Corrupt schools, corrupt universities: What can be done?

The book

Rigged calls for tender, embezzlement of funds, illegal registration fees, academic fraud—there is no lack of empirical data illustrating the diverse forms that corruption can take in the education sector. Surveys suggest that fund leakage from education ministries to schools can be huge; bribes and payoffs in teacher recruitment and promotion lower the quality of the pool of teachers; and illegal payments for school entrance contribute to low enrollment and high drop-out rates.

This book presents conclusions drawn from IIEP’s research into ethics and corruption in education. It aims to build awareness among decision-makers and education managers of the importance of combating corruption, to provide them with tools to detect and assess corruption problems, and to guide them in formulating strategies to curb malpractices.

After defining the key concepts of corruption, transparency, accountability, and ethics, it identifies the main opportunities for corruption in education. It describes tools that can be used to assess corruption problems—such as perception and tracking surveys.

Lessons are drawn from strategies used worldwide to improve transparency and accountability in educational management. The authors bring these together in a list of recommendations for policy-makers and educational managers. They argue that transparent regulatory systems, greater accountability through strengthened management capacity, and enhanced ownership of the management process can help build corruption-free education systems.

The authors

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Chapter 1
Setting the stage: What is corruption and why is it harmful?

This chapter will provide some basic definitions of the term ‘corruption’. It will then present some major features of the international environment that make it possible to talk about the issue of corruption today and, furthermore, to address it.

1. What are corruption, transparency and accountability?

**Corruption**

Corruption in the education sector can be defined as “the systematic use of public office for private benefit, whose impact is significant on the availability and quality of educational goods and services, and, as a consequence on access, quality or equity in education” (Hallak and Poisson, 2002). This definition combines three elements: (i) It is based on the usual definition of corruption in the public sector, that is ‘the use of public office for private gains’; (ii) it limits the scope of behaviours under scrutiny to those observed regularly, resulting directly from dysfunctions in the system – thus excluding individual behaviours observed only episodically and resulting primarily from the attitude of a given person; (iii) it establishes a link between these behaviours and their effects on the system, i.e. a reduction in the resources available, decrease in their quality, and their unequal distribution.

A distinction can be made between political, legislative, administrative and bureaucratic corruption. Political corruption occurs when affiliation to a political party (or a trade union) is required to obtain a position in the public administration or to acquire an undue favour. Legislative corruption happens when politicians sell their votes to pressure groups. Administrative corruption arises when public officials accept pay-offs to allow a person to secure a procurement contract or to evade taxes. Bureaucratic corruption occurs when
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A bureaucrat is paid to speed up normal procedures to clear files or slow down investigations undertaken to document files for court. In each case, corruption involves a transaction between private and public sector actors through which collective goods are illegitimately converted into private benefit. In addition to money, these benefits can take the form of protection, special treatment, commendation, promotion or sometimes the favours of women or men. In most cases, transactions are characterized by secrecy.

Corruption covers a wide range of activities, such as: favouritism; nepotism; clientelism; soliciting or extortion of bribes; and embezzlement of public goods, among others (see the glossary of terms in Box 1). Further definitions will be provided in Chapter 2. Some of these activities are carried out according to the rule. This is the case, for instance, when a person gives a bribe to ensure that an administrative decision is taken, or taken on time (particularly in a context of cumbersome bureaucracies that are poorly staffed and equipped, and characterized by incompetence, inefficiency and long administrative delays). Others are carried out against the rule. This is the case when a person gives a bribe to ensure that an administrative decision contradicting the rule is taken. Corruption can involve the theft of public resources, as in the example of leakage of funds or materials, or of ghost teachers. But this is not necessarily the case, as in the example of the bypassing of criteria for fund allocation or school mapping.

**Box 1. A short glossary of terms**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribe, pay-off</td>
<td>Undue payment made to obtain a favour</td>
</tr>
<tr>
<td>Bypass of criteria</td>
<td>Non-use of legal criteria</td>
</tr>
<tr>
<td>Capture, leakage</td>
<td>Illegal use of public resources</td>
</tr>
<tr>
<td>Diversion of funds</td>
<td>Illegal use of public resources</td>
</tr>
<tr>
<td>Embezzlement</td>
<td>Theft of public resources</td>
</tr>
<tr>
<td>Misappropriation</td>
<td>Illegal use of public resources</td>
</tr>
<tr>
<td>Favouritism</td>
<td>Illegal preference given to a person</td>
</tr>
<tr>
<td>Fraud</td>
<td>Any kind of corrupt practice</td>
</tr>
<tr>
<td>Ghost worker</td>
<td>Draws salary but does not work</td>
</tr>
<tr>
<td>Nepotism</td>
<td>Illegal preference given to a relative</td>
</tr>
<tr>
<td>Influence peddling</td>
<td>Influencing a public decision for a bribe</td>
</tr>
</tbody>
</table>
More specific definitions of corruption can be used to characterize particular types of illicit behaviour in a given area. In the field of procurement, for instance, the World Bank defines corrupt practice as ‘the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution’. Similarly, the Asian Development Bank includes in its definition of corruption procurement fraud, the sale of official posts, or illegal payments to foster or sustain monopolistic access to markets (see Box 2 below).

