizen rights and due process may be violated in the name of preventing 'terrorism' or under the claim of 'national security': with their personal safety already threatened, citizens may be discouraged from exposing cases of corruption. Legislation approved in Russia in 2006 now considers extremism to include any criticism of a public official. In countries such as China, Jordan, Nepal and the US, anti-terror measures have re-classified certain acts of political dissent as falling within the scope of the law. Freedom of expression suffers most when such protections are eroded. The media may be forced to reveal sources or not publish stories. Although 100 countries have laws protecting journalists and their sources, the US, Canada, Netherlands and Ireland are conspicuously missing from the list.

Corruption can also be the cause of insecurity; most notably when systemic abuse makes governments the source of the problem. In such cases corruption can:

**1) Exacerbate security threats.** While representing less than one per cent of international trade flows, arms exports are estimated to account for 50 per cent of all corrupt transactions globally (Pyman, 2005). Corruption allows for breakdowns in the delivery of supplies to go unaccounted for and arms smuggling to flourish. In the small arms trade alone, estimates are that black market sales may top US\$ 10 billion annually (IANSA, 2010). Illegal trading and

weak export controls mean that a country may find the weapons it has sent legally to partners and suppliers in the hands of its greatest security threats, as has happened in Colombia, Panama, Iraq, Somalia, Haiti and Afghanistan. The push for a United Nations treaty to address these gaps and other issues of arms excesses has been strong, but action is currently stalled due to resistance by big exporters like the US.

**2) Fuel conflict.** The systematic stealing and misappropriation of state funds by corrupt governments breeds discontent and conflict among citizens, as has been evident by separatist movements in resource-rich countries like Indonesia and Nigeria. In the past, such monies have been used to directly support insurgents (Afghanistan and Iraq), attack citizens (Sudan) and export conflict (Liberia). Non-state actors also enter into this equation, using financing from drug, contraband and human trafficking to fund violence. For, the TI national chapter in Colombia has analysed the links between the drug trade, armed insurgents and the capture of the state (Transparencia Colombia, 2017).

**3) Promote state capture and abuse.** When corruption is dictating the rules of the game, increases in spending do not necessarily mean more effective security policies. Even in a context of rising donor flows to military allies, the effectiveness and sustainability of spending are likely to be compromised if the recipient government is corrupt. For, a rise in military funds to kleptocracies can only serve to bolster unpopular governments and increase insecurity.

**4) Destabilise regions and the international system.** Countries as diverse as Lebanon, Pakistan, the Sudan and the Congo form part of a network of nations where domestic corruption is undermining global security and threatening international peace (World Bank. 2006). These countries present past and future challenges for preventing and resolving conflicts vis-à-vis peace building and peace-making while also feeding into economic, environmental and social insecurities.

**5) Undermine peace processes.** In cases where claims of corruption compromise peace processes, it can increase instability rather than alleviate it, as has happened in Haiti, Sri Lanka and Timor Leste (Hussman, 2007). Research in the South Caucasus region has shown that peace building is often difficult to achieve when one side perceives the other to be corrupt (Mirimanova and Klein, 2006). Corruption can also complicate demobilisation, disarmament and reintegration initiatives. Former warlords may run off with a few cronies and the money, leaving their fighters without funds, but with guns.

## 4. Corruption and poverty

Being poor does not only mean falling below a certain income line.

Poverty is a multi-dimensional phenomenon that is characterised by a series of different factors, including access to essential services (health, education, sanitation, etc.), basic civil rights, empowerment and human development (Sen, 1999).

The SDGs recognise this broader concept of poverty and the reality that it must go beyond pure income measurements. Its core documents promote the values of freedom, equality, solidarity and tolerance for tackling the key development challenges to reducing poverty.

Corruption undermines these development pillars, an individual's human rights and the legal frameworks intended to protect them. In countries where governments can pass policies and budgets without consultation or accountability for their actions, undue influence, unequal development and poverty result (Moore, 2006). People become disempowered (politically, economically and socially) and, in the process, further impoverished.

Corruption also siphons off goods and money intended to alleviate poverty. These leakages compromise a country's economic growth, investment levels, poverty reduction efforts and other development-related advances. At the same time, petty corruption saps the resources of poor people by forcing them to offer bribes in exchange for access to basic goods and services — many of which may be 'free' by law, such as healthcare and education. With few other choices, poor people may resort to corruption as a survival strategy to overcome the exclusion faced when trying to go to school, get a job, buy a house, vote or simply participate in their societies.

To address these obstacles, policies and interventions supported by governments and donors must integrate initiatives that recognise how poverty, inequality and corruption are inter-related:

- 1) The fight against poverty and corruption is only sustainable and successful when the two phenomena are addressed together, particularly in the poorest countries.
- 2) Political, economic and social inequality causes and exacerbates poverty and corruption.

3) Pro-poor anti-corruption strategies –initiatives that assess the benefits and risks for the poor– are most effective when they promote citizens' basic rights. In addition, tackling corruption where it begins –prior to elections, after public officials have just taken office and when policies are conceived and planned– increases the effectiveness of interventions.

#### 4.1. Breaking the cycle

Combating poverty and corruption means addressing and overcoming the barriers that stand in the way of citizen engagement and a state's accountability. While most developing countries claim that the equal participation and rights of citizens exist, they rarely apply to the poor in practice.

TI's **Global Corruption Report** (2004) signalled that corruption can be used to manipulate a country's political institutions, parties and processes to maintain the status quo –violating the rights of poor citizens and perpetuating poverty. As noted, the poor are most frequently forced to resort to corrupt practices where marginalisation and political, economic and social exclusion are highest. This presents an enormous challenge for the development community. If anticorruption programmes are not linked to alternative means of legitimately accessing basic services, they will have a negative impact on the people they are meant to help.

To be effective, pro-poor anti-corruption strategies must look more closely at the larger context that limits opportunities for poor citizens to participate in political, economic and social processes.

**1) Political participation and accountability.** Linking the rights of marginalised communities and individuals to more accountable governments is a fundamental first step for developing a pro-poor anti-corruption strategy. A country's policies are shaped by citizens giving their governments the power to act on their behalf (e.g. the accountability cycle). Corruption by public and private sector actors taints this process, distorts constitutions and institutions, and results in poverty and unequal development. By strengthening political accountability, policies ensure that the poor are seen not as victims but rather as stakeholders in the fight against corruption. Such a refocusing of the issues raises questions about how to address key development frameworks, including **Poverty Reduction Strategy Papers** (PRSPs), which have been criticised for insufficient accountability and citizen participation (Eberlei, 2007). Until now, a consensus on how to strengthen these elements in practice has remained elusive within development cooperation circles (OECD, 2007).

