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**The Effects of Corruption
on Administrative Performance
Illustrations from Developing Countries**

David J. Gould
Jose A. Amaro-Reyes

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Abstract

The practice whereby some public money is illicitly diverted for private gain is present to some degree in all societies. However, corruption's widespread occurrence in developing countries has raised substantial concern. Developing countries' particular circumstances --rapid economic and social change, strong kinship and ethnic ties, new institutions, overlapping and sometimes conflicting views about what is proper public behavior--appear to contribute to corruption's saliency. Government monopoly of economic activities, combined with conditions of political "softness," widespread poverty and socioeconomic inequalities, ambivalence toward the legitimacy of governmental organizations, and systematic maladministration may be particularly conducive to corruption as well. According to much of the data examined covering countries in Asia, Africa, and Latin America, corruption has a deleterious, often devastating, effect on administrative performance and economic and political development, for example, corroding public confidence, perverting institutions' processes and even goals, favoring the privileged and powerful few, and stimulating illegal capital export or use of nonrational criteria in public decisions. Corruption counteraction measures may range from commissions of inquiry, ombudsmen to investigate citizen complaints, courses and seminars, to simplification of administrative and financial procedures. However, their success will depend on the gradual creation of a political and public climate favoring impartiality and on the wisdom of specific governmental actions.

Foreword

This study is one in a series of World Bank Staff Working Papers devoted to issues of development management. Prepared as background papers for the World Development Report 1983, they provide an in-depth treatment of the subjects dealt with in Part II of the Report. The thirteen papers cover topics ranging from comprehensive surveys of management issues in different types of public sector institutions (for example, state-owned enterprises, the public service, and local government agencies) to broad overviews of such subjects as planning, management training, technical assistance, corruption, and decentralization.

The central concern underlying these papers is the search for greater efficiency in setting and pursuing development goals. The papers focus on the role of the state in this process, stress the importance of appropriate incentives, and assess the effectiveness of alternative institutional arrangements. They offer no general prescriptions, as the developing countries are too diverse--politically, culturally, and in economic resources--to allow the definition of a single strategy.

The papers draw extensively on the experiences of the World Bank and other international agencies. They were reviewed by a wide range of readership from developing and developed countries inside and outside the Bank. They were edited by Victoria Macintyre. Rhoda Blade-Charest, Banjonglak Duangrat, Jaunianne Fawkes, and Carlina Jones prepared the manuscripts for publication.

I hope that these studies will be useful to practitioners and academicians of development management around the world.

Pierre Landell-Mills
Staff Director
World Development Report 1983

Papers in the Management and Development Series

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I. Introduction

Concern over the effects of corruption on administrative performance in many countries of the world has increased in recent years. Corruption itself is nothing new, however. Measures for dealing with it have been persistently sought at the considerable expense of public resources. In addition, much has been done in the way of theorizing, as attested by the voluminous literature on the subject, but actual evidence is still scanty. Nonetheless, this paper draws on much of the literature--as it contains useful insights into several dimensions of the phenomenon--and integrates the multiple perspectives and levels of analysis of earlier investigations into a background report on the sources of corruption, its manifestations, and its consequences for effective and efficient administration. The primary purpose of the study, however, is to analyze the effects of corruption on the administrative performance of developing countries. The political, economic, and social dimensions of corruption are also examined.

Corruption is not the sole province of developing countries. Past events throughout the world suggest that it also thrives in developed market and nonmarket economies. Corruption is a complex and universal phenomenon. This does not mean that all countries exhibit similar degrees of corruption. To be sure, one of the problems in a comparative study of corruption is that the magnitude and sources of corruption, the ways it manifests itself, and its effects on administrative performance and development vary across time and places. Political, economic, social, cultural, and behavioral factors combine in contributing to its incidence. Its effects are cumulative and circular, and they extend beyond the boundaries of the nation-state. The records of transnational corporations indicate that payoffs, bribery, and extortion are

often the normal way of doing business in developing and developed countries alike. 1/ The widespread occurrence of corruption in developing countries, however, has made it a matter of much concern. Bureaucratic corruption in these countries is of special significance because:

- Governments and international donors have increasingly turned their attention to the importance of management in development. Moreover, corruption has become critical as governments struggle with alternative development strategies, administrative arrangements, and implementation problems.
- Measures to improve administrative performance may prove ineffective should corruption be permitted to run rampant. Administrative productivity, effectiveness, and efficiency may be undermined by corruption, and improvements in management capabilities may be similarly negated by its attendant effects.
- Improved administrative performance provides an opportunity for the more efficient mobilization of scarce resources. Corruption may subvert allocative and regulatory mechanisms in the absence of adequate controls and increased accountability.

The systematic investigation of corruption continues to be hindered by conceptual and methodological problems. Our research indicates, for example, that no single commonly accepted definition of corruption exists, with the result that researchers continue to grapple with the question of what constitutes corruption. 2/ Second, we find there is no dominant conceptual approach in this particular area of inquiry, largely because most of those

concerned with the phenomenon come from disciplines as diverse as political science, economics, and sociology. The subject is therefore approached from very different frames of reference. This situation is complicated further by the fact that even within individual disciplines a variety of orientations toward the subject exists. 3/ Third, little, if any, consensus exists on the causes of corruption, no doubt because of the definitional and conceptual variations. Fourth, disagreement abounds over the effects of corruption on political and bureaucratic performance and development in general. In fact, the two dominant views on the subject that have emerged are widely divergent. One points toward the functional aspects or benefits of corruption, whereas the other calls attention to its dysfunctional aspects or disbenefits. Here again, this disagreement is a function of the definition, conceptual approach, and orientation or perspective adopted by the investigators. Fifth, the very nature of the phenomenon defies the application of the more conventional methods of research. 4/ As a result, the validity of the evidence garnered through research is often questionable. Moreover, the evidence available is still at best scanty--the difficulty of acquiring reliable data is due in large part to the political sensitivity of the information. Consequently, generalizations about the causes and effects of corruption across nations and throughout different historical periods are rather difficult to make.

