

# WHAT IS CORRUPTION?

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Corruption is the misuse of *public* power (by elected politician or appointed civil servant) for private gain.

In order to ensure that not only public corruption but also private corruption between individuals and businesses could be covered by the same simple definition:

Corruption is the misuse of *entrusted* power (by heritage, education, marriage, election, appointment or whatever else) for private gain.

This broader definition covers not only the politician and the public servant, but also the CEO and CFO of a company, the notary public, the team leader at a workplace, the administrator or admissions-officer to a private school or hospital, the coach of a soccer team, etcetera.

A much more difficult, scientific definition for the concept ‘corruption’ was developed by professor (emeritus) dr. Petrus van Duyn:

Corruption is an improbity or decay in the decision-making process in which a decision-maker consents to deviate or demands deviation from the criterion which should rule his or her decision-making, in exchange for a reward or for the promise or expectation of a reward, while these motives influencing his or her decision-making cannot be part of the justification of the decision.

Major corruption comes close whenever major events involving large sums of money, multiple ‘players’, or huge quantities of products (think of food and pharmaceuticals) often in disaster situations, are at stake. Preferably, corruption flourishes in situations involving high technology (no one understands the real quality and value of products), or in situations that are chaotic. Think of civil war: who is responsible and who is the rebel? Natural disasters like earthquakes, floods, droughts. The global community reacts quickly but local government might be disorganised and disoriented. Who maintains law and order? Or maybe the purchase of a technologically far advanced aircraft, while only a few can understand the technologies implied in development and production of such a plane. Mostly ,the sums of money involved are huge, a relatively small amount of corrupt payment is difficult to attract attention. Or the number of actions is very large, for instance in betting stations for results of Olympic Games or international soccer-tournaments which can easily be manipulated. Geo-politics might play a role like e.g. the East-West conflict did in the second half of the 20th century, in which the major country-alliances sought support from non-aligned countries.

Fighting corruption takes place in many ‘theaters’:

- political reforms, including the financing of political parties and elections;
- economic reforms, regulating markets and the financial sector;
- financial controls: budget, bookkeeping, reporting;

- Public supervision: media, parliament, local administrators and councils, registration;
- free access to information and data;
- maintaining law and order;
- improving and strengthening of the judicial system;
- institutional reforms: Tax systems, customs, public administration in general;
- whistle blowers and civil society organizations (NGO's).

We know that corruption will not disappear from society. Our efforts are meant to restrict corruption and to protect as much as possible the poor and weak in our societies. In the end all corruption costs are paid by the consumer and the tax-payer. They need protection.

The small corruption (peanuts, facilitation payments – allowed by the OECD!) do not cost much but are awesome to the public. It is less damaging in total amounts but it makes it difficult to understand why we fight the grand corruption if we fail to fight the small 'back hits'. Major corruption thrives on a broad base of small corruption-payments or bribes.

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## **CHARACTERISTICS OF CORRUPTION**

Discussion of corruption is extremely difficult as it is a hidden phenomenon in our societies. Both parties in exchange of power for privileges want to keep their transaction secret. That makes it so difficult to establish how wide and deep corruption penetrated our economy and social life. Moreover, what for some is no more than 'a friendly turn' is for others 'misbehavior'. What in one place can be friendliness is unacceptable elsewhere. Normal behavior at a particular hour of the day may be unacceptable at another hour.

Let us have a look into some of the characteristics.

- a) Recipients and payers.
- b) Extortion.
- c) Lubricant of society.
- d) An ethical problem.
- e) Poverty reduction.
- f) Small is beautiful.
- g) Culture.

h) 'Kindness among friends'.

a) Recipients and payers

*Corruption is the abuse of entrusted power and elected authority for private profit.*

Worldwide complaints are heard about politicians and public officials who accept bribes and enrich themselves privately at the expense of the common citizen. This may be at the expense of the employee and the employer; consumer and producer; renter and tenant; the one applying for a permit to do something, or asking exemption from an obligation to pay or to deliver a product or a service. All those cases may be considered to be abuse of power and authority for one's own benefit.

Complainers forget that necessarily there should also be payers who benefit from that abuse of power and authority. The other side of the coin shows payers assuming that their 'gift' to a politician or a public official, may in return deliver profitable preferential treatment or delivery.