**Box 2. Corruption as defined by the Asian Development Bank**

Areas of ‘improper and unlawful enrichment’ typically include the design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage, or procurement fraud, including collusion, overcharging, or the selection of contractors and suppliers on criteria other than the lowest evaluated substantially responsive bidder. It also includes illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in areas concerning public safety, law enforcement, or revenue collection. It incorporates payments to government officials to foster or sustain monopolistic or oligopolistic access to markets in the absence of a compelling economic rationale for such restrictions. The theft or embezzlement of public property and monies, the sale of official posts, positions, or promotions, nepotism or any other actions that undermine the creation of a professional, meritocratic civil service also fall under this category.

*Source: Asian Development Bank (ADB), 2000.*

A distinction can be made between ‘grand’ and ‘petty’ corruption: Grand corruption involves high-level officials and politicians and large amounts of money; it usually has a high economic impact. Fraud in public tendering for school construction or textbook production constitutes a case in point. Petty corruption involves public officers at all levels (from central to local and school levels) and many small amounts of money; even though it usually has a limited economic impact, it can have a severe social impact, especially for the poor. Illegal fees paid by parents to teachers or head teachers to get their children admitted to schools, to be promoted or to pass their exams are examples of petty corruption. However, there is no strict distinction between grand and petty corruption; in fact, there is a continuum between the two. Fraud in the appointment of teachers at the highest level can thus encourage
the development of misbehaviour down to the schools, such as the payment of illegal fees. Moreover, actors at the local level tend to justify petty corruption by the existence of grand corruption.

**Ethics and corruption**

The line between what can be considered ‘corrupt’ and ‘non-corrupt’ behaviour is not always obvious – especially in the absence of clear rules and regulations. An example frequently mentioned in this context is that of gifts: In some societies, people are used to giving gifts, including to public officials and teachers; this is regarded as part of socio-cultural relations and has nothing to do with corruption. In other societies, it is strictly forbidden for public officials to accept gifts: This would be regarded as corruption and is punished by law. This example is often quoted to argue that corruption is a cultural concept which has no universal significance, and it is even regarded by some people as a ‘Western’ concept that is not applicable to some societies. But these views are contradicted by reality: Experience shows that, in all cultures, people have a clear perception of what should be tolerated and what should not, even when the system of rules and regulations is weak or non-existent. To return to the example of gifts, most people make a difference between a gift of low monetary value, which is given as part of a social exchange with nothing expected in return, and a gift of higher monetary value given in the hope of obtaining some favour in return. However, as the value of a gift can be assessed differently according to the context, and as the intentions of the author and beneficiary of a gift are sometimes difficult to decipher, there is indeed an ill-defined border between corrupt and non-corrupt behaviour.

Within these grey lines, which may be found in different areas (such as teacher absenteeism or private tutoring), it may prove more appropriate to talk of ethical and non-ethical behaviour rather than of corrupt and non-corrupt behaviour. One way to draw the line between ethical and non-ethical behaviour involves evaluating the impact of the behaviour concerned on the system. Private tutoring, for instance, does not necessarily have a negative impact on the system; it may be justified on grounds of educational quality and equity when it compensates for weak public education.
Private tutoring is thus not necessarily an unethical practice when, for example, universities support its implementation (free use of facilities and/or financing of additional sessions) to improve the level of students admitted below required standards. But when private tutoring is imposed by teachers as a requirement for access to all the topics included in the curriculum, it can undermine both secondary and higher schooling, as will be discussed in the relevant chapter. In other terms, private tutoring is not an unethical practice in its own right; what makes private tutoring unethical is the condition of its operation and its impact on mainstream education.

A distinction can be introduced here between ethics in the management of the education sector and education as a means to improve ethics (curriculum, methods used and mobilization of actors). There is a relationship between ethics in education and ethical education: Indeed, in a corrupt environment education cannot successfully promote ethical values and behaviours. In other words, to create a favourable environment for the teaching of ethics and values, it is critical to ensure integrity and limit unethical behaviour within the educational sector, as is illustrated in Figure 1.1.

**Figure 1.1 Ethical education/ethics in education**

**ETHICAL EDUCATION**
- Content: civic education, universal values
- Methods: inclusive, participatory, 'living together'
- Teachers: professional/ethical code of conduct

**ETHICS IN EDUCATION**
- Transparency
- Accountability
- Equity
- Social control

**Transparency**

Transparency is the extent to which stakeholders (school principals, school councils, parents, pupils and the local community) can understand the basis on which educational resources (financial, material and human resources) are allocated to their individual establishment and how they are used. In other words, transparency in education can be evaluated on the basis of the visibility, predictability and understandability of flows of resources within the system (see the definition of ‘transparency’ given by the U4 Utstein Anti-Corruption Resource Centre in Box 3). Transparency thus requires clear information that is easy to understand and
simple to access by all stakeholders on all flows of educational resources, from the central authorities down to spending entities. This includes not only schools, but also units in charge of school buildings, the purchase of equipment and materials, textbook management, school nutrition, fellowships and management of examinations, among others. Unfortunately, experience shows that stakeholders rarely master the way in which resource flows operate in their countries. Public officials themselves do not always have a clear idea of how they work – in particular in large countries, where there are many administrative levels. It can also be the case in countries where the involvement of some stakeholders (in particular local communities and the private sector) is not well defined.