We approach the subject by first reviewing the data on corruption in selected developing countries and identifying factors commonly associated with corruption in developing countries. Next, we describe the various forms it assumes under different conditions. We conclude with an examination of the impact of corruption on administrative performance and development across developing countries. Corruption throughout the report refers to the use of

public resources for private gain. It involves, but is not limited to, monetary benefits and material rewards obtained by public officials and/or civil servants for private use during the performance of their public duties. Corruption takes place in a public organization when an official or civil servant, in defiance of prescribed norms, breaks the rules to advance his personal interest at the expense of the public interest he has been entrusted to guard and promote. According to this definition, corruption is a matter of individual choice. Although a civil servant's individual behavior is conditioned by administrative, economic, social, cultural, and political factors, whether he elects to disobey the prescribed rules of behavior is contingent upon the availability of opportunities that provide the incentives to do so, as well as his capacity to take advantage of them. This situation, however, does not preclude the possibility that, under conditions of widespread corruption, subordinates may be compelled by their superiors to participate in acts of corruption or risk losing their positions.

II. Illustrations of Corruption from Selected Developing Countries

Alongside periodic journalistic accounts of recurring incidents of bribery, patronage, embezzlement and extortion, and, very occasionally, reports of official inquiry, a significant body of scholarly literature based on empirical data attests to the existence of widespread corruption in developing countries. Because it is impossible to include in this paper all the empirical data available in the literature, we have selected a small sample from countries in Asia, Africa, and Latin America for the purpose of documenting the widespread incidence of corruption across different regions of the developing world.

Corruption in Asia

Corruption in Asia has been extensively studied. The data reviewed here pertain to the Philippines, Malaysia, and Thailand. A 1966 survey of 100 middle-level civil servants from twenty-five agencies in Manila, for example, found that graft and corruption were ranked first among objects of national shame and second among the most important national problems (see Table 1). 5/ The confidential reports consulted indicate that graft and corruption at that time were widespread throughout agencies engaged in financial, revenue, regulatory, and licensing activities. 6/ One report states: "The existence in the Bureau of Customs of an in-bred, self-perpetuating cycle of graft and corruption, not sparing but rather all embracing, cannot be denied. It is strongly felt in all aspects of customs work" Another report notes: "Many of the Bureau of Internal Revenue people do not deny the existence of corruption in the bureau . . . to them it is . . . an integral part of the organization's administrative culture." Furthermore, "Corruption in the Bureau of Forestry is pervasive and affects the Bureau in the performance of practically all its functions."

Additional evidence of widespread corruption in Asia comes from Malaysia. 7/ Table 2 suggests that Malaysia experiences lower incidences of the phenomenon relative to other Southeast Asian nations. The most common types of corruption in Malaysia include secrecy in the processing of land applications in land offices, bribes offered by the public and requested by civil servants, making false declarations in documents with the intention to defraud the government, providing false information in cases brought to court, illegal production of toddy, extortion by both members of the public and the civil service, impersonation, smuggling, and possession of illegal drugs and stolen goods. 8/

Table 1 Objects of National Shame and National Problems
as Perceived by 100 Filipino Middle-level Civil Servants (Manila, 1966)

Objects of National Shame Rank	Most Important National Problems Rank
1. Graft and corruption	1. Economic problems
2. Political partisanship and and interference	2. Graft and corruption
3. Lack of civic-consciousness, national discipline, and nationalism	3. Lawlessness and criminality
4. Laziness or aversion to manual labor	4. Political partisanship
5. Lawlessness and criminality	5. Inadequate public service and community facilities

Source: J. Y. Abueva, "What Are We in Power For?: The Sociology of Graft and Corruption," Philippine Sociological Review, vol. 18, nos. 3 and 4 (July-October 1970).

Table 2 Number of Corruption Cases
Investigated and Convictions, 1950-75 (Malaysia) ^{a/}

	1950-57 ^{b/}	1959-61 ^{c/}	1968-72 ^{d/}	1973-75 ^{e/}
Corruption cases investigated	1,813	2,017	14,825	3,350
Convictions and disciplinary actions taken	1,411	77	303 ^{g/}	71 ^{g/}

^{a/} Figures for periods covered in the table are cited in Y. Mansoor Marican, "Combating Corruption: The Malaysian Experience," Asian Survey, vol. 19, no. 6 (June 1979), pp. 602, 603, 606.

^{b/} See activities of the Criminal Investigation Department (CID), Federation of Malaya, Annual Reports, 1950-57.

^{c/} See Activities of the Special Crime Branch (SCP), Malaysia, Official Year Book, 1963; and Federation of Malaya, Official Year Book, 1962, p. 135.

^{d/} See Activities of the Anti-Corruption Agency (ACA), Malaysia, Malaysia Official Year Book, 1972, 1974.

^{e/} See Activities of the National Bureau of Investigation (NBI), Malaysia, Malaysia Official Year Book, 1976.

^{f/} Figures for 1953 and 1954 are not available.

^{g/} Figures include only number of convictions of public servants. Figures for convictions of members of the public are not available.

Political and bureaucratic corruption in Thailand has been amply documented also. The prevalence of corruption in Asasamak Province, Thailand, was substantiated by a 1974 survey of the local elite (see Table 3). 9/

Table 3 Local Elite Responses to Statements on Corruption in Asasamak Province, Thailand, 1977 (percentage distribution, N=50)

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
Few officials in this province tend to be totally honest in their work.	14	62	16	8
Given a choice between serving the public or serving one's own personal needs, most officials will choose personal needs.	34	38	16	12
One of Asasamak's major problems is that officials are more concerned about furthering their own ambitions than being effective administrators.	42	36	18	4
Most officials will break a law if they think they will personally gain.	24	50	12	14
Some officials in Asasamak practice corruption.	58	28	8	6
You do not have to look too far to find corruption in Thai society.	68	26	4	2
Corruption involves bureaucrats helping other bureaucrats more than it does bureaucrats helping others.	20	20	38	22

Source: Clark D. Neher, "Political Corruption in a Thai Province," Journal of Developing Areas, vol. 7, no. 4 (July 1977), p. 485.