Please note that repeatedly is stressed the behavior by public officials and politicians. Often the last ones are forgotten. Anyone who wants to fight corruption and safeguard integrity in governance should not only prevent politicians and public officials from unlawfully accepting gifts, but should also fight the 'high and mighty' that abuse their power and authority to give privileges such as land rights, permits, diplomas, allowances, money, against a reward.

All over the world we see, generally speaking, that accepting bribes is publicly denounced. The parliamentarian accepting bribes for using his influence and legislative power to endorse proposals profitable to some, is condemned in public by everyone. However, in private, those who gain from those profitable proposals praise his approach as realistic. For them he is the perfect representative who recognizes that 'there is no escaping from corruption, if you don't want to lose the competitive struggle'.

Test Ask family, neighbors, colleagues at work, their opinion on this subject. Do they support the opinion that it is wrong to bribe politicians and public officials, whereas, the other way round, they themselves bribing these officials for their own profit would not be wrong? Would they denounce someone bribing an official or politician?

b) Extortion

Many among us go one step further. They do not only blame politicians and public officials for willingly accepting bribes. They also often allege that those having authority in our society ask to be bribed or give us the opportunity to bribe. This means that the question 'who is to blame', shifts from the person who pays to the person who extorts and receives. Again on the ground of the allegation: 'There's no escaping from it, for if you don't pay, you are bound to fall behind'.

Such asking for a gift may be incidental or general. A generally accepted practice in Pakistan in the nineties of the 20<sup>th</sup> century, for example, was that every invoice written out for the government was increased by 7 percent, as a gift to the public official and/or politician in

recompense for the privilege of being allowed to supply a product or service. Naturally, on top of that there came incidental additional payments by way of thanks for benefits obtained.

In every society it is known, either publicly or furtively, which public official is open to transactions with gifts being made reciprocally. The gift on the part of the official may then imply considering an application with priority, or assigning a contract, scholarship or employment. The potential payer will look for his “prey”; he will look for the politician/public official of whom everybody knows that he can be ‘bought’, that he is prepared to break the rules in exchange for a ‘gift’. Therefore, the reputation that a public official or politician enjoys, is of great significance. Some will never be approached with a ‘proposition’, as the potential extortionists or bribers do know that they (those public officials or politicians) are not open to such practices. Equally, as regards some business enterprises, it is a known fact that they do not keep any cash for bribes. They run less risk of falling victims to extortion.

**Test:** Ask yourself whether it is an easy way out of a personal problem to claim that you are not corrupt but that others force you to give bribes, expatriates buying their licenses claiming that the authorities are corrupt!

### c) Lubricant of society

Many think that paying bribes is required to ensure smoother operation of society. They think that without an occasional gift (for example, around Christmas and New Year), or incidentally (a gift on the occasion of a marriage or when a child is born) for instance upon entering into a contract for the supply of a product or a service, such contracts might be lost to them and might be assigned to others.

For their own enterprises that would then amount to a loss, implying loss of sales potential, which is not what any enterprise or entrepreneur works for. For entrepreneurs who want to secure sales, those gifts are a cost item which they account for in advance in their prices. As a consequence products and services cost unnecessarily more than is needed from a commercial point of view, for as a matter of fact these gifts have already been budgeted.

If corruption is judged purely on the basis of business economics, macro-economically it costs money to society which should be considered as a loss. From the micro-economic point of view, for the bribing entrepreneur, it is profitable. The payer of a bribe secures a desired transaction which – if evaluated on purely commercial grounds – strictly speaking, should have been assigned to someone else. That will harm individual entrepreneurs and transactions; it will harm the national economy and the world economy.

The fact is that, being influenced by payment of bribes, buyers (the politicians, the public officials?), will often not make the best decision, but take an inferior decision.

It is not the best producer that wins, and it is not the best product that wins, but the delivering contract-party that is willing to ‘fork out’ the most money. Naturally, those additional payments will end up in the economy anyway and are, therefore, a burden from a macro-economic point of view, either for the taxpayer or for the consumer.

**Test:** did you ever refuse to pay a bribe, or would you if you had the potential to ask for a bribe, refuse to do so? Did you feel any consequences?