**Box 3. Transparency as defined by U4**

Transparency means clearness, honesty, and openness. Transparency is the principle that those affected by administrative decisions should be informed, and the duty of civil servants, managers and trustees to act visibly, predictably and understandably. Transparency thus encompasses access, relevance, quality and reliability, and describes the increased flow of timely and reliable economic, social, and political information (for example about private investors’ use of loans and the creditworthiness of borrowers, about government service provision, monetary and fiscal policy, and about the activities of international institutions). Transparency enables institutions – and the public – to make informed political decisions, it improves the accountability of governments, and reduces the scope for corruption. Transparency is also essential to the economy: It improves resource allocation, enhances efficiency and increases growth prospects.


This reveals, perhaps not surprisingly, that improving transparency in education entails a massive need for training at all levels in the education system, in particular in the production, analysis, dissemination and understanding of information. Indeed, public officers at regional and local levels are often insufficiently equipped and trained to cope with the new competencies that they have received in a context of decentralization. Leaders of schools and universities, traditionally trained through the route of academic progression and pedagogic practice, now find themselves intimately engaged in financial procedures that are not within their previous experience or, possibly, temperament. The same is true of PTAs, which tend to play a much
more active role in the allocation and management of school resources, but without any basic knowledge of financing and accounting procedures in most cases. It is also the case for journalists and centres of mass media, as well as members of parliament and holders of responsibilities at other levels.

**Accountability**

Clearly defining the rules and access to information by the public is not enough to ensure that public resources are properly allocated and used. Accountability systems are required to check that the rules have been properly complied with and to investigate and sanction potential misbehaviour. In the education sector, schools are traditionally responsible for observing regulations and norms that are supposed to ensure good quality education; and more generally speaking, educational systems are held responsible for the quality of their products, namely: students’ knowledge, skills, behaviour and performance. As highlighted by Anderson (see Box 4), accountability in education should be provided “regardless of the advantages or disadvantages students bring to schools”.

**Box 4. Accountability in education**

First the system defines educators’ responsibility for all students regardless of the advantages or disadvantages they bring to schools. Second the system must be built upon aligned components – objectives, assessments, instructions, resources, and rewards and sanctions. Third, the technical aspects of the system must meet high standards. Fourth, the system must be the vehicle for positive change.

*Source: Anderson, 2004: 2.*

Following Anderson, four accountability models can be considered in this regard:

- **a bureaucratic accountability model**, i.e. compliance with statutes and regulations. A bureaucratic model may, for instance, ask the districts and the schools to display the amounts of the funds that they have received on their door, for all to see;

- **a professional accountability model**, i.e. adherence to professional norms. A professional model may favour the elaboration and proper enforcement of professional standards by teacher organizations;
• a performance-based accountability model, defined in terms of students’ learning. A performance-based model may administer student testing to measure the quality of education and publish the results for the general public; and

• a market accountability model, i.e. regulating quality assurance through the market. A market model may require all schools (both public and private ones) to provide reliable information on their main characteristics and results to parents.

Table 1.1 Overview of key features of educational accountability

<table>
<thead>
<tr>
<th>Models of accountability</th>
<th>Who is held accountable?</th>
<th>To whom are they held accountable?</th>
<th>For what are they accountable?</th>
<th>What are the consequences of failing to meet goals?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureaucratic accountability</td>
<td>School/district teachers</td>
<td>State</td>
<td>Compliance with rules and regulations</td>
<td>Sanctions such as loss of accreditation, firing of principals/teachers</td>
</tr>
<tr>
<td>Professional accountability</td>
<td>Teachers</td>
<td>Professional peers/professional organizations</td>
<td>Following recognized professional practices</td>
<td>Professional sanctions; loss of certification</td>
</tr>
<tr>
<td>Performance (or test)-based accountability</td>
<td>School/district State/federal government</td>
<td>State/federal government</td>
<td>Raising student proficiency (in No Child Left Behind/NCLB, it is measured by standardized tests)</td>
<td>Increasingly severe sanctions (e.g. student transfer, supplementary services, reconstitution); budget cuts</td>
</tr>
<tr>
<td>Market accountability</td>
<td>School</td>
<td>Parents</td>
<td>Academic standards, philosophical/religious norms, student discipline, other features</td>
<td>Loss of students, leading to loss of revenue, economic failure</td>
</tr>
</tbody>
</table>


Most countries combine at least two of these accountability models. However, professional and market accountability models exist only in countries with special features: Professional accountability requires teachers with high-level expertise, while market accountability assumes that there are subsidies enabling parents to choose between competing schools in a given
area and is incompatible with state monopoly in the delivery of education services and/or delivery services being in the hands of a single supplier, public or private (as is the case in rural areas in many least developed countries).

A workable, defensible accountability system requires the involvement of different stakeholders and a clear specification of who is accountable, to whom, for what and with what consequences, as shown in Table 1.1.

Table 1.1 suggests that the consequences of failing to be accountable may be an incentive for some stakeholders to challenge the question of ‘accountability for what’ – as illustrated in Box 5, in the case of a performance-based accountability model.