The findings of this survey are supported by a 1975 study in which approximately 75 percent of all elected representatives were reported to have received kickbacks on development projects, payoffs for legislative support, and "squeezes" from local businessmen. Estimates placed the legislature's level of corruption in the range of \$430,000 to \$1.7 million. Bureaucratic corruption was estimated at \$800 million, approximately 50 percent of the government's national budget. 10/

Corruption in Africa

Corruption is also known to be widespread in many African nations. In countries such as Ghana, Nigeria, and Zaire, corruption has become a part of everyday life. Extensive research on corruption in Ghana, based on documents issued by commissions of enquiry, found that under the regime of Kwame Nkrumah a kickback of 5-10 percent for government contracts was commonly expected. 11/ In fact, Nkrumah's political party, the C.P.P., raised some \$5 million between 1958 and 1966 by means of kickbacks, most of which was used by Nkrumah for personal expenses. According to this research, the National Development Corporation was created in 1958 with the primary purpose of collecting illegal commissions and other monies. Indeed, those who refused to cooperate with corrupt officials were barred from receiving government contracts. As a result, people found it necessary to bribe public officials in order to carry on business. The workings of the Ministry of Trade have been cited as a prime example of bribery and extortion in Ghana. Under Nkrumah, the ministry refused to issue import licenses without the payment of a bribe of between 5 and 10 percent of the value of the license requested.

In Nigeria also, corruption has an impressive record (see Table 4). According to a 1981 study, corruption runs rampant in Nigeria, although the

proportion of cases actually detected is estimated to be very low. ^{12/} A 1980 Ministry of Justice study places undetected incidences of corruption as high as 87.5 percent of all cases reported. Further, grand-scale corruption is frequently suppressed, unless making it a matter of public knowledge serves a political purpose. As a result, many important cases are dismissed or buried in investigation committees. Although corruption in the public sector is often made public, corruption in the private sector--which, according to the Ministry of Justice, amounts to a large number of undetected acts of corruption--is concealed in order to maintain "goodwill." Thus a false impression has grown up that corruption is most rampant in official circles.

Table 4 Bribery and Corruption in Nigeria: Crimes Known to the Police a/

Years	Figures	Annual Percent Change
1967	300	
1968	350	16.6
1969	355	1.4
1970	386	8.7
1971	471	22.0
1972	592	25.7
1973	673	13.7
1974	748	11.1
1975	818	9.4
1976	1,068	30.6
1977	1,191	11.6

a/ Government of the Federal Republic of Nigeria, *Crime and the Quality of Life in Nigeria* (Lagos, 1980), p. 14.

Source: Varda Eker, "On the Origins of Corruption: Irregular Incentives in Nigeria," *The Journal of Modern African Studies*, vol. 19, no. 1 (1981), pp. 173-82.

Meanwhile, a 1980 analysis of the bureaucracy in Zaire concluded that the most salient features of the country's public administration system are its massive improductivity, the absorption of the administration by party concerns and priorities, and the "privatization" of the entire state machinery. 13/ The privatization of the public bureaucracy is said to have converted the public sector into an instrument for self-enrichment. Those at the top of the bureaucratic hierarchy have institutionalized corruption and locked their subordinates into corrupt practices in a systemic way. The most frequent types of corruption encountered in Zaire reportedly include bribes to have compromising documents removed from files, fraudulent use of official stationery, payment for office visits, payment for letters of recommendation, kickbacks for hiring, permanent kickbacks, phony travel documents, misuse of official housing, two salaries, neglect of public service obligations for outside business, and outright embezzlement of public funds. Corruption of government programs and functions include false bills, income tax fraud, excise tax fraud, import tax fraud, business quota fraud, export tax fraud, stamp tax fraud, postal fraud, court tampering, and military and public shakedowns. The 1980 study, quoting the president and prime minister, also reported that as many as two-thirds of the country's civil servants were fictitious, and this represented in 1978 a total budgetary hemorrhage of \$288 million zaires, that is, nearly half of the annual budget deficit for that year.

Table 5: Regional Finance Officials' Salaries and Automobile Ownership, Lubumbashi, Zaire, May 1977

Position	Monthly salary (zares)	Automobiles owned	1977 Value (in zaires)	
			New	Used
<u>Office--Sixth Bureau: Customs Verification</u>				
Head of office	115	Renault 17	8,000	6,000
		Mustang	10,000	7,000
		VW	7,000	4,000
		Pick-up Truck	10,000	7,000
		Kombi	12,000	8,000
Office worker	90	Mercedes	30,000	15,000
Office worker	90	Renault 4	7,000	4,000
Temporary worker	36-66	Fiat (station wagon)	10,000	4,000
<u>Office--Third Bureau: Tax Collection</u>				
Head of office	115	Toyota	10,000	7,000
Collection agent	90	VW	7,000	4,000
Accountant	72-90	Peugeot 404	12,000	8,000
Teller	36-66	Peugeot	12,000	8,000
Clerk	22-26	Ford Capri	9,000	6,000
Clerk	22-26	Fiat	8,000	6,000

Source: David J. Gould, Bureaucratic Corruption and Underdevelopment in the Third World. The Case of Underdevelopment in the Third World. The Case of Zaire (New York: Pergamon Press, 1980), p. 146.