#### d) An ethical problem

The mere fact that both the payer and the recipient of bribes want to keep their behavior secret (and often succeed in doing so as well) shows that such behavior is generally considered to be improper. Many consider corruption to be an ethical problem, a behavioral problem. And refer to it as being ‘sinful’, a ‘wrongdoing’. It is a problem to be solved by means of personal ‘reform’.

Those who took the initiative to establish *Transparency International* (TI), the global coalition against corruption, in the last decade of the past century, began calling corruption ‘bad business practices’, which is a moral judgment, not an economical. On the contrary, some in the business community consider corruption to be ‘good business practices’, as they make more money using corruption as a business tool!

During the initial attempts to establish TI, insight grew that we were dealing with an economic phenomenon and that ‘transparency’ should be the key-word.

Still there is also an ethical problem. Corruption is not only an economical phenomenon in any society or economy. It is not sufficient to call it an economical phenomenon; this ignores the more general importance of a corruption-free society for all aspects of life and for all population groups, poor and rich alike. It also ignores that bribery takes always place within a certain social context. It is a structural problem in companies where the course of actions is not transparent, where the law is not observed, and observance is not monitored.

A striking aspect in recent developments in trade and industry (and in society at large) is the fact that ethics has become important to corporate behavior again. Standards and values are seen as essential conditions and characteristics for the good quality of citizenship, entrepreneurship and governance. The concepts ‘people, planet and profit’ are now cherished all over the world in enterprises and often referred to in their annual reports. They emphasize the fact that in a business-enterprise it is not only pursuit of ‘profit’ that counts, but that businesses should also take into account the interests of ‘people’ in our society (people, their personnel, executive staff, shareholders, clients, neighbors, etc.) and also the physical world surrounding us, our ‘planet’, introducing economical management of raw materials and energy, concern about possible climate, prevention of waste, processing of waste. Apart from the economics and the financial outcomes of entrepreneurial decisions, socially and ecologically justifiable behavior is now also identified as being important.

Emphasizing the ‘sinfulness’ of corruption, aims at improving especially individual and personal behavior. Poor entrepreneurship (in a moral sense) should then be improved on a personal basis. Our focusing on the conditions and the implications of corrupt behavior aims rather on the entire structure of society and economy, and on the conditions that exist within that structure to prevent and fight corrupt behavior and safeguard integrity. Good entrepreneurship is judged with regard to its quality in all three aspects: People, Planet and Profit. The qualification ‘poor’ is not a sign

of sinfulness, but a quality that signifies an adverse effect on all three aspects, not only on the economics.

Corruption is an economic phenomenon with an ethical aura.

#### e) Poverty reduction.

Poverty in the world is often brought up to account for the phenomenon of corruption. Is that satisfactory? Is it correct and is it proven that the poor are more corrupt than the rich? How come then, that some political leaders, e.g. Suharto in Indonesia, Mobutu in Congo, and Abacha in Nigeria, but also Kohl in Germany and Mitterrand and Chirac in France, are or were so deeply implicated in bribery affairs? They can hardly be said to suffer poverty, can they? Neither can this be said from business leaders, often millionaires, if not billionaires, who are implicated in corruption affairs with those political leaders.

The explanation that refers to individual poverty reduction is especially given by those who have a keen eye for corruption among lower operational staff in government service, notably lower office clerks, police officers, customs officers, the military, teachers, admission staff in hospitals, bus ticket collectors, car-park attendants, garbage collectors, etc., who on an operational level often have good opportunities to extract extra income or privileges from decisions they might take of importance to entrepreneurs and citizens. Consequently, these have a certain value.

The explanation that is given for their sometimes corrupt behavior is that they are poorly paid and that, therefore, they are forced to live on what they can get by way of bribes. Then it fits into the picture painted by this explanation to say that this problem can become even more serious if not only their salaries are low, but, on top of that, they are not paid in time.

Investigations into the effect of the level of income enjoyed by a person, however, provide sufficient proof that this explanation is not correct. Low pay does surely not automatically imply that, consequently, the person concerned is corrupt. What is of much greater importance for the prevention of, or fight against, corruption at a lower level in all kinds of hierarchies, is the clearness and transparency of the rules and of the decision-making process, and the control exercised on the application of the rules. Timely payment of salaries is an important pre-condition to prevent corrupt behavior.