**Box 5. Challenging performance-based accountability**

In the US, it’s no secret that some states and districts have threatened to decline federal Title I funding to avoid the accountability provisions of No Child Left Behind (NCLB). That is, of course, their choice to make. The state of Nebraska, however, has taken a more underhanded route, working hard since the passage of the law to have it both ways by doing just enough to keep its federal funds while skirting the spirit of the accountability provisions. Education commissioner Douglas Christensen has been instrumental in this effort by helping to convince the feds to approve what Tracy Dell’ Angela of the *Chicago Tribune* calls “the nation’s most unorthodox assessment system, which allows school districts to use portfolios to measure student progress”.

Under Nebraska’s approved plan, the state’s 517 districts will “design their own assessment systems: a portfolio of teachers’ classroom assessments, district tests that measure how well children are meeting locally developed learning standards, a state writing test and at least one nationally standardized test included as a reality check”. According to Dell’ Angela, federal officials approved this system because Nebraska’s state constitution “guarantees local control over school accountability and the state was able to demonstrate that the assessments were valid and reliable”. Unfortunately, not only is such an assessment regimen expensive and time-consuming, it also consists predominantly of subjective measures of student achievement and makes comparisons among districts all but impossible – meaning that a student who passes the reading assessment in one district might not be able to meet standards in another.

Map 1. Corruption Perceptions Index 2005


2. What is the magnitude of corruption?

The magnitude of corruption is usually estimated by the way in which it is perceived. The Corruption Perceptions Index (CPI) published annually since 1995 by Transparency International thus measures the degree to which corruption is perceived to exist among public officials and politicians; it reflects the perception of business people, academics and risk analysts (both residents and non-residents). It is a composite index, drawing on 16 different polls from 10 independent institutions. The countries close to 10 are considered ‘highly clean’ and those close to zero ‘highly corrupt’. According to the CPI 2005, which includes 159 countries versus 146 in 2004, more than two thirds of the nations surveyed score less than five (see Map 1). Nearly half of the countries score less than three, indicating a severe corruption problem. Corruption is perceived as most rampant in Chad, Bangladesh, Turkmenistan, Myanmar and Haiti. Oil-rich countries also score poorly. Some countries have deteriorated since 1995, some of which have a very high income: Poland; Argentina; the Philippines; Zimbabwe; Canada; Indonesia; Ireland; Malaysia; Israel; Slovenia; Czech Republic; the United Kingdom; and Venezuela (in
descending order of significance). One of the strongest improvements since 1995 is the Republic of Korea, whose government has announced its goal of belonging to the top 10 countries.

There are also a few estimates of the economic costs of corruption. The World Bank thus roughly estimates the cost of corruption at 1 trillion dollars a year, in an economy of 30 trillion. According to the African Union, corruption is estimated to cost Africa, directly and indirectly, some 25 per cent of its gross domestic product (GDP; *The Economist*, 19 September 2002). Two national estimates of corruption corroborate the fact that it is a major phenomenon: In Mexico, corruption is estimated at around 15 per cent of the gross national product (GNP); in India, it was estimated at around 20 per cent of the GNP in the 1980s (Roy, 1996). Of course, corruption is not the same everywhere in the world; there are enormous differences in the extent, manifestations and costs of corruption across countries. Some studies conducted by the World Bank show that, on average, the industrialized world has less corruption than the emerging economies. At the same time, however, there are countries like Botswana, Chile or Slovenia whose rating on corruption is better than some Organisation for Economic Co-operation and Development (OECD) countries. Surveys on unofficial payments show that in some societies, corruption is pervasive and affects more or less all aspects of people’s lives: police; justice; customs; tax; construction permits; public services – and health and education, in particular (see *Table 1.2* on unofficial payments in Cambodia).
Maps of corruption conducted in different countries on the basis of perceptions surveys indicate that education is not perceived by people as a major domain for corruption. In many countries, education is thus considered less corrupt than the police, justice or customs. At the same time, these surveys show that bribes are frequently paid in this sector, even if only small amounts are involved. The vulnerability of education systems to pervasive corruption can be explained by different factors that will be further described in Chapter 2. A few of these are:

- the high rate of return of the education sector. Through education, people hope to get better-paid jobs; as a consequence, some of them are ready to pay bribes or to fraud in order to get a good mark or a well-recognized diploma;
- the complexity and lack of accessibility of rules combined with poor governance and supervision at all levels. The opacity of educational rules, poor public information on government decisions and the lack of

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**Table 1.2 Unofficial payments in Cambodia: How frequently, how much, to whom?**

<table>
<thead>
<tr>
<th>Public services</th>
<th>% of households with any contact</th>
<th>Likelihood to pay a bribe (by %)</th>
<th>Likelihood of paying bribes conditional on contact (by %)</th>
<th>Amount of bribe per contact (in US$)</th>
<th>Total amount of expected bribes (in US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judge/court officials</td>
<td>8</td>
<td>5</td>
<td>68</td>
<td>212</td>
<td>11</td>
</tr>
<tr>
<td>Customs authority</td>
<td>2</td>
<td>1</td>
<td>79</td>
<td>148</td>
<td>10</td>
</tr>
<tr>
<td>Tax authority/inspector</td>
<td>36</td>
<td>23</td>
<td>66</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Public education</td>
<td>63</td>
<td>24</td>
<td>41</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction permit</td>
<td>7</td>
<td>5</td>
<td>71</td>
<td>72</td>
<td>5</td>
</tr>
</tbody>
</table>


1. This table presents the percentage of households that had contact with each public service during the past year, the percentage of households that paid any bribes in that period, the frequency of a bribe payment per contact, the average amount of each payment (calculated from households reporting positive amounts paid, and finally the average expected amount of bribes for the sample, calculated by taking into consideration different rates of contact, payment frequency and payment amount.