The Zaire study also illustrates some of the economic advantages of corruption accrued to civil servants. Administrative officials in charge of implementing economic regulations systematically use their position as "bureaucratic capital" that can be converted into a steady flow of income from corruption. By way merely of illustration, Table 5 compares salaries of regulatory officials in the country's economic capital region with the value of their automobiles. It is readily evident that these officials could hardly

live on their meager salaries, let alone afford the luxury cars they own, without outside income. Field research in Zaire provides additional documentation on the country's widespread corruption. Investigations into subzonal administrative practice produced reams of evidence on corrupt practices, including, by way of example, the "justifications" of 6,035.59 Zaires in collectivity-level expenditures found in Table 6. These figures turned out to be a phony rubric for covering up money that had been embezzled by local officials. ^{14/} The data presented in both Zaire studies suggest that corruption there runs rampant and has spread throughout the entire political and bureaucratic apparatus, permeating ultimately all aspects of social life. In September 1978, the country's Catholic bishops issued a statement denouncing a situation in which "the individual has no choice left but to seek a solution in active corruption in order to defend his rights." ^{15/}

Table 6 Collectivity-level Expenditures in Lesala, Zaire, 1977

	(Zaires)
JMPR (party youth wing) encouragement premiums	563.15
Arrival of regional commissioner	266.00
Bells at plantation stores	1,001.37
Unrecoverable advances to personnel, including the zone commissioner and his assistants	2,109.54
Cheerleading festival	625.64
Payment CND (security) official	333.60
Arrival of president	336.80
Miscellaneous	787.49
Total	6,053.59

Source: Michael G. Schatzberg, "Bureaucracy, Business, Beer: The Political Dynamics of Class Formation in Lesala, Zaire," Ph.D. dissertation, University of Wisconsin, Madison, 1977, p. 143. Also published in his Class and Politics in Zaire (New York: Africana, 1980).

Corruption in Latin America

Countries in Latin America have not been immune to corruption, either. A study of the bureaucracy in Mexico, for example, found that, despite established clear-cut and specific rules on the acceptance of gifts and violation of release of information, bureaucrats engage in graft, kickbacks, payoffs, and embezzlement. Payoffs are not limited to transactions between bureaucrats and members of the public, but also take place in transactions among bureaucrats. Corruption is said to be so pervasive and institutionalized in Mexico that "many people are faced with it throughout their lives, from an extra payment for a birth certificate to one for a death certificate." 16/ In the Ministry of Hydraulic Resources, corruption in the allocation of contracts represents a major source of income for bureaucrats. Another study suggests that the maintenance of Mexico's political regime, the PRI, is based on "an elaborate system of state patronage, the benefits of which are disbursed under the budget heading erogaciones adicionales; in any year these may account for 15-23 percent of all budgeted expenditures." 17/

Conclusions

The data reviewed suggest that corruption runs rampant in some countries of Asia, Africa, and Latin America and that it is pervasive throughout all levels of public bureaucracies and government. Those engaged in corruption include low-level and high-level civil servants as well as government officials. The discussion now turns to some of the underlying factors associated with the incidence of corruption and its effects on administrative performance and development.

III. The Sources of Bureaucratic Corruption

Although no commonly accepted definition of corruption exists, most definitions--despite their basic differences---share certain elements. Most would agree that corruption involves: violation of the duties of public office and the public interest; the privatization of public resources for personal advancement and self-gratification through acts of bribery, embezzlement, extortion, peculation, nepotism, and the like; and a choice or decision on the part of a public official and/or civil servant to take advantage of opportunities that arise while the individual functions in an official capacity. This choice or decision in turn depends upon the incentives provided by these opportunities and the individual's capacity to take advantage of them. 18/ It is precisely the relationship between the opportunities present and the public servant's capacity to exploit them that allows the observer to analyze the interplay between individual behavior, administration, and forces found in the larger societal context and to ascertain the conditions under which corruption is more or less likely to take place.

Conditions Contributing to Bureaucratic Corruption:

Uncovering the underlying causes of corruption has been one of the primary objectives of the literature devoted to the subject. Disparate explanations abound citing everything from individual behavior to structural and procedural deficiencies in bureaucratic arrangements to political and socioeconomic factors. Considered in isolation from each other, however, they provide only partial explanations of the phenomenon. 19/ The dispute over how to assess the causes of corruption makes the literature difficult to reconcile. A much more fruitful approach is to identify conditions under

which it is more likely to take place. Current research has turned up at least five such sets of conditions, the interplay of which is conducive to bureaucratic corruption in developing countries:

1. Broadly speaking, one set of conditions pertains to the functional role of government in the development process, which in some countries facilitates corrupt practices. More specifically, it involves the extent to which the government intervenes in the domestic economy and the concomitant opportunities this provides for corruption to occur.
2. The nature of the political system and its leadership, including its stability and degree of responsiveness to competing public demands, also has some bearing on the incidence of corruption. Relative instability contributes to insecurity of tenure. Therefore, public servants are impelled to seek opportunities for self-enrichment rather than to make a long-term commitment to promote and safeguard public goods.
3. Certain socioeconomic factors--for example, conditions of poverty and inequity--operate in the external environment but impinge directly upon public bureaucracies and the behavior of their administrators.
4. Society's cultural norms and practices (such as kinship loyalty), which form an integral part of the informal organizations, shape the public's perception of government and its bureaucratic apparatus, and influence

to a greater or lesser degree the behavior of administrators.

5. Organizational factors, such as structural arrangements and decisionmaking processes, personnel management practices, and administrative control and accountability systems form still another set of conditions.

Whether or not any of these factors must be present, none by itself is a sufficient condition for corruption to take place. Rather, any one, in interplay with others, contributes to the incidence of corruption.

Illustrations of Conditions Contributing to Corruption

The Role of Government in Development. One of the most striking features of developing countries is the pervasiveness of government intervention in all spheres of life. 20/ Since independence, governments in these countries have assumed an increasing number of responsibilities aimed to promoting development. This rapid expansion in government functions is due in part to historical factors. 21/ In addition, governments have sought to safeguard their economies from the ravages of falling commodity prices and to protect against despoliation of natural resources through increased regulations and programs. 22/ At the same time, there has been a tremendous growth in the bureaucratic apparatus.

Public bureaucracies have become crucial in developing countries. 23/ This has been recognized by scholars in the West, who point out that the management dimension in development programs must be improved if the functional requisites of governmental "capacity" are to be achieved. 24/ At present the state is the largest employer, investor, and developer in many developing countries. 25/ In Ghana, for instance, the public sector spends a larger proportion of the national income than any Western nation. In 1964,

roughly 70 percent of the employed work force were public employees in all important sectors of the economy, 26/ which, if allowed to do so, would be able to make important contributions to development. Expansion has, however, been accompanied by a proliferation of regulations, some of which are virtually impossible to administer and make the processing of transactions cumbersome. 28/ Likewise, many of the responsibilities assumed by governments in developing countries lie beyond their administrative capabilities. 29/

What is more important, the expanding role of government in development has placed the bureaucracy in a monopolistic position and has enhanced the opportunities for administrative discretion. 30/ Excessive regulations together with this increased bureaucratic discretion provide opportunities and incentives for corruption in that regulations governing access to goods and services can be exploited by civil servants in extracting "rents" 31/ from groups vying for access to such goods and services. However, the monopoly position of government bureaucracies and the discretion of their administrators are not enough per se to bring about corruption. Rather, they merely provide opportunities and powerful incentives that, once combined with the factors examined below, have a catalytic effect.

The data reviewed indicate that public bureaucracies in some developing countries have become uncontrolled and unaccountable centers of power pursuing their own interests through the institutionalization of systematic extortion and bribery. 32/ Similarly, the overwhelming network of regulations and institutions has created a situation of uncertainty conducive to corruption. Under conditions of uncertainty and under a government acting as employer, consumer, producer, and regulator, both the public and civil servants have come to accept government inefficiency and ineffectiveness as part of the natural order of things. Moreover, these conditions have provided

public servants with the opportunity to use their offices to protect and further their own interests. 33/

The Political System. In some new nations the idea of the national interest remains weak. 34/ Consequently, the institutions of the state, including its bureaucratic apparatus, are remote and perplexing to many people. Additionally, their Western origin makes them suspect since they may be associated with alien rule and perceived as objects of plunder rather than instruments for the promotion of the common interest. 35/ Thus, the notion of the "soft state" has been used to describe the political systems of many developing nations. The soft state is characterized by social indiscipline that is manifest by deficiencies or willful neglect of rules and directives by public officials and civil servants, and the collusion of government officials and top civil servants with powerful individuals and groups whose conduct they are supposed to regulate. 36/ Specifically, the soft state exhibits the following qualities: 37/

- High dependence on outside sources;
- Social indiscipline and disobedience to public authority;
- Weakened indigenous system of rights and obligations, laws and standards, resulting in ambivalence toward modern norms;
- Overreliance on government to change social ethics and behavior, while bypassing traditional arrangements;
- Overcentralized government, which undermines local initiatives;
- Rigid bureaucracies unable to adjust to changing circumstances, persisting with outmoded attitudes and

administrative arrangements, and relying on heavy-handed enforcement;

- Endemic corruption that hinders innovation, prevents change, and inhibits eradication of corrupt attitudes and behavior.

The social indiscipline of the soft states has been attributed to political, social, and economic arrangements conditioned by historical circumstances. For one thing, many of the laws and procedures of developing countries are based on the weakened indigenous system of rights and obligations of the precolonial period. For another, colonialism contributed to the breakdown of the traditional system, leaving behind a legacy of anarchic attitudes that governments in developing countries now find turned against themselves. Furthermore, it has been argued that power resides in the hands of an upper class who could very well promote egalitarian laws, social reform, and policy measures but judge their interests to be better served by preventing such measures. Corruption is said to be a specific manifestation of the soft state: "the general setting of the soft state makes corruption possible, and in turn the prevalence of corruption is a mighty influence keeping these countries as soft states." 38/

Social indiscipline, combined with the monopoly position of government and confusing networks of regulations and institutions, has enabled influential individuals and powerful business groups to compete through sophisticated methods of corruption for access to goods and services in spheres such as licensing, import-export permits, franchises, public projects, government financing, and customs. Private sector competition, encouraged by public officials' disregard for rules and regulations and their tendency to use the law for furthering their own interests, has led to the development of

an informal system of transactions characterized by bribery, nepotism, and patronage. In Lebanon, for example, customs officials reportedly refuse to process transactions unless bribes are forthcoming, and importers and exporters resort to bribes in order to avoid difficulties and expedite transactions. 39/

In Ghana, on the other hand, disrespect for regulations is thought to be related to its colonial history. Under colonial rule, corruption practiced by the indigenous population was aimed at subverting the mandate of the colonial power. In postcolonial Ghana, however, the people showed a great deal of ambivalence toward legal requirements and regulations. 40/ According to a newspaper editorial: 41/

We have always turned two faces toward a policeman. We expect him to be human, yet inhuman. We employ him to administer the law, yet ask him to waive it at certain instances. We resent him when he enforces the law in our own case, yet demand his dismissal when he does not elsewhere. We shamelessly offer him bribes, yet denounce his corruption.

Uganda under Idi Amin saw corruption escalate to such unprecedented levels that society as a whole was held at ransom. As one observer has noted, "The expulsion of the Asians in 1972 left a high price of booty for distribution, which rapidly accentuated the forces of corruption in the army and steadily trickled through the whole society." 42/ Eventually, the army bosses also assumed control of the state monopolies for commodities such as coffee, tea, and cotton and distributed their earnings among those authorized to hold foreign exchanges, Amin, and his close associates--who proceeded to squander external resources on private conspicuous consumption. As a result, the country experienced a period of serious shortages as stocks became depleted and the supply system disrupted. The limited number of goods and services available could only be obtained through bribery, nepotism, and

clientelism. Insecurity and violence spread throughout the country as soldiers demanded services without payment, while army generals in major regions assumed the role of local "warlords" and combined military, political, administrative, financial, commercial, and agricultural operations into fiefdoms. 43/

Social and Economic Conditions. Other factors contributing to corruption in many developing countries include high unemployment, widespread poverty, and widening social and economic inequalities: "the incentives to corrupt whatever official purposes public institutions are agreed to have is specifically great in conditions of extreme inequality and absolute poverty." 44/ In developing countries poverty has generated systems of patronage and dependency, which have been called "relations of parasitism." 45/

Poverty forces individuals not only to tolerate corruption, but also to initiate it where none exists and to take advantage of it where it is present. Sometimes favors are extended to other individuals, particularly relatives and friends, because of the desire to alleviate their poverty. At other times, favors may be extended with the objective of exacting certain future benefits from the recipients.