#### f) Small is beautiful

In the OESO treaty, made for the purpose of fighting corruption, room has been left for citizens and businesses to make so-called 'facilitating payments'. By that is meant any small payment to a public official for the purpose of somewhat expediting or easing a transaction, that in itself is in accordance with the rules and the law. The example that is always given to illustrate such a case is the transport of fresh vegetables. Is the payment of an insignificant amount of money to the customs officer who can speed up a border check on the perishable cargo in the truck or ship, allowed? He is not doing anything unlawful, he is doing what he has to do, but he does it a bit quicker or earlier. As a result there will be a considerably bigger chance for these vegetables to reach their market fresh. The assumption is that without such 'facilitating payment', that truck or

that ship may be detained for many more hours or even days, causing the cargo to turn bad, which will result in large financial losses.

*Test:* We all know similar examples from our own environment. Is someone attended without standing in line? Do you get a timely answer to your letter without waiting for that letter to reach the top of the pile of papers in front of the handling official? Do you convince the policeman to tear up the parking-ticket, what argument is strong enough to convince him that the ticket should not have been written?

Investigations made in Kenya proved that a Kenyan spends an average amount of 113 Euros per month on bribes, about one third of the average income that can be spent monthly. On average a Kenyan will find himself in a situation in which he 'has to' bribe someone 16 times per month; and 10 out of those 16 times a police officer will be involved. Kenyan businesses set aside 3 percent on average of their turnover for the purpose of bribing the government and one another.

For many people 'petty' corruption is more annoying than grand-scale corruption. Citizens have a horror of little extras having to be paid for all kinds of services of public authorities. 'Petty' corruption is rampant in the lower ranks of organizations, wherever at higher levels 'grand' corruption prevails among public officials and politicians. When lower ranking public officials and politicians see, that their higher ranking colleagues line their pockets with big gifts, it might occur to them that it is justifiable to get their share.

A boss who takes his share in 'grand' corruption, will have a harder time acting against 'petty' corruption by his underlings within his own service or political party.

*Test:* for yourself what 'petty corruption' you observe in your own social environment. The results of such an investigation would then enable politicians and public officials to join the battle to prevent such corruption on the basis of sound arguments and to foster safeguarding of integrity.

### g) Culture

Gifts are inherent to human relations and therefore present in all cultures. You give and receive gifts on the occasion of birthdays, Santa Claus or Christmas; on the occasion of memorable events; an appointment or a departure; marriage or a retirement.

Everybody sees what you give or receive. Such openness is of great importance. In many cultures presenting of gifts is part of the payment traffic. If you make a gift to a village chief in Africa, make it visible to all the villagers who will all benefit from such a gift.

When you receive a gift from them, it will also be open and visible to everyone. Corrupt payments are made in hiding, are not made known. A gift made in public will also impose a certain obligation upon the recipient. On a next occasion you will show your gratitude by reciprocating the gift and you share the gift received with your family and friends. In fact, in our everyday life it is not much different. You give and receive on birthdays, on the occasion of

marriages and births, and on other festive occasions. Look at the reciprocal state visits of Heads of government and Heads of state, exchanging gifts.

Bribes are also gifts, but they are made in secret. High-ranking politicians and public officials in many countries accumulate big fortunes thanks to bribes received. The value of Mobutu has been estimated to be between 2.5 and 6 billion dollars, that of Chiluba 5 billion dollars; the Suharto family has been estimated to have total possessions of 86 billion guilders (1998, some 40 billion euro). At the time of his death, Houphouet-Boigny, former president of the Ivory Coast, was probably one of the hundred richest persons in the world who paid from his private savings a replica of the Saint Peter's cathedral as this stands in Vatican City, in his own family village. In quite some countries the possessions of the dictator amount to more than the total national debt.

#### h) 'Kindness among friends'

It is essential, whether you just want to be 'thoughtful', or whether your gift is presented with a certain intention. Is it a sign of thoughtfulness or is it hiding a particular purpose, an expected 'return' in the future? Whether 'attention' or 'intention', the difference is of great importance for the relationship. Is it a 'friendly turn' or is it an 'investment'?

To have friends belongs to culture. However, can you 'buy' a friend? Is real friendship not to be based on honesty and transparency? To give presents reciprocally is a sign of friendship. It should not get lost in a misuse of power for private gains.