**2) Economic inequalities and market failures.** Designing an anti-corruption strategy that is pro-poor involves recognising how wealth and poverty are created –and how abuse of power conditions the process. Corruption on the part of public and private sector actors facilitates market failures, which can generate and perpetuate income inequalities. Most countries in Latin America,

Southeast Asia and Sub-Saharan Africa present highly unequal income distributions along with elevated levels of corruption. In comparing the CPI rankings for the world's 10 most unequal nations, half the countries fall within the bottom 40 percent of the index (World Bank, 2017). When corruption occurs in the economy, breakdowns and abuses are often attributable to the inadequate regulatory and anti-corruption frameworks used by governments and companies. The passage of UNCAC and other global guidelines –as well as the push for more stringent regulation of the financial sector– has been an attempt to address this side of the corruption equation.

**3) Social cleavages and exclusion.** Social exclusion that limits citizens' access to political and economic decision-making is inconsistent with pro-poor anticorruption efforts. The marginalisation of groups of citizens from society is contrary to the concept of good governance and theoretically has no place in democratic societies. It leads to rules that are applied with a double-standard, even if countries claim to embrace democratic equality. Cleavages arise and the social fabric of society is threatened. As TI has cautioned 'one system for the rich and another for the poor fractures communities' (Transparency International, 2007). When corruption is involved, these divisions can turn into a source of conflict that undermines the state's credibility, legitimacy and effectiveness and which locks the poor in a cycle of ungovernability, inequality and corruption.

## 5. Corruption and the education sector

The public education system in most countries is largely left to the discretion of the central government. Even when education is decentralised, the state usually controls key areas such as the recruitment and deployment of teachers, payrolls and budget oversight. This monopoly leaves room for corruption to occur at different points along the way: in education ministries, school administrations and the classroom. The corrupt transactions that result can be traced to actors at the political, administrative and school level and can undermine good governance.

**1) Political.** Education is particularly prone to political interference because of the sizable finances and human resources it employs. On average, it consumes 20-30 percent of a nation's budget. Corruption can take many forms. Politicians may abuse their power when making teaching appointments, promotions or transfers. They may even 'secure' teachers to campaign for them in the classroom during elections (Chua, 1999). Their political influence also may be used to determine where and what types of schools to build.

**2) Administrative.** Corruption can occur at different administrative levels, including within ministries, districts and schools. For, district inspectors may request bribes from schools in return for a favourable report to the education ministry. Individuals –administrators, teachers and others– may also misuse schools for private and commercial purposes. Educational material and school supplies may be sold instead of being freely distributed. Unauthorised fees may be charged for public schools and universities.

**3) School.** Teachers may be absent from the classroom, not teach the required curricula or extort services from pupils. Sexual exploitation of students by teachers and professors is a common form of corruption in many countries.

### 5.1. Education finance

Corruption occurs in the allocation, execution and use of government budgets earmarked for education. Given the overall size of funding for a country's education system, even low levels of corruption in budget management can result in a significant loss of public resources.

The recent decentralisation of schools' financial management responsibilities to the local level has increased the risk of abuses, especially when it has not been accompanied by monitoring and adequate capacity building measures. With more people and administrative levels involved in education finance, opportunities for fraud and corruption have also risen. Reforms can create

confusion about respective responsibilities and resource flows, leaving those within the education system unclear about the changes and their rights under the new system.

**1) Budget allocation.** Countries with high levels of corruption invest less in public services, leaving the education sector under-funded (Mauro, 1997). Resources may be channelled from schools in need, especially in rural areas, to those that are already privileged, such as in more urban regions. Funding also may be allocated based on where there are greater opportunities for private gain. Large contracts for building schools, buying textbooks or running meal programmes offer the potential for kickbacks, bribery, nepotism and favouritism. In addition, allocations to schools may be made using falsified data, such as inflated enrolment numbers. This uneven distribution of resources tends to benefit better-off students to the detriment of the poor and affects the equity of a nation's education system. Off budget allocations are particularly risky, especially when foreign donors provide direct financing to schools and bypass government departments or civil society organisations (CSOs) that could act as intermediaries (Transparency International, 2005).

**2) Budget execution.** Earmarked resources may never reach schools and universities. In schools studied in Ghana and Uganda as part of TI's Africa Education Watch, it was common to find payments each term delayed up to one year. Instead, finances may be embezzled by officials, misused in rigged tenders, or lost to administrative inefficiencies. Contract specifications may target a specific supplier and closed tendering processes may exclude potential bidders or lead to inflated prices. The extent of these 'resource leakages' can be sizable. According to countries surveyed by the World Bank, between 10 and 87 percent of non-wage spending on primary education is lost (Hallak and Poisson, 2007). As a result, textbooks may be of poor quality and insufficient quantity, the building infrastructure of teaching institutions may collapse, toilets may not be built and learning materials may go undelivered.

**3) Use of education resources.** Funds that reach schools may not be used according to their intended purpose. Textbooks may be sold instead of being freely distributed, illegal payments may be made by school authorities using falsified receipts or the quantity of goods purchased may be inflated. Counter-acting these abuses is further complicated when book keeping at the school-level is not audited or conducted at all. Findings from Morocco and Niger suggest 64 percent of primary schools lack any accounting system (Transparency International, 2009).

Transparency and access to information are essential to control and prevent corruption in education finance. There is no stronger deterrent to corruption than public information and exposure. The more that people are informed about budgets –and education plans in general– the more likely that individuals in positions of power can be pressured to respect policies and regulations. For, salary funds are better monitored when teachers know their wages and

expect them to be paid (teacher salaries can represent an average of 80 to 90 percent of the total education budget) (Patrinos and Kagia, 2011). Additionally communities are better able to take part in school governance when they know the flow of resources being received and when the information provided is understandable, simplified and accessible.

Formula funding –a system of agreed rules for allocating resources to schools and universities– is another way to reduce discretionary budgetary powers and contribute to greater equity in education. Direct cash transfers to schools ('capitation grants') can limit opportunities for corruption. However, clear financial rules and regulations must exist and be enforced. Officials need to have the necessary skills to apply them and regular independent audits must be used.