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*Education is not perceived by people as a major domain for corruption.*
‘a culture of accountability’ in the education sector open up opportunities for corruption;

• the low salaries of public officials and of teachers. In many countries, the salaries of teachers are quite low compared to per capita income. In some countries, such as Armenia, the situation has even deteriorated in recent years, paving the way for the spreading of misbehaviour; and

• the weakening of ethical norms. In some countries in transition, under reconstruction or in crisis, a weakening of ethical norms is often observed: Bypassing the law has become the general rule – as is often the case to obtain admission to universities in many former Soviet countries (Dedze, 2005).

The size and extent of the education sector, whose resources are spread all over, from the highest to the lowest levels of society, also contribute to pervasive corruption (see Box 6).

3. Governance, growth, poverty and corruption: What links?

In his definition of governance, Kaufman takes into account four main parameters, namely: voice and accountability; regulatory quality; rule of law; and control of corruption (Kaufman, 2003). For each of these parameters, he distinguishes a set of indicators that make it possible to assess the progress made by countries. Table 1.3 shows accordingly that governance significantly worsened between 1998 and 2004 in Ethiopia, Côte d’Ivoire and Zimbabwe,

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**Box 6. Why education systems are vulnerable to pervasive corruption**

National education systems across the developing world are particularly vulnerable to pervasive corruption, largely for three reasons:

1. As one of the few governmental agencies with high visibility representation all the way down to the community level, education is an attractive structure for patronage and manipulation of local sentiment.

2. Decisions perceived to have significant consequences for people’s lives are made by ‘gatekeepers’ who control decisions at each of these levels.

3. A considerable amount of education funds are spent in small amounts, across scattered sites, most of which have weak accounting and monitoring systems.

*Source*: Chapman, 2002: 3.
for instance, and significantly improved in the Slovak Republic. Some countries have made progress only for some aspects of governance, such as control of corruption in Bulgaria, Colombia, Croatia, Estonia, Latvia, Madagascar, Serbia or Tanzania.

**Table 1.3 Significant changes in governance worldwide, 1998-2004**

<table>
<thead>
<tr>
<th>Voice and accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Significantly worsened</strong></td>
</tr>
<tr>
<td>Bangladesh, Belarus, Central African Republic, Côte d’Ivoire, Ecuador, Eritrea, Gabon, Haiti, Iran, Kazakhstan, Kyrgyz Republic, Nepal, Pakistan, Russia, Solomon Islands, Venezuela, Zimbabwe</td>
</tr>
<tr>
<td><strong>Significantly improved</strong></td>
</tr>
<tr>
<td>Algeria, Bahrain, Bosnia and Herzegovina, Chile, Croatia, Kenya, Gambia, Ghana, Indonesia, Mexico, Nigeria, Peru, Senegal, Serbia, Sierra Leone Slovak Republic, Turkey</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulatory quality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Significantly worsened</strong></td>
</tr>
<tr>
<td>Zimbabwe, Venezuela, Côte d’Ivoire, Ethiopia, Bangladesh, Pakistan, Philippines, Lebanon, Egypt, Zambia, Myanmar, Guinea, Eritrea, Bolivia, Peru, Tunisia, Honduras, Guatemala, Ecuador, Kazakhstan, Cameroon, Cuba</td>
</tr>
<tr>
<td><strong>Significantly improved</strong></td>
</tr>
<tr>
<td>Armenia, Azerbaijan, Bosnia and Herzegovina, Cape Verde, Equatorial Guinea, Estonia, Iceland, Iraq, Lithuania, Serbia, Slovak Republic, Tajikistan, Zaire DRC</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rule of law</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Significantly worsened</strong></td>
</tr>
<tr>
<td>Argentina, Côte d’Ivoire, Cuba, Dominican Republic, Eritrea, Ethiopia, Haiti, Lebanon, Moldova, Myanmar, Nepal, Papua New Guinea, Venezuela, Zimbabwe</td>
</tr>
<tr>
<td><strong>Significantly improved</strong></td>
</tr>
<tr>
<td>Estonia, Latvia, Lithuania, Madagascar, Mozambique, Slovak Republic</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control of corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Significantly worsened</strong></td>
</tr>
<tr>
<td>Bangladesh, Central African Republic, Côte d’Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Moldova, Sudan, Swaziland, Zimbabwe</td>
</tr>
<tr>
<td><strong>Significantly improved</strong></td>
</tr>
<tr>
<td>Bulgaria, Colombia, Croatia, Estonia, Latvia, Madagascar, Serbia, Slovak Republic, Tanzania</td>
</tr>
</tbody>
</table>

(Selected countries based on aggregate indicators for 209 countries)

*Source: Kaufman, 2005.*

The existence of corrupt practices is linked to the institutional, socio-political, economic and cultural framework prevailing in a given country (Hallak and Poisson, 2001). It has to do with existing relationships between the elite and those who do not rule. In this connection, Johnston (2000) makes a distinction between four categories of countries, dividing them into those characterized by elite hegemony, patronage machines, fragmented clientelism and interest group bidding. In each case, corrupt practices vary from individual to systemic and extreme corruption (see *Figure 1.2*). In parallel, several studies
conducted during the last decade have highlighted the negative impact of corruption on the political, economic and social development of countries, by distorting the decision-making process, reducing the efficiency and quality of services, increasing transaction costs and undermining social cohesion. It is expected that democratic change and economic reform will reduce corruption in the long run, by allowing open and structured competition within the political and economic arenas and by enabling citizens to choose between several alternatives in a transparent way. However, observation shows that during a transition period, opportunities for more corruption may in fact rise in the short term due to the rapid change of the prevailing rules of the game. As healthy policy and economic changes are being implemented by ‘polluted’ institutions, they do not necessarily lead to fair competition, but rather to insider deals and political trafficking.

**Figure 1.2  Corruption: four syndromes**

- **Open institutions**
  - Economic opportunities → Political opportunities
  - **INTEREST-GROUP BIDDING**
    - Strong private interests; accessible elites; economic competition; interests use wealth to seek influence; corruption is largely individual and non-systemic
    - USA, Germany, UK; many liberal democracies

- **Autonomous institutions**
  - Political opportunities → Economic opportunities
  - **ELITE HEGEMONY**
    - Entrenched elites exchange scarce political access for wealth
    - **RISK OF EXTREME CORRUPTION**
    - China (Guandao); military regimes; pre-ICAC Hong Kong; Republic of Korea; LDP Japan

- **Political opportunities → Economic opportunities**
  - **FRAGMENTED CLIENTELISM**
    - Fragmented and politically insecure elites build personal followings that are poorly disciplined, unstable; mafias, violence and intimidation may be linked to corruption
    - **RISK OF EXTREME CORRUPTION**
    - Russia; pre-1992 Poland; Peru (pre-Fujimori); early phases of Tammany Hall (New York); pre-1994 Italy; many African civilian regimes

- **PATRONAGE MACHINES**
  - Strong elites control mass participation and limit competition via patronage, and capitalize upon followers' poverty; political monopolies; parties of personal followings that are hierarchical and tightly-controlled; parties extend power into state and society
    - Mexico, Sicily, Suharto's Indonesia, Malaysia

*Source: Johnston, 2000.*
As regards the link between corruption and growth, several surveys and empirical data emphasize that good governance and low corruption lead to higher per capita income. Mauro (1995) analyzed in particular an assembled data set consisting of subjective indices of corruption, the amount of red tape, the efficiency of the judicial system and various categories of political stability for a cross-section of countries. Corruption was found to lower investment, thereby lowering economic growth. Similarly, Da Silva (2001) brought some empirical evidence regarding the effects of corruption on factor productivity in a sample of 81 countries. The chief conclusion is that corruption negatively affects the wealth of a nation by reducing capital productivity, or its effectiveness. More precisely, it is argued that there is on the one hand a strong positive causal effect between better governance and higher per capita income, and on the other hand a negative effect running in the opposite direction between per capita income and governance. The first result confirms existing evidence on the importance of good governance for economic development, whereas the second suggests the absence of ‘a virtuous circle’, in which higher incomes lead to further improvements in governance. This means that even rich countries with high per capita income have to conceive and implement strategies to curb corruption.

A convergent finding from a variety of studies is that poor people tend to be more dependent on corrupt officials, as they rely more on public services and are less capable of paying extra costs associated with bribery and fraud; furthermore, as they are less educated and less informed, they are easier to manipulate. At the same time, corrupt practices are major obstacles to poverty alleviation, as they sabotage policies and programmes aiming at reducing poverty and capture resources targeted at the poor. As a matter of fact, most Poverty Reduction Strategy Papers (PRSPs) mention the importance of fighting corruption in order to address poverty problems. The PRSP conducted in Cambodia shows that low-income households bear a larger burden of corruption as measured by the bribe/income ratio – although the absolute amounts paid are obviously smaller. Further analysis of the composition of bribes indicates that a large part of the burden of corruption on low-income
Box 7. Addressing corruption, transparency and accountability in Rwanda’s PRSP

228. The Government is committed to strengthening accountability and transparency. In Rwanda, this is more than just a technical matter; basic freedoms and human rights depend on making Government accountable and transparent. The achievement of reconciliation and the development of trust require a culture of openness.

229. Since 1998, the National Tender Board and the Office of the Auditor General of State Finances have been established. This has been a considerable achievement, as comparable organizations have not existed in Rwanda before. The Auditor General’s reports on some ministries, Government agencies and projects have been submitted to the President, and copied to Parliament and the Supreme Court. Action has been taken against some officials as a result, and a study has also been mounted to examine off-budget transactions and integrate them into the budget. Just as importantly, the work of the Auditor General has highlighted the relatively poor capacity in ministries to exercise proper financial management. As a result, greater emphasis on training has been given, and the establishment and strengthening of internal audit units undertaken. Several further audit reports are to be delivered before the end of the year.

230. As decentralization proceeds, there needs to be better public information about fiscal flows. For instance, if funds are sent to schools, this fact needs to be publicized so that parents can hold the headmaster accountable for the use of the funds.

231. Formal accounting mechanisms at the level of the district need to be established, in a manner that is realistic given the available human resources. The decentralization policy allows for internal auditors at the district level of periodic audits by the Auditor General.

Actions
- Action is being taken to rectify the problems identified in public audits.
- More public information is needed about fiscal flows at all levels.
- Districts will need support to develop the relevant skills in auditing starting in 2002.
- Parliamentary scrutiny is an important part of the system of accountability and will be strengthened.

Source: Government of Rwanda, 2004: 64.
households is due to bribes paid for basic public goods, namely health and education. In summary, the regressive nature of corruption encourages the design and implementation of anti-corruption measures in order to help the poor, as illustrated by the PRSP of Rwanda (see Box 7).

A desk study conducted by the GTZ (2004) on 54 PRSPs lists 14 recommendations to improve the fight against corruption in the context of Poverty Reduction Strategy (PRS) processes, including the following: (i) integrate corruption – understood as both a cause of poverty and as a phenomenon affecting particularly poor sections of the population – into the PRS analyses, and illuminate the precise contours of these interrelationships; (ii) systematically interrelate corruption as a cause of poverty, and the fight against corruption as an element of the PRS; (v) strengthen transparency and accountability through improved information systems in the context of PRS monitoring; (vi) support transparency and accountability through improved analytical capacities in parliaments and civil society; (vii) promote accountability by strengthening internal and external systems of checks and balances, and simultaneously promote the pro-poor orientation of the corresponding institutions; (viii) strengthen the judiciary such that they are then able to support poor sections of the population in claiming their rights, including their basic social rights; (xi) support and strengthen the legal basis for transparency; and (xii) establish close co-ordination with all donors in partner countries in joint fora based on country-specific positions on the integration of good governance into PRS processes.

Finally, there are some discussions concerning whether corruption is the ‘sand or the oil’ of public administration processes. Gray and Kaufman (1998) argue that corruption may speed up bureaucratic processes, while in the longer term raising unnecessary transaction costs and leading to inefficient economic outcomes.

4. The institutional setting: Why now?

Awareness of corruption problems has undoubtedly increased during the last decade, with citizens from Western democracies, in particular, becoming more sensitive to integrity issues and ethics in politics: The discourse on corruption no longer demands anecdotes. The realm of anthropologists, sociologists and political scientists in this domain has now been conquered by economists. Several contextual factors have certainly contributed to it,
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including the end of the Cold War and of ‘political hypocrisy’, as well as big scandals such as Enron or suspicions over Price Waterhouse, which have all underlined the disastrous effects of fraud on economies and societies. Further analysis shows that higher corruption awareness results from a dual process:

- a ‘vertical’ process on the one hand, with an increased demand for more transparency and accountability exerted by the international community. The UN system, aid institutions, the OECD, development banks and civil society organizations like Transparency International play a key role in this, for a variety of reasons, including ideological and political ones (pressure of taxpayers in developed countries); and

- a ‘horizontal’ process on the other hand, with an increased demand for more transparency and accountability exerted by users of public sectors, starting in obvious sectors such as customs, banking, finance and health, but extending to other sectors including education. Technical progress in mass communication and the Internet has encouraged the development of this movement by contributing to the wider dissemination of information.

**The adoption of international conventions**

A number of international texts and declarations have been devoted to the fight against corruption in recent years. Among them are two major conventions: the OECD Convention against Bribery of Foreign Public Officials in International Business Transactions; and the United Nations Convention against Corruption. These illustrate the growing implication of the international community in the anti-corruption arena:

- It is six years since the OECD Convention against Bribery of Foreign Public Officials in International Business Transactions came into effect on 15 February 1999. This convention makes it a crime to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals. To date it has been signed by 36 countries, including six non-OECD members, namely: Argentina; Brazil; Bulgaria; Chile; Estonia; and Slovenia. All signatories have enacted anti-bribery laws based on the convention. The OECD Working Group on Bribery is responsible for following up countries’ efforts to implement the convention. It has developed monitoring mechanisms in this respect,
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based on peer review. All Group of Seven (G7) countries, which represent more than 50 per cent of OECD foreign direct investment and account for 68 per cent of OECD exports, had completed their Phase 2 review by the beginning of 2005.

• After two years of negotiations, Member States of the United Nations finalized the text of a new international treaty, the United Nations Convention against Corruption. This convention was adopted by the General Assembly on 31 October 2003 and opened for signature in Mérida, Mexico, from 9-11 December 2003. It was signed by 129 countries, only a quarter of whom have since ratified it. It is the first global legally-binding instrument in this domain (existing instruments are regional and designed to operate in a more limited environment). From a substantive viewpoint, the convention breaks new ground with its provision on prevention and asset recovery. It complements these provisions with the obligations that state parties will undertake to criminalize certain types of misconduct, such as bribery, embezzlement and money laundering. It also promotes international co-operation and domestic efforts to prevent corruption as well as effective systems of mutual legal assistance to fight cross-border corruption (see Box 8).

The development of anti-corruption initiatives

The fight against corruption is now at the top of the agenda of most bilateral and multilateral agencies. The inclusion of transparency clauses in the loan agreements of the International Monetary Fund (IMF) and the World Bank constituted a first step in this direction; the decision of the IMF in 1997 to suspend a 227 million dollar loan to Kenya because of bad governance concerns illustrates the potential effects of such a policy. Since then, anti-corruption strategies and tools have been developed by a variety of actors, including:

• national development agencies, i.e. the German Federal Ministry for Economic Co-operation and Development (BMZ), the Danish Agency for Development Assistance (DANIDA), the UK Department for International Development (DFID), the Canadian International Development Agency (CIDA), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the Ministry of Foreign Affairs, Netherlands (MinBuZA), the Norwegian Agency for Development Cooperation
(NORAD) and the Swedish International Development Cooperation Agency (Sida);

• **development banks**, i.e. the World Bank and the Asian Development Bank;

• **international organizations and networks**, i.e. the UN, United Nations Development Programme (UNDP), OECD, International Group for Anti-Corruption Coordination (IGAC) and the Utstein group (see Box 9); and

• **civil society organizations**, i.e. the Soros Foundation (Open Society Institute/OSI) and Transparency International.

**Box 8. Extracts from the UN Convention against Corruption**

• **Article 5** stresses the importance of critical issues of transparency and accountability in national legal systems.

• **Article 9** explicitly focuses on public procurement and calls upon public authorities to “take the necessary steps to establish appropriate systems of procurement, based on transparency, competition and objective criteria in decision-making, that are effective, inter alia, in preventing corruption”.

• **Article 10** highlights the issue of secrecy in public administration and calls for actions to secure greater freedom of information.

• **Article 11** calls upon Governments to safeguard the integrity and independence of the judiciary by preventing opportunities for bribery.

• **Article 12** expressly raises issues of corporate governance by calling for strengthened regulatory and legal actions to curb private-sector corruption.

• **Article 14** hones in on anti-money laundering matters to boost prevention, strengthen reporting and tighten regulation of financial institutions.

• **Articles 15 and 16** bluntly decry the bribery of national and foreign government officials and call for actions to stop such practice.

• **Article 33** underscores the need to protect people who report acts of corruption.

• **Article 43** stresses the need for international co-operation to curb corruption and calls for strengthened actions.

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Box 9. Activities developed by the IGAC and the Utstein group

The International Group for Anti-Corruption Coordination is dedicated to strengthening international anti-corruption coordination and collaboration in order to avoid undue duplication and to ensure effective and efficient use of existing resources, using systems already in place at the regional and national level. It provides a platform for exchange of views, information, experiences and best practice on anti-corruption activities for the purpose of enhancing the impact of these activities, including support for the UN Convention against Corruption. It is uniquely composed of organizations, including NGOs, active internationally in anti-corruption policy, advocacy and enforcement.

Web site: www.igac.net

The U4 Utstein Anti-Corruption Resource Centre is a web-based resource centre established by the Utstein Group to strengthen their partnership for international development. The main purpose of the U4 is to be an internal tool for co-ordination and learning among the Utstein Group’s members and staff of the respective international development agencies; and to present the Utstein Group’s thinking and activities in the field of anti-corruption and share lessons and experiences with the outside world. The U4 Resource Centre is operated by the Chr. Michelsen Institute (CMI), Bergen, Norway. The web server and the core team behind U4 are based at CMI.

Web site: www.u4.no

All of the activities implemented within this framework concur in improving lines of accountability between international financing institutions, between the governments of donor countries and their public (by ensuring that tax funds are used correctly), between international financing institutions and governments of developing countries (by ensuring that aid reaches its intended beneficiaries), and between governments of developing countries and their citizens (by ensuring that public resources are managed in a transparent and accountable way).

A quick glance at their activities shows that most agencies have developed strategies and measures to combat both internal corruption and corruption in partner countries. As regards internal corruption, they try to raise corruption

2. The Utstein Group consists of Canada, Germany, the Netherlands, Norway, Sweden and the United Kingdom, whose international development ministers have formed a partnership to co-ordinate development assistance policies.
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awareness among their staff, in particular through the adoption of codes of conduct or ethical guidelines, the preparation of handbooks or manuals, and the organization of training activities. They also inform their staff of how to detect and deal with corruption in partner countries; disseminate information about corruption and the work done in this field; and facilitate the reporting of internal corruption through the creation of contact points, hotlines or ‘whistle-blowers’. As regards corruption in partner countries, all agencies have strengthened their anti-corruption strategy during recent years. This may involve designing tools to measure corruption at national level; facilitating the application of anti-corruption regulations; preventing conflicts of interest in the public service; providing standards for responsible business conduct; adopting anti-corruption measures in technical and financial co-operation; reviewing the quality and effectiveness of public management systems; reinforcing control and audit mechanisms; and investigating suspicions of corruption. Specific measures are often undertaken in the area of public procurement, in order to make it more transparent; e.g. improving the rating system.

The role of civil society organizations in pushing the fight against corruption to the top of both the international and national agendas is unquestionable. Transparency International, in particular, with the help of its International Secretariat and its more than 85 independent national chapters around the world, has proved very successful in bringing civil society, business and governments into global coalitions against corruption. Its annual report and the scaling of countries through the Corruption Perceptions Index (CPI) have gradually gained importance for both the political and economic environment; corruption is on the agenda of many societies today. In spite of persistent criticism of the statistical significance of the CPI, which is based on subjective perception of corruption, all countries now feel concerned in some way with their rank in Transparency International’s published scale. Their concern is for two reasons: first, the comparison of ranks with their neