

The Link Between Corruption and Poverty : Lessons from Kenya Case Studies

By : The African Centre for Economic Growth

Publication: 2000

154 pages

INTRODUCTION

"One thing can be said-the mere fact that corruption has become an item of national preoccupation is paradoxically the first real achievement by Kenyans over corruption"

Since the end of the last decade the emphasis has moved from building public awareness on corruption issues to understanding the nature of corruption and its effects on the economy, society and politics; understanding the nature of the beast as it were. The global anti-corruption movement, therefore, has moved towards research and a host of rigorous tools have been developed to study and monitor corruption wherever it takes place. Hand in hand with this, efforts to combat corruption have moved from the moral exhortation stage to a phase that has seen greater attention focussed on developing holistic anti-corruption strategies that are built on equal pillars of prevention, enforcement and public education.

In the past it was sometimes argued that fighting corruption meant mainly streamlining administrations and reforming bureaucratic red tape. The economic liberalisation programmes implemented by many African governments over the past decade and a half were partly put in place with the premise that the weakening of central controls on economic affairs would reduce discretionary decision-making by the government in economic affairs and thus corruption and inefficiency. Indeed, as you shall find in the following chapters of this book, economic liberalisation in many cases has led to new and sometimes deadly forms of corruption and economic crimes generally.

What the efficiency argument proponents overlook is the fact that more often than not the inefficiencies and irritating red tape exists by design, not by accident, and that its removal is not simply a paper exercise. It is also acknowledged today that administrative reforms by themselves do not improve matters significantly, though they do help. The equation C (corruption) = M (monopoly) + D (discretion) - A (accountability) often used to explain corruption, omits V (values), and seems to suggest that ethics are an irrelevance. In studying the apparent intractability of corruption in many countries V (values) has risen to the fore along with other vital linkages that help present a more comprehensive picture of the nature of corruption in any given country. The link between poverty and corruption is one of these vital relationships and, as you shall find in chapter 2, corruption is an important cause of poverty because it promotes unfair distribution of income and inefficient use of resources.

DEFINING CORRUPTION

It is not intrinsically useful to make qualitative distinctions between corruption in various parts of the world. At the end of the day it often means the same thing: the abuse of public office for private gain. However, this can be broken up into petty corruption, grand

corruption and looting. Petty corruption involves relatively minor amounts of money or gifts changing hands where one of the parties is themselves a relatively minor official in the organisation or system within which the transaction takes place. For example paying a policeman one dollar to ignore the fact that your car's licence has expired. Grand corruption most often involves businessmen and government officials of senior rank and the figures involved are significant. Examples of these are kick-backs paid to officials on government public works contracts.

The third type of corruption is 'looting' and has recently been described by some commentators as large-scale economic delinquency. It differs slightly from petty and grand corruption, however, and is sadly prevalent in those developing countries where institutions of governance are particularly weak. It usually involves the kind of scams whose figures are so huge that when they are successfully concluded they have macroeconomic implications fairly quickly—they cause banks to collapse, inflation to rise, the exchange rate to decline. The impetus for looting is often political and it happens under the direction or with the acquiescence of important political players in a given country. It often involves, for example, the printing of currency to fund fictitious projects, using public revenues to award enormous contracts to individuals who never supply the goods or the services. The primary movers in the companies behind these scams don't just cream off 10 or 20 percent with a cut within that for the higher-ups. In these deals the cut can be as high as 100 percent and most of the cash goes to the higher-ups. These resources fund election campaigns and pay for private militias in many African countries.

Another important distinction between grand corruption and looting is that in cases of grand corruption a minister may take a kickback of 100,000 dollars on a government road construction contract worth a million dollars. The road is built but its quality does not reflect its cost. Looting on the other hand is a much more premeditated activity because it often entails the deliberate creation of a government project for which resources will be allocated and spent but the project is not meant to be completed from the outset. If grand corruption is manslaughter, then looting is murder. Looting, as far as I can tell is most prevalent in a number of developing countries and I have also heard of it in relation to certain countries in transition. To understand it with a view to dealing with it one needs to examine the context that facilitates it.

CORRUPTION AS AN ELITE ACTIVITY

Many African countries are characterised by weak and vulnerable national governance institutions, such as parliament, the judiciary, civil service and police; a limited democratic culture; and, human, natural, technological resources that are not developed. Many of these countries are also characterised by an environment where there is limited awareness on the part of wider population with regard to consequences of corruption. In this type of environment, the very character of vital national institutions such as the civil service, judiciary, legislature, police and others are transformed. Even though one cannot sometimes tell from the outside, an alternative or parallel power structure develops that has tentacles in all economic, political and social sectors. This structure has one primary purpose, to maintain the ruling elite's hold on state power and, therefore, the primary mode of economic accumulation.

Many African elites of today have acquired wealth through connections to the state or via participation in the state itself through politics, the civil service or military. They are the ones who win most government contracts, are able to obtain loans from state-owned financial institutions most easily; are able to apply successfully for government allocations of public land and are able to lobby most effectively for government tax concessions,

changes in investment regulations and the like. Corruption, the serious corruption that undermines development in the most sudden and debilitating ways, is an elite activity. When elites that are part of informal structures of power perpetrate much of the most harmful corruption, it exacerbates already serious levels of poverty and economic inequality. This is partly because in the economies where such elites flourish the governance institutions are weak and members of the elite and their associates are almost literally beyond the law. As a result the well-connected people don't have to pay the same taxes like everyone else; policemen and other junior officials seeking small bribes don't dare solicit cash from them. At the end of the day it is the poor and the weak who face the true brunt of corruption. This is a critical link between corruption and poverty.

The fight against corruption in many developing countries like Kenya is economic because it deepens poverty, exacerbates inequalities and makes for economies whose very structure is skewed. It is also political because corruption breeds impunity and undermines vital governance institutions sustaining shadow power structures. The fight against corruption is also social and cultural because where impunity with regard to corruption prevails one finds the corrupt transformed into latter day heroes and the principles of honesty and hard-work become unattractive.

The fight against corruption is not an insurmountable struggle. The first step in dealing with a problem is recognising it exists and this has happened in Kenya. The second stage involves understanding the nature of corruption and facilitating the implementation of viable anti-corruption strategies. This book, analysing as it does the links between corruption and poverty, is an important step in promoting this understanding that exemplifies the second phase in the global struggle against corruption.

Descriptors : Poverty, Disadvantage Groups, Social Problems, Corruption, Role of Government, Social Conditions, Social Reform.

Contact :

African Centre for Economic Growth
P.O.Box 55237,
Nairobi – Kenya
Tel.: (254 – 2) 24 10 36 / 21 52 95
Fax : (254 – 2) 22 32 20
E.mail : aceg@aceg.org