Local stakeholders –parents, teachers and students– can provide useful feedback on decisions such as the appropriate use and quality of teaching materials or the adequacy of school financing received. Also, parent involvement through **school management committees** (SMCs) that control budgets can be an effective measure, provided members are sufficiently skilled, representative and have been ceded the space to perform their oversight role (Transparencia Brazil, 2005).

Moreover, open tender systems and clear criteria and procedures are needed as part of an education system's procurement processes. These will help to ensure that schools get the best products and services, particularly when direct purchases are used. Conflict of interest rules and public access to bidding proposals also can help to curb corruption in public contracting (Transparency International, 2007).

## **5.2. Examinations and accreditation**

In higher education, new technologies and increased competition among students have led to new opportunities for corrupt practices. Academic fraud and the buying and selling of grades and diplomas are frequent occurrences, particularly in Southeast Europe and the former Soviet Union (Hallak and Poisson, 2005). For, bribes paid to secure admission to Russia's universities have been estimated at 30 billion roubles (US \$1 billion in 2003) (Rossyskaya Gazetta, 2005).

Academic corruption occurs when a student bribes a professor for a good grade or pays her teacher for private tutoring –even when she does not need it. It can also happen when exam papers are sold or someone else sits for a test– a frequent practice in China (Rumyantseva, 2005). s of academic corruption abound from around the world. One poll conducted among Bosnian university students found frequent bribing occurred during exams and that most students felt they could not do anything about it (Lazic, 2005).



Corruption in the accreditation of teaching and training institutions is also on the rise. The privatisation of academic institutions and the proliferation of distance-learning courses and trans-border education have spurred this increase since many times they fall outside state regulatory frameworks. Through these channels, unqualified individuals may find it easy to obtain credentials and academic degrees in exchange for a bribe. Corruption in the accreditation of courses and institutions, coupled with credential fraud, results in students being licensed with poor professional standards. Bogus institutions ('diploma mills') may even issue degrees without providing any teaching at all, placing unqualified doctors and other professionals in positions of authority.

Clear and transparent assessment criteria and regulations are needed, both in student examinations and the accreditation process for teaching institutions. Standardised national exams –administered by independent testing institutions– reduce opportunities for abuses and fraud. Appropriate measures to detect and address problems also must be applied. These should include the physical verification of a candidate's identity, safe storage of exam papers, centralised grading and computerised testing.

The independence of accreditation committees and oversight bodies also is crucial if they are to operate without outside interference. In the provision of trans-border education, standards of transparency and accountability have been set out by UNESCO and the Council of Europe in a code of good practice, which provides a framework for the assessment of foreign qualifications (UNESCO, 2007).

### **5.3. Teacher management and classroom conduct**

Teachers play a vital role in education outcomes. They are expected to maintain high teaching standards and also must use their teaching and classroom behaviour to transmit values such as integrity and respect.

Corruption in teacher management includes favouritism, nepotism, cronyism and bribery in the appointment, deployment, transfer and promotion of teaching staff.

Corruption may also occur in the payment of salaries. For, teachers may have to offer kickbacks to get their pay –a practice common in rural areas or wherever a formal banking system is not in place. 'Ghost teachers' –listed on the payroll but not teaching– are another form of corruption and exact a heavy burden on education budgets. These 'ghosts' may be the result of the poor management of administrative records or the deliberate collusion of teachers and administrators to collect the salaries of teachers who are dead, retired or on unauthorised leave (Patrinos and Kagia, 2007).

Private tutoring, whether by individuals or through 'preparatory courses' offered by institutions, is a rising industry in many parts of the world. It can become a driver of corruption if provided by teachers to their own students. While nations like France, Australia and Singapore prohibit teachers from providing paid tutoring to their students, it is a common practice in Bangladesh, Cambodia and others countries (Bray, 2003). Research conducted on corruption in education in Africa revealed that 47 percent of households in Ghana and 25 percent in Uganda reported paying additional fees for private tutoring (Transparency International, 2009). Paid tutoring can develop into a form of blackmail, where teachers teach only half the syllabus during official hours and pressure students to pay for their private classes to learn the rest. They also may threaten students with lower grades if they do not enter their private tutorials (Bray, 2003).

Working conditions for teachers are admittedly difficult in many countries. Low salaries and an adverse working environment may contribute to teachers abusing their position. However, the overall atmosphere –including school infrastructure, sanitation, proximity to cities, the quality of teacher housing, career opportunities and the prestige of the profession– has a more decisive influence on teacher conduct than simply salary. These dimensions must be addressed as part of the policy response. For, changes in salary should be accompanied by measures that serve to raise the social status of teachers. The four countries that have achieved the highest education standards –Canada, Cuba, Finland and South Korea– all hold the teaching profession in a high regard and have supported it with additional investments in training (Global Campaign for Education, 2005).

At the same time, regular and fair inspections –and clear and consistent sanctions for infractions– are necessary to prevent corruption in teacher management and behaviour. For, teachers should be prohibited from offering paid tutoring to their own students and be appropriately reprimanded when caught. Sadly, in education as in other public services, such misconduct and abuse of office often go unpunished. A study in India found that only one in 3,000 head teachers had ever fired a colleague for repeated absences (Chaudhury et al, 2006).

Effective control mechanisms and a good working environment are as much a deterrent to corruption as are fairness and equity. If appointments, promotions and transfers are made on the basis of merit and performance, teachers are more likely to apply the principles of impartiality, fairness and performance in their dealings with students. When employment-related decisions are taken, a clear criterion should be used and proof of qualifications and relevant experience demonstrated for hiring practices.

As part of the recommended changes, teacher codes of conduct can help to undo entrenched habits and encourage ethical behaviour. Such codes serve as a collective recognition of teachers' responsibilities and ethical standards

and are ideally developed by their professional associations (Van Nuland et al, 2006). For, a 2005 study found that teacher codes in South Asia have had a positive impact on the commitment, professional behaviour and performance of teachers and staff, helping to reduce teacher absenteeism (Khandelwal and Biswal, 2005). However, the mere formulation of codes is not enough. For codes to be effective, teachers must be aware of them and understand their terms. When violations occur, a complaint mechanism also must be in place and ethical guidance made available (Khandelwal and Biswal, 2005).

## 6. Corruption in the healthcare sector

Table 2 outlines the proportion of people who believe the health and medical sector is corrupt or extremely corrupt across countries where UNDP acts as the recipient of GF funds, and the rest of the world according to development status and geographical region.

Surprisingly the results do not directly align with those found in Table I in the main part of the paper. For, Iraq and Afghanistan scored the third and fifth (out of 21) worst CPI scores, yet were the two top performing countries in regard to corruption in the health and medical sector. Similarly, South Sudan, despite having the highest perception of overall corruption, had the fourth lowest (out of nine) perception of corruption in this specific sector. Caution should be taken when examining results given only nine of the 21 countries examined in Table 1 had available data on corruption in the health and medical sector.

When looking at average results for countries in which UNDP acts as a principal recipient of Global Fund funds, it is clear that perception of corruption in the health and medical sector is greater than the rest of the world across all income groups. Further, only healthcare systems in the Middle East & North Africa, and Europe & Central Asia are perceived as being more corrupt.

Table 2. Perception of corruption in the health and medical sector 2013 (by country, development status and region)

Country	% Respondents who believe the health and medical sector is corrupt
Kyrgyzstan	77%
Bosnia and Herzegovina	76%
Zimbabwe	65%
Sudan	62%
Zambia	57%
South Sudan	43%
Bolivia	36%
Afghanistan	31%
Iraq	28%
<b>AVERAGE</b>	<b>53%</b>
<b>By development status</b>	
Low income	46%
Lower middle income	48%

Country	% Respondents who believe the health and medical sector is corrupt
Upper middle income	50%
High income	36%
By region	
OECD	35%
East Asia & Pacific	35%
South Asia	38%
Latin America & Caribbean	41%
Sub-Saharan Africa	47%
Middle East & North Africa	55%
Europe & Central Asia	63%

### 6.1. Understanding the healthcare sector – why is it prone to corruption?

The most common definition of the healthcare sector is the following:

The healthcare sector is an aggregation of and integration of sectors within the economic system that provides goods and services to treat patients with curative, preventive, rehabilitative and palliative care.

As such it is a complex sector, composed of many actors. These actors can be classified into five main categories:

- government regulators (health ministries, parliaments, specialised commissions);
- payers (social security institutions, government office, private insurers);
- providers (hospitals, doctors, pharmacists);
- consumers (patients);
- and suppliers (medical equipment and pharmaceutical companies).

The presence of so many actors exacerbates the difficulties of generating and analysing information, promoting transparency and even identifying corruption when it occurs (UNDP, 2011).

There exists substantial theoretical and empirical evidence which documents the existence of corruption in the healthcare sector (Vian, 2008). As argued by many authors, the reason why healthcare systems are susceptible to corruption is due to the large amount of money involved as well as because this is one of the places where the public and private sectors meet (others include

education, for). More specifically, health systems are particularly susceptible to corruption because uncertainty, asymmetry of information and the large number of actors create systematic opportunities for corruption and hinder transparency and accountability (Global Corruption report, 2006). In addition, some of the existing evidence suggests that weak leadership from the Ministry of Health as well as weak legal systems could attribute to increasing unethical practices.

Uncertainty regarding the effectiveness of medical treatments, the inability to predict who will fall ill, when and with what kind of illness, and difficulty in distinguishing health markets from others, all lead to inefficiencies and scope for abuse. The poor functioning of health markets makes it difficult to set standards of accountability and to discipline health care providers for poor performance. Consumer choice is not a good regulator as patients cannot «shop around» for the best care due to a public service delivery monopoly, distance, limited availability or high cost of private care. The health sector is characterized by a high degree of asymmetry of information (information that is not shared equally among health sector actors) leading to significant inefficiency and vulnerabilities to corruption. The discretion given to providers puts patients in a vulnerable position if providers should choose to abuse their position. Asymmetry of information also affects prescribing decisions, as pharmaceutical company representatives know more about their products than the doctors who prescribe them. Aggressive promotion of pharmaceuticals is yet another form of this asymmetry of information (see for Transparency International, 2016). This asymmetry of information makes it difficult to fully monitor the actions of different actors, to hold them accountable and to detect and assign responsibility for abuses (Global Corruption report, 2006).

Finally, the large number of dispersed actors exacerbates these difficulties. Moreover, large external funding also increase the risk of corruption if some of the systems are not strong enough to absorb and use the funds (Lewis, 2006). The relationships between medical suppliers, health care providers and policy makers are often opaque which make it difficult to detect conflicts of interest that can lead to policy distortions. Health service delivery is also often decentralised making it difficult to standardise and monitor service provision and procurement. When regulators are put in place to remedy the situation, new avenues for corruption emerge: powerful interest groups may try to «capture» the regulator and influence their decisions through bribes.

Risks of corruption and abuse may differ depending on how funds are mobilised, managed and paid. Health systems can be classified as

- 1) integrated systems where the public sector finances and directly provides health care, and
- 2) finance-provider systems that separate public financing from provision.

Integrated systems are common in developing countries and vulnerable to large scale diversion of funds at ministerial level, bribes in procurement, illegally charging patients, diverting patients to private practice, and absenteeism. Finance-provider systems, often found in middle income countries, are vulnerable to excessive or low-quality medical treatment and fraud in billing government/insurance agencies. State capture, budget leakages and corruption in the appointment systems can occur in both country type environments (Global Corruption Report, 2006).

Some of the most common types of corruption in the healthcare sector involve (see for Hope, 2017):

- theft for personal use or diversion of public drugs to private clinics by health workers;
- sale of drugs or supplies to patients that are supposed to be free;
- diversion of public medical equipment to private clinics;
- short working hours of health workers due to absenteeism and tardiness;
- poor handling of patients especially the vulnerable groups such as the elderly and expectant mothers;
- bribes/informal payments in return for quick service delivery;
- bribes to speed up the process or gain approval for drug registration, drug quality inspection, or certification of good manufacturing practices;
- and embezzlement or fraud related to health care funds.

Against this background and given the plethora of corruptive practices in the healthcare sector, the remaining literature review is organized along the main segments of the healthcare sector: providers, government regulators, procurement suppliers.

## **6.2. Corruption in healthcare providers**

### **6.2.1. Informal payments**

Informal payments are defined as payments to individuals and institutional providers, in kind or in cash, that are made outside official payment channels and purchases that are meant to be covered by the healthcare system (Lewis, 2000).

### **6.2.2. Life in transition survey**

**Life in Transition Survey (LiTS)** conducted in the so-called transition countries by the World Bank and the European Bank for Reconstruction and Development (EBRD) is rich with questions that allow analysing the extent of paying bribes in the healthcare sector. Moreover, it also provides enough informa-

tion to test some of the hypotheses above on the reasons for paying informal payments. In analysing the survey, we mainly focused on the countries from Central Asia and, as reference groups, we have used: Russia, Central Europe and the Baltics (CEB), Southeast Europe (SEE) and Eastern Europe and Caucasus (EEC). We have used two waves of the survey –2010 and 2015 (as these are the waves where the questions on informal payments were administered). A detailed description of the countries in each group is included in Appendix 1.

Figure 4 provides a snapshot of the percent of respondents that have used healthcare services and paid bribes. There are a few messages that stem from the chart. First, the incidence of paying informal payments in the countries of Central Asia is much higher compared to the other sub-regions (Central Europe and Baltic States, Southeast Europe, Eastern Europe and the Caucasus and Russia). Only some of the countries (e.g. Kazakhstan) have lower prevalence of informal payments compared to the EEC region. Second and most importantly, the extent of informal payments have been decreasing over the years. Particular drop in patients paying bribes is evidenced in Kyrgyzstan as well as Uzbekistan. Interestingly, a drop in paying informal payments is also documented across all of the sub-regions in the wider Eastern Europe and Central Asia region.

Figure 4. Incidence of informal payments in the countries of Eastern Europe and Central Asia, in %

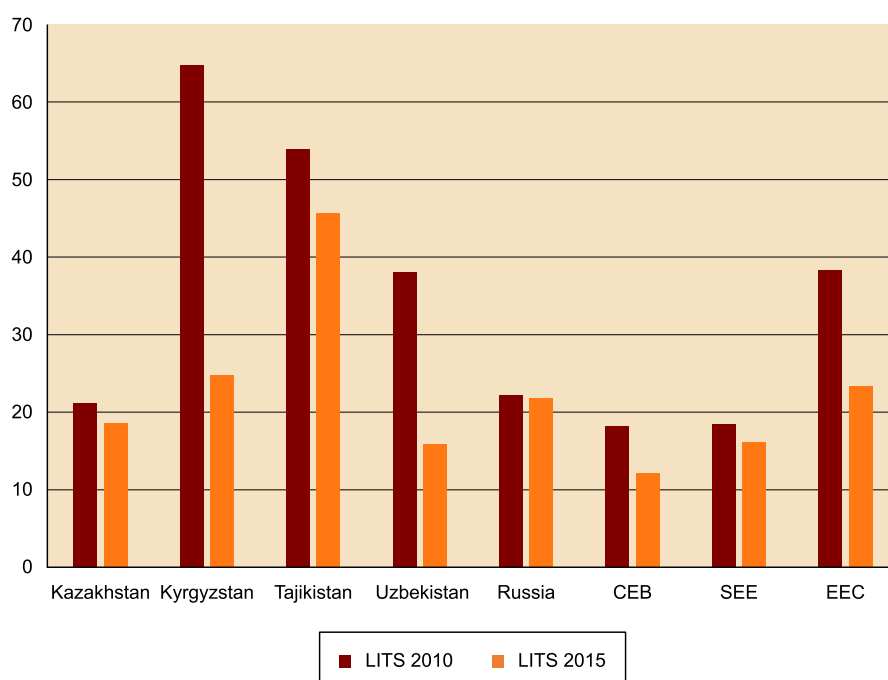


Figure 5 and 6 provide further evidence for the reasons for paying bribes, both in 2010 and 2015. There are a few messages that stem from the two charts. First, we see that the charts provide evidence for existence of a mixed model for paying bribes, both economic and cultural. For, the 2010 evidence suggests that a lot of patients in some of the countries (e.g. Uzbekistan) have provided payments in order to express their gratitude for provision of a specific ser-



vice. However, by the same token, quite a lot respondents in the other countries (e.g. Tajikistan, Kazakhstan and Kyrgyzstan) have either been specifically asked to pay or thought that some sort of payment was expected. Very similar messages emerge from the second chart which documents the extent of paying bribes in 2015. What is also evident from the second chart is that over time in the Central Asian republics we notice a switch from the culture model to economic model. Indeed, the chart at the bottom suggests that close to 40% of respondents in Tajikistan and close to 50% of respondents in Uzbekistan have been asked to pay a bribe, while in the same time percentage of respondents that wanted to express their gratitude has decreased.

In addition to this data summaries we have also further disaggregated the data to understand if the poor are the ones more often asked to pay. The data from the Life in Transition Survey 2010 reveals that, indeed, 52% of those belonging to the lowest income quintile are asked to pay (compared to 46.3% in the second income quintile or 44.3% in the third income quintile). The data from the Life in Transition Survey for 2015 follows the same patterns. 51% of those belonging to the lowest income quintile are asked to pay, compared to 38.1% of those belonging to the second income quintile and 37% of those belonging in the third income quintile.

Finally, table 3 explores analytically, the correlates of paying informal payments, by applying the standard logit model, where the dependent variable is the incidence of paying bribe when using public healthcare facilities, while the independent variables are the standard socio-economic and demographic correlates: age, gender, employment status, socio-economic standing (we also control for any region specific factors by adding regional dummies). Further details on the econometric exercise and the questions used in the analysis is provided in Appendix 1. We repeat the analysis on two waves separately, 2010 and 2015. The most important finding results from the 2015 dataset and suggests the existence of the governance model of informal payments. In other words, those in the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> decile are much less likely to pay bribes compared to those at the bottom of the socio-economic scale (i.e. those that belong to the first income decile). The findings of this analysis also give further evidence established by the literature review above –that existence of informal payments disproportionately affects the poor, thus leading to lack of access to equitable healthcare.

Figure 5. Reasons for paying bribes when seeking healthcare in the countries of Eastern Europe and Central Asia, LiTS 2010, in %

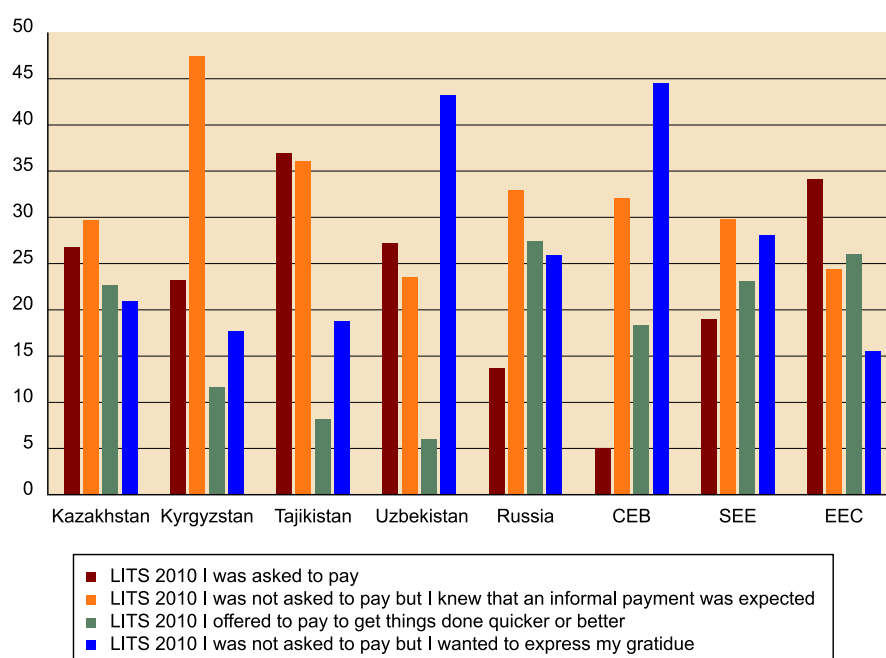


Figure 6. Reasons for paying bribes when seeking healthcare in the countries of Eastern Europe and Central Asia, LiTS 2015, in %

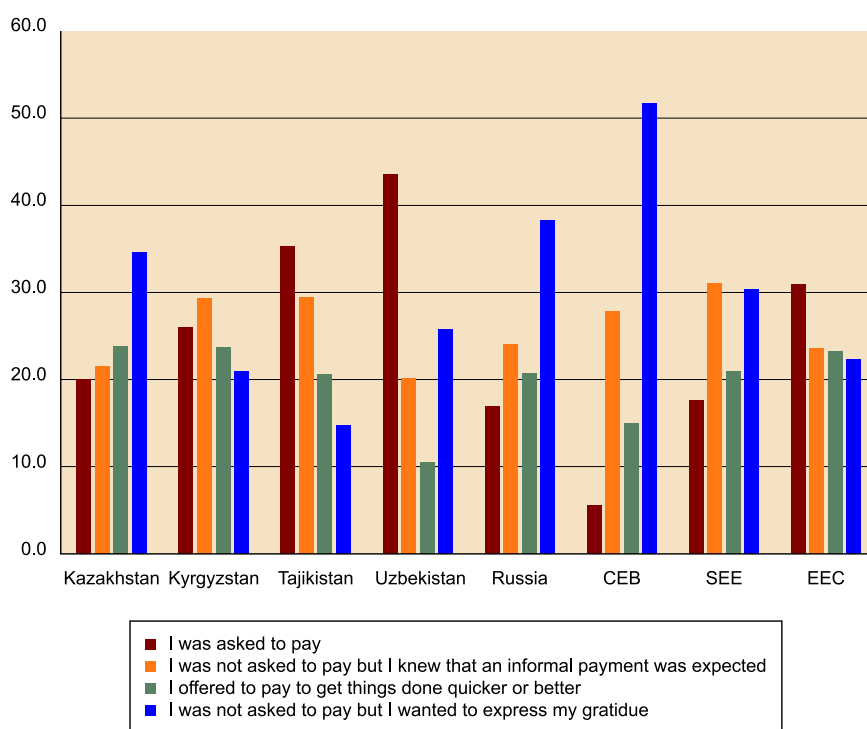


Table 3. Odds ratios of logit model – paying bribes

		<b>2010 LiTS Informal payments</b>	<b>2015 LiTS Informal payments</b>
<b>Age</b>	Age	1.019**(0.010)	1.025 (0.021)
	Age squared	0.99** (0.001)	0.99 (0.002)
<b>Gender</b>	Female	1.010 (0.060)	0.819 (0.106)
<b>Employment status</b>	Employed	0.997 (0.068)	1.05 (0.142)
<b>Socio-economic standing</b>	2nd decile	1.13 (0.177)	1.01 (0.412)
	3rd decile	1.18 (0.168)	0.500**(0.172)
	4th decile	1.07 (0.153)	0.494**(0.158)
	5th decile	0.957 (0.133)	0.535**(0.168)
	6th decile	1.079 (0.169)	0.616 (0.212)
	7th decile	0.848 (0.159)	0.729 (0.257)
	8th decile	0.787 (0.178)	0.544 (0.209)
	9th decile	1.399 (0.865)	1.03 (0.492)
	10th decile	1.68 (0.893)	1.09 (0.591)
<b>Regional dummies</b>	Southeastern Europe	0.848**(0.065)	1.99*** (0.142)
	Eastern Europe and the Caucasus	4.16*** (0.299)	3.42*** (0.481)
	Central Asia	2.7*** (0.186)	2.66*** (0.438)
	Russia	1.24** (0.119)	2.47*** (0.290)
Numbner of observations		21423	23670
Pseudo R2		0.072	0.045

Robust standard errors in parantheses:\*\*\*significant at 1%, \*\* significant at 5%, \*significant at 10%.

### 6.2.3. Afrobarometer

In addition we have considered two waves of the Afrobarometer to document the extent of paying bribes when seeking healthcare in Africa. The results are documented in the two charts below. There are a few messages that stem from this analysis. First, we notice that, unlike in the Eastern Europe and Central Asia region, the extent of paying bribes is much lower in Africa. Second, there is also a ‘cultural model’ pattern that emerges from analysis –in other words, in the countries of Northern Africa (e.g. Egypt, Morocco) a higher percentage of respondents report paying bribes when seeking healthcare. In addition, countries with weaker governance systems (e.g. Sierra Leone, Liberia) tend to experience higher extent of paying bribes compared to the rest of the countries in the continent.

Finally we also conduct a similar analysis of correlates of informal payments as the analysis done with the Life in Transition Survey. The most interesting part is again on the nexus between socio-economic status and paying bribes. Relative to those at the bottom (i.e. those at the lower 20% of the population), the higher echelons of the society tend to rely less on the usage of informal payments. Moreover, the odds ratios decrease with income quintile suggesting that those at the top, relative to the poor, are less likely to rely on paying bribes when seeking care. This finding is consistent with the governance model discussed above.

Figure 7. Incidence of paying bribes when seeking healthcare, Afrobarometer, 2011-2013, in %

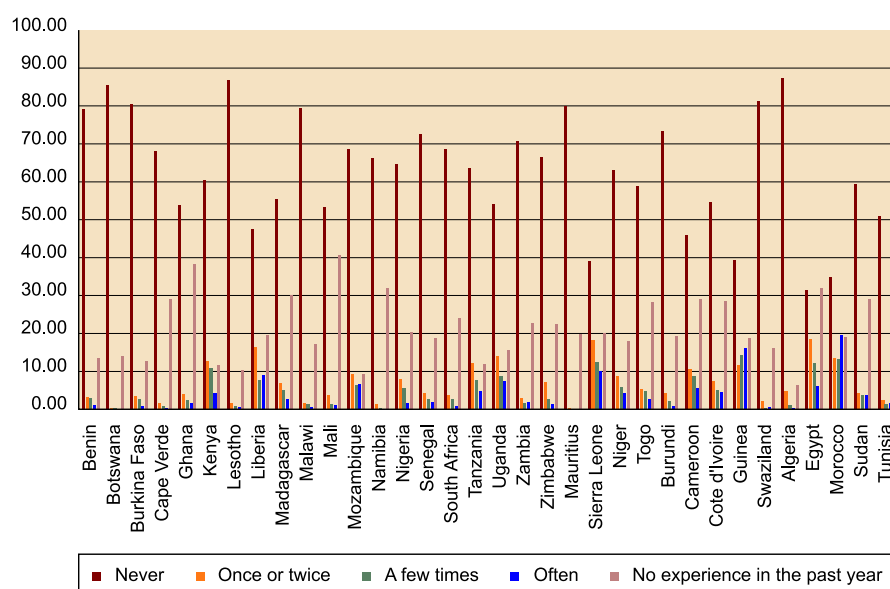


Figure 8. Incidence of paying bribes when seeking healthcare, Afrobarometer, 2016, in %

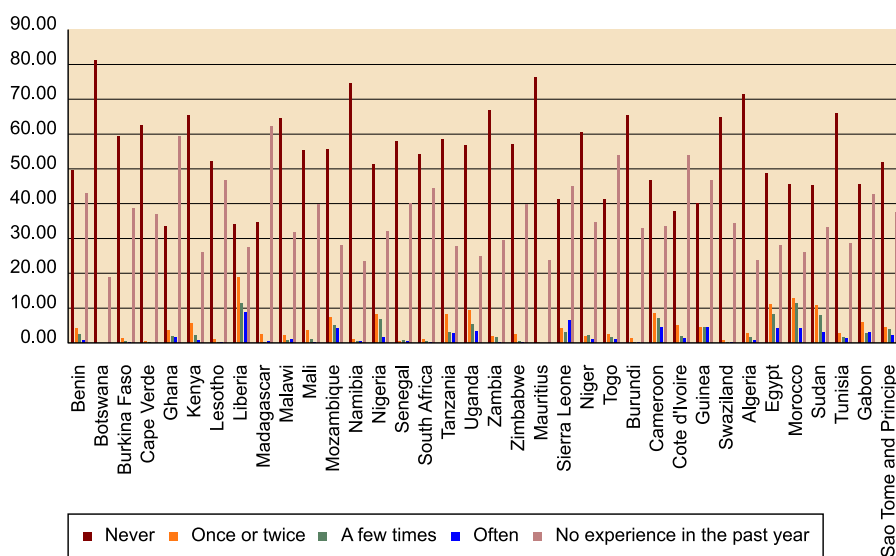


Table 4. Odds ratios - of logit model using informal payments

		<b>2013 Afrobarometer Informal payments</b>	<b>2016 Afrobarometer Informal payments</b>
<b>Age</b>	Age	1.02***(0.006)	1.009 (0.007)
	Age squared	0.99***(0.0007)	0.99 (0.009)
<b>Gender</b>	Female	0.907***(0.030)	0.812***(0.032)
<b>Locality</b>	Urban	1.16***(0.041)	1.07*(0.045)
<b>Employment status</b>	Employed	0.945 (0.035)	1.09*(0.048)
<b>Socio-economic standing</b>	2nd decile	0.830***(0.037)	0.826***(0.047)
	3rd decile	0.775***(0.039)	0.840***(0.054)
	4th decile	0.628***(0.031)	0.611***(0.037)
	5th decile	0.699***(0.061)	0.601***(0.062)
	Country dummies	YES	YES
Numbner of observations		39744	32530
Pseudo R2		0.1786	0.167

Robust standard errors in parantheses: \*\*\*significant at 1%, \*\* significant at 5%, \*significant at 10%.

#### 6.2.4. Absenteeism

Staffing is arguably the single most important element of healthcare delivery. Absenteeism, low productivity and outright buying and selling of public positions are the most troublesome. Absenteeism is a chronic, often unmeasured problem. It limits patient access and undermines quality of service. Sometimes management shortcomings lead to absenteeism, such as when health workers have to travel to larger towns to receive their paycheck, fetch supplies or medicines or when they are delayed by poor roads and bad weather. Some have other commitments and do not show up. In effect they receive a salary but provide minimal services if any. This is a form of «public office for private gain.» (Lewis, 2006).

#### 6.3. Corruption in procurement of medicines and medicinal products

After personnel, pharmaceuticals are the next largest expenditure item and therefore prone to corruption (Ombaka, 2009; Savedoff, 2010). Some of the causes of procurement corruption encompass: inability to draft proper bidding documents, delayed payments to suppliers and national procurement laws not specific to pharmaceuticals (Waning and Vian, 2010).

Corruption and other poor value for money drivers can occur before, during and after the pharmaceutical tendering process. In pre-tendering, regulatory compliance procedures can be abused to restrict the number of autho-

rised drugs or suppliers, to help companies sell medicines at higher prices and improve their market share. Some pharmaceutical companies have also been known to influence officials to add medicines to formularies and essential medicines lists (Transparency International, 2017). During tendering, officials can purchase medicines at above market rates or subvert tender procedures in exchange for bribes and/or kickbacks. Through false invoicing or changing contract agreements, corruption can also occur after tenders have closed (Transparency International, 2017).