The concentration of power--political, economic, and bureaucratic--together with conditions of widespread poverty, occasionally provides fertile ground for corruption. 46/ In developing countries, where employment opportunities in the private sector are very limited and the government is the chief employer, a great many opportunities arise for systematic bribery, patronage, and nepotism. 47/ In other cases, corruption is used to consolidate power in relatively decentralized systems. Under these conditions, unqualified, incompetent, inept, and even corrupt but influential individuals are drawn into the ranks of the civil service. A closed

bureaucratic circle often emerges that acts as a "socializing agency which initiates both citizens and public servants into the art of bureaucratic corruption." 48/

Cultural Factors. Much of the research on the causes of administrative corruption has focused on the persistence of traditional values and customs that conflict with the requirements of modern bureaucracies. It has been argued, for example, that "the breach of formal laws and regulations is the result of established patterns of behavior founded on, and supported by, established attitudes shared to varying degrees by all members of societies in the Third World, including public servants." 49/ Bureaucrats in developing countries frequently seem to be faced by two sets of values: having been trained in the norms of modern organizations, they publicly adhere to these standards of recruitment and selection; but privately, and to a significant degree, they subscribe to traditional norms. 50/ Thus bureaucrats in developing countries are said to be torn between two sets of ethics, which, because they are dissimilar, create an identity crisis for civil servants. The weight of tradition is such that, even when the bureaucrat himself does not profess a belief in traditional values, he is nevertheless subjected to constant pressure to give in to those values. 51/

Research indicates that parochial loyalties and kinship ties tend to influence the behavior of bureaucrats in African countries. This system of relationships has encouraged the development and institutionalization of attitudes of disrespect for formal regulations among both civil servants and the public. 52/ In Africa the welfare of the clan is frequently reported to take precedence over the welfare of the individual; thus, achievement is the result not of individual efforts but rather of clan cooperation. 53/ It has been observed that in order "to avoid accusations of ingratitude, politicians

and top civil servants must surround themselves with their fellow tribesmen as well as their more immediate relatives." 54/ This situation leads some civil servants to experience difficulty in adjusting to the impersonal, disinterested, legalistic requisites of modern bureaucracy, as noted in Ghana. 55/

In Asia, meanwhile, particularism is reported to be a valued end in itself, despite its potential instrumental function. Furthermore, individuals reportedly seek to widen their social networks, which are based on intimate primary relationships. In a modern bureaucracy, which calls for impersonality, intimate personal relations often interfere with the attainment of organizational goals. The dominance of social and moral norms over legal norms is said to be another characteristic of Asian societies that conflicts with the demands of modern organizations. 56/ In Latin America too, the widespread prevalence of personalism and amistad, with primary loyalties toward one's family and friends rather than toward the government or bureaucracy, has important implications for administrative performance and corruption. 57/

Although the relationship of traditional values to corruption in developing countries is deemed significant, some writers have suggested that it is less important than other factors. In the traditional African milieu, there are limitations on parochial loyalties and family obligations that preclude corruption. 58/ One researcher has observed that "the deliberate exploitation of traditional practices and the rational calculation of the benefits to be derived are completely alien to customary African social relationships." 59/ Likewise, in Asian countries particularism in social relations is considered socially legitimate, but legally illegitimate as a way of achieving personal goals. 60/

The Organizational Dimension. A number of organizational factors contribute to bureaucratic corruption in developing countries. First, the rigidity of overcentralized decisionmaking structures and processes tends in many cases to delay official action, with the result that those seeking to expedite transactions may resort to bribes and payoffs as a means of overcoming cumbersome regulations and indecision. That some rigidity deters lower level civil servants from taking initiatives, stifles innovation, and inhibits the development of the learning and adaptive capacity of the administrative system. With minor decisions being made by top bureaucrats, more important matters such as determining national goals, priorities, and strategies are often neglected. At the same time, minor decisions tend to be passed down the hierarchical line to some unaccountable entity far removed from the decisionmaking center. Second, the inexperience of some civil servants leads them to overlook the necessary arrangements for the implementation, supervision, guidance, and control of policies and programs. Third, the lack of qualified personnel at the local levels inhibits development of an effective and efficient administrative infrastructure. Fourth, the absence of control and accountability systems, coupled with the lack of proper authorization to enforce rules and regulations at the local level, makes acts of corruption easy to conceal. Moreover, salary differentials between top-of-the-line bureaucrats and lower level civil servants breed resentment and frustration among the latter.

These factors, together with a general attitude of ambivalence and disrespect for rules and regulations, provide numerous opportunities and powerful incentives for corruption in developing countries. In many countries of Asia, Africa, and Latin America the prevailing attitude among both civil servants and the public is that transactions that do not meet requirements can

still be processed, legal matters can easily be settled, and jobs for unqualified personnel can be secured. 61/ In Ghana, for example, the inadequacies of local administration noted earlier were the main reasons for numerous cases of fraud and defalcation in local councils. 62/

Salary levels among middle- and low-level civil servants in Africa and Latin America have also been found to contribute to corruption. In 1969 levels were so low in Ghana that many public sector employees could not afford a balanced diet, regardless of whether they spent their entire income on food. 63/ In Mexico, meanwhile, the life style expected of middle-level bureaucrats demands an income far in excess of their salaries, which bureaucrats reportedly supplement by extracting payments and kickbacks from clients. 64/ Underpaid civil servants may illegally spend a substantial amount of office time on money-earning activities, thus detracting from their appointed duties and diminishing productivity. This situation may be exacerbated in some cases by the bureaucrat's lack of job security in the absence of unions, protection, and guarantees of future income.

IV. The Effects of Corruption

Two widely divergent views of the effects of corruption in developing countries are currently in favor. One is that corruption contributes to national integration, maintains political stability, fosters political development, and promotes economic growth. The other is that corruption impairs bureaucratic effectiveness, political development, and economic efficiency. This section outlines the key elements of the arguments on both sides and evaluates them in the light of the available data.

Benefits of Corruption

Political benefits. Cleavages among the elite and the potential for violence are said to be overcome through the distribution of the spoils of corruption. In addition, corruption is claimed to provide minorities and opposition groups with access to a closed system of rewards. Furthermore, corruption reportedly overcomes discriminatory practices and promotes national integration. Finally, the proceeds of corruption are supposedly used to create viable political institutions such as political parties, and thus they are said to facilitate electoral politics and promote political development. 65/

Economic benefits. Capital formation and investments in productive activities are thought to be encouraged by corruption. In addition, illegal access to administrative benefits through payoffs, kickbacks, and other corrupt practices is said to help cut bureaucratic red tape and overcome rigidity by expediting transactions that would otherwise be delayed. Lastly, it is argued that corruption promotes efficient and entrepreneurial behavior by awarding the contracts, licences, and favors sought to the most efficient and enterprising capitalist who can offer the highest bribe. 66/

Bureaucratic benefits. Corruption is also said to contribute to administrative flexibility and efficiency in overcoming bureaucratic rigidity and cumbersome rules and regulations. In short, since administration in developing countries is slow, inflexible, and costly, corruption is considered a "lubricant" that can be used to overcome excessive bureaucratic inflexibility and slowness. Finally, corruption supposedly cushions the impact of poorly formulated policies and programs and the actions of inept and inadequately assisted and supervised administrators and introduces rationality by transferring decisionmaking power from the public to the private sector. 67/

Costs of Corruption

Political costs. On the other side, corruption is said to contribute to interethnic and interregional conflict and violence. In addition, corruption undermines the legitimacy of political institutions and thus the government is less able to rely on the cooperation and support of the public. As a result, the government is compelled to resort to force and coercive tactics to maintain order. The resulting violence and political instability hinders political development. 68/

Economic costs. Corruption, it is also argued, leads to economic inefficiency and waste, because of its effect on the allocation of funds, on production, and on consumption. Gains obtained through corruption are unlikely to be transferred to the investment sector, for example, since ill-gotten money is either used up in conspicuous consumption or is transferred to foreign bank accounts. Such transfers represent a capital leakage to the domestic economy. Furthermore, corruption generates allocative inefficiency by permitting the least efficient contractor with the highest ability to bribe to be the recipient of government contracts. In addition, since the cost of bribes is included in the price of the goods produced, demand tends to be reduced, the structure of production becomes biased, and consumption falls below efficiency levels. Thus, corruption lowers the general welfare of the populace. Finally, the gains from corruption tend to draw labor away from productive noncorrupt activities. Moreover, since corruption affects recruitment and promotion patterns, the most efficient employees may not be recruited at all and the allocation of positions may be inefficient. This situation may be exacerbated further if efficient potential employees do not compete for government positions because of moral or other reasons. By the

same token, corruption directs employees' energies away from socially valuable activities toward less efficient corrupt activities. 69/

Bureaucratic costs. Corruption is considered to generate administrative inefficiency and ineffectiveness by creating an atmosphere of distrust throughout all levels of public bureaucracies. Top administrators are discouraged from training their subordinates to undertake increased responsibilities, while their ability to supervise is also reduced. As a result, the delegation of authority needed for successful implementation is inhibited and frequently altogether hindered. In addition, patronage and nepotism tend to fill the ranks of the civil service with inept and incompetent individuals, thereby lowering the productivity of public bureaucracies. 70/

Effects of Corruption on Developing Countries

The available data suggest that corruption has a deleterious effect on administrative efficiency and political economic development. Even under circumstances of benign corruption, the costs incurred in administrative and political performance far exceed the benefits derived from relative gains in economic efficiency. Moreover, if general welfare is the standard for evaluating the benefits and costs of corruption, the social, political, and administrative tradeoffs involved in attaining increased economic efficiency represent a loss to society in the long run. This is particularly so in developing countries, where its effects are deemed cumulative and circular. That is, government monopoly of economic activities--when combined with conditions of political "softness," poverty and widened socioeconomic inequalities, ambivalence toward governmental organizations, and systematic maladministration--contributes to high levels of corruption throughout society, undermining the legitimacy of the state, social equity

considerations, and the effectiveness of development policies and strategies. There seems to be little doubt that under conditions of systematic or widespread corruption economic efficiency, together with political and administrative performance, declines below optimal levels and thus lowers general welfare.

Effects on Political Development. The corruption prevalent in developing countries is said to create a breeding ground for violence. 71/ This claim has been borne out by the facts in several nations. In Ghana, for one, corruption has been blamed for intensifying interethnic conflict during the Nkrumah regime. 72/ Under Amin, corruption brought violence and social disorganization to Uganda. 73/ In fact, many of the military takeovers in parts of Asia, Africa, and Latin America have been justified by the need to stamp out corruption. However, just as regime changes do not guarantee that corruption will be reduced or eliminated, not all corruption leads to regime change. Although widespread corruption in the Philippines, for example, has eroded the public trust in the Philippine government, including its leaders and functionaries, the regime of Ferdinand Marcos remains unchallenged primarily because of the repressive nature of the state apparatus. 74/ In Mobutu's Zaire, where the state bureaucracy has been privatized by the ruling clique, fear and repression have prevented any serious threat from dissenting groups. 75/

As for the effects of corruption on political development, it has been noted that corruption

- encourages and perpetuates closed politics, preventing the development and violence;
- suppresses political opposition, generating increased resentment and violence;

- perpetuates and widens social class and economic divisions, leading to societal strain and preventing cohesion
- prevents policy changes and diverts public resources, contributing to conditions of private affluence and public squalor. 76/

In conclusion, rather than contributing to political development corruption appears to generate conditions of violence, social unrest, political instability and regime change through military takeovers.

Effects of Economic Development. Much corruption in developing countries takes place in the import-export sector of their economies. It commonly assumes the form of illegal purchases of import licenses, underinvoicing and overinvoicing of imports and exports, and smuggling. In one empirical study that sought to determine how the overinvoicing of imports affected the allocation of investment and the structure of industry in Pakistan, estimates for 1966 and 1970 placed the magnitude of overinvoicing at 20 percent and 40 percent of the actual invoice price, respectively. The study concluded that the profit incentives of overinvoicing capital goods influence investment decisions in such a way that they

- discourage the growth of the capital-goods industry, since it must compete with an effectively subsidized imports;
- create industries that are unnecessarily foreign-capital intensive and perpetuate a pattern of development that is heavily dependent on foreign capital;

- (c) reduce the level and growth of consumption and employment by discouraging the use of existing plant and equipment in favor of adding new capital;
- (d) discourage industrial employment through both reduced capital utilization and adoption of labor-saving, capital-intensive techniques and products;
- (e) affect the distribution of income by reducing the potential earnings of the unemployed and underemployed and by increasing the profits of the industrialists through investments in labor-saving, capital-intensive industries and techniques;
- (f) spread corruption and raises the cost of doing business through the distribution of overinvoicing profits from industrialists to government agency employees and government officials.

But underinvoicing and overinvoicing also contribute to capital flight from developing countries. In a sample of twenty-eight developing countries, capital flight was also found to occur through invoice-faking, with a larger share going to underinvoicing of exports (given the fact that the overinvoicing of imports has tended to be much more restricted). 78/

An earlier study on the effects of illegal import licensing tested the proposition that "competitive rent seeking for import licenses entails a welfare cost in addition to the welfare cost that would be incurred if the same level of imports were achieved through tariffs." 79/ The additional cost is the cost of rent seeking; that is, rents or bribes/payoffs distributed to government officials in obtaining the import licenses. Relatively conservative estimates of the value of rents in India in 1964 (see Table 7)

indicated that the total value of rent represented 7.3 percent of India's national income in 1964. This figure is deemed significant given India's rate of savings problems at the time. The study's findings supported its key proposition.

Table 7: Estimates of Values of Rents in India, 1964

Source of Rent	Amount of Rent (Rs. Million)
Public investment	365
Imports	10,271
Controlled commodities	3,000
Credit rationing	407
Railways	602
Total	14,645

In another illustration of import-export corruption, between \$140 and \$200 million in exports were documented as having left Indonesia illegally between 1958 and 1962. Smuggling of commodities such as rubber, coffee, copra, tobacco, tea, and pepper may have accounted for approximately two-thirds of the illegal trade. 80/ This figure represents a significant amount of capital flight.

Taken together, these examples illustrate the negative effects of corruption on economic development. Corruption in the trade sector of the

economies of developing countries, as we have seen, may contribute to distortions in investment decisions and the structure of industry, reductions in the levels of employment and consumption, and capital flight, all of which adversely affect the development process.

Effects on Administrative Performance. Most observers of corruption in developing countries seem to agree that the phenomenon generates an atmosphere of resentment and frustration, improductivity and inefficiency, and distrust that permeates all levels of administration. The idea that bribes and payoffs expedite transactions by helping overcome cumbersome rules and regulations has been challenged by findings in India, where the practice of giving "speed money" was actually the cause of administrative delays because civil servants got into the habit of holding back all papers from the clients until some kind of payment was made to them. 82/ A study of corruption of public utilities in developing countries reached similar conclusions: "Once the system of bribery becomes well-established, however informally, then the income gained from bribes is no longer a windfall, but is part of expected wages. Operators will no longer wait to have people come and bribe them, they go out in search of people who can be persuaded to bribe them in return for having telephone services provided to them." 83/

Corruption in public bureaucracies also contributes to frustration on the part of otherwise professionally competent and honest civil servants. The head of the Lebanese Civil Service Commission observed once that the Lebanese civil servant's inability to control corruption impels him to choose one of two options: the civil servant will either apply noncorrupt standards and run the risk of becoming so alienated that he will eventually resign his position, or he will take advantage of his skills and position to enrich himself. 84/

As for its effect on public bureaucracies, corruption

- subverts trust and cooperation,
 - inhibits innovation and reform,
 - encourages violations of rules and regulations,
 - intimidates and terrorizes honest civil servants
- into silence. 84/

In corrupt public bureaucracies the tendency is to hire corruptible individuals exclusively, regardless of their professional qualifications. Thus, there is a loss of potential gains in efficiency. What is more important, distrust leads to increased centralization of decisionmaking, inhibiting delegation of authority, effective implementation, and the learning process of organizations. 86/

V. Conclusions

Corruption, as this paper shows, is pervasive in the countries of Asia, Africa, and Latin America. The government monopoly of economic activities in developing countries, when combined with conditions of political "softness," widespread poverty and socioeconomic inequalities, ambivalence towards the legitimacy of government and its organizations and systematic maladministration, provides fertile grounds for corruption, which, according to much of the data examined, has a deleterious effect on administrative performance and economic and political development.

In the face of the widespread incidence of administrative corruption and its harmful effect on administrative performance, governments may increasingly wish to consider possible measures to counteract this scourge. Among such measures might be:

- high-level commissions to conduct inquiries on a government-wide basis,
- "ombudsmen" to examine citizen complaints about government corruption,
- courses, seminars, and action research projects to heighten officials' awareness and provide them with tools for combating corruption,
- efforts to simplify administrative procedures and to strengthen financial management recording and reporting requirements.

Footnotes

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- 10/ D. Morrell, "Legislatures and Political Development: The Problem of Corruption," paper read at the Conference on Legislatures in Contemporary Societies, Albany, New York, January 1975, cited in Neher, *ibid.*, pp. 483-4.
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- 12 V. Eker, "On the Origins of Corruption: Irregular Incentives in Nigeria," The Journal of Modern African Studies, vol. 19, no. 1 (1981); pp. 173-82.
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- 14/ M. G. Schatzberg, Bureaucracy, Business, Beer: The Political Dynamics of Class Formation in Lisala, Zaire, Ph.D. dissertation, University of Wisconsin, Madison, Wisc., 1977, p. 143.
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