Some of the existing research points to significant risk of corruption, particularly in African healthcare sector (see, For, Appolloni and Nshombo, 2014). There are a few reasons for why the procurement sector is prone to corruption. First, as indicated by Hope (2017), the fact that procurement and storage is done by one entity (e.g. central medical store) increases the chances of potential political or other interference and the lack of accountability and performance in procurement, financial and logistical management, security, and storage (Rao et al., 2006; Govindaraj and Herbst, 2010; Watson and McCord, 2013; Arney and Yadav, 2014). This is the reason why some of the countries in the region have moved away from this model and towards a clear separation between procurement (usually conducted by Ministry of Health) and storage (central medical store). Some of the good s of this separation, inter alia, include Swaziland and Zambia (Hope, 2017). Second risk is the lack of procurement manuals in many African countries. No procurement manual means that procurement is being done in a less than optimal manner. This can expose any MOH to considerable corruption risks as both staff and suppliers will be able to exploit, both before and after tender processes, loopholes in the procurement process. The third risk is concerned with the usually non-existence of procurement plans and/or schedules. Until procurement planning is operationalized, there will continue to be haphazard or ad hoc procurement activities which allow for exploitation by less than ethical suppliers or leads to opportunities for collusion between staff and suppliers. Finally, as Hope outlines, poor and insecure records management could significantly impact upon heightened corruption in procurement. Currently, in too many African countries, records are still in the form of paperwork that is stored in files/folders. And, many files are kept in staff members' offices in disorganized manner. This makes them susceptible to mischief by staff members or in collusion with others.

UNDP has played a critical role in the area of procurement, particularly in the context of the EECA countries (Eastern Europe and Central Asia). In the case of Ukraine, UNDP has been particularly active and in 2016 the main achievements of its involvement, inter alia, include: development of a national action plan for procurement, providing support and technical assistance to the Ministry of Health in development and implementation of the public procurement reform in the health sector, developing and introducing innovative dig-

ital technologies for e-health, and e-procurement as well as conducting public awareness campaigns on health products procurement and quality assurance of generics (Luayanova, 2017).

## 7. Anti-corruption efforts of civil society

Participatory budgeting initiatives encourage a wide range of stakeholders to have a voice in allocating budgets according to their community's priorities, monitoring budgets to assure that spending is in accordance with those priorities, and monitoring the quality of goods and services purchased with budgets. Successful initiatives to expand participatory budgeting have been documented in Ireland; Porto Alegre, Brazil; and South Africa (Narayan, 2002). The of Porto Alegre, Brazil has been used as a prime for giving the less powerful with a chance to develop their agendas and create solidarity without control from power holders.

The involvement of civil society at all stages of the procurement processes is a key dimension of promoting transparency and accountability in procurement processes. In Bolivia, following the devolution of health care facilities to municipalities, a study found that hospitals that were supervised by active «Local Health Directorates» involving citizen representatives paid up to 40% less on average for 5% dextrose solution (Savedoff, 2008).

Local communities and beneficiaries can also play a crucial role in preventing drug diversion along the supply chain by monitoring and overseeing drug delivery and stock-outs at facility level. In Zambia (MeTA 2009), For, theft was cut by providing information on the delivery of medicines in rural health centres to local health committees made up of members of the local community. In Kenya, Malawi, Uganda and Zambia (PlusNews 2009), Stop the Stock-Outs campaign activists used text messaging to report stock-outs of essential medicines at public health facilities and put pressure on governments to address the issue. The establishment of effective complaints mechanisms can also empower beneficiaries to report wrongdoings and malpractice. In Uganda For, activists used text messaging to report stock-outs of essential medicines at public health facilities and put pressure on governments to address the issue. HEPS-Uganda- a health consumer organisation- collects complaints through stakeholders' meetings, complaints boxes installed at health facilities, and questionnaires filled out by health consumers and observations. These complaints are analysed and reports are written which are then discussed with health facility management to agree on the needed improvements and/or redress.



## Summary

The aim of this module, as outlined in the objectives section was to provide a basic understanding of corruption, some of the existing measures of corruption, as well as the link between corruption and poverty and security, respectively. The module has also provided some overview of the main instances of corruption in the broader sectors of health and education.

Overall, corruption entails abuse of public function for public gain. While there are many measures of corruption that are used internationally, the TI (Transparency International) Corruption Perception Index, is the most widely used measure. Moreover, as we have shown in our empirical analysis there is a high correlation between various corruption measures that are currently being used. Moreover, the analysis above has shown that there is a strong link between poverty and corruption as well as between corruption and security. Corruption can reduce security through various channels:

- 1) it could serve as an accomplice for violence;
- 2) it could reduce the government resources for the key sectors;
- 3) it could decrease government accountability;
- 4) limit access to information;
- 5) promote impunity.

In our analysis we have also shown that there are two sectors that are particularly susceptible to corruption: education and health sectors. We have shown that these sectors are corruptible as there is plenty of public resources that are devoted there and, more importantly, this is where the public and the private sectors meet, so there is a significant room for corruptive practices. In fact, the analysis has shown that corruption is pervasive and permeate various layers of the two sectors (starting from planning of national budgets, to procuring books and medications, to delivering the final set of services). Finally, we have shown that there is a set of policies that, when implemented, could have a significant impact on reducing the extent of corruption. Developing active and vigilant civil society could be one of the ways of reducing corruption.



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### Additional reading materials

**Meyers, Keith.** «Petroleum, Poverty and Security», Chatam House, AFP BP 05/01. Whilst most of the readings have focused on either the richness with natural resources and corruption, or corruption and poverty, this article abridges all three themes and provides a good overview of the links between natural resources, corruption, security and poverty.

**Negin, Vahideh and Abd Rashid, Zakariah and Nikopour, Hesam** (2010). The Causal Relationship between Corruption and Poverty: A Panel Data Analysis. Extremely good, although a bit advanced statistical analysis on the causality of corruption and poverty. Some basic understanding of econometrics is needed although focusing on the results and interpretation could be enough in understanding the paper.

**Pedroza, David.** «The Poverty-Corruption Nexus», Finance & Development, Sep 2018, Vol.55 (3). pp.42-43. It provides a very nice case study on how the corruption and poverty are connected, more specifically in a Latin American context (Argentina). It also provides good overview of ways to reduce poverty by fighting corruption.

**Rotberg, Robert.** «Corruption, global security and world order», Brookings Institution Press, Washington DC. This is a good edited volume of readings that cover the basics: how corruption compromises world security, and various aspects of corruption and political science concepts (power of state, human rights etc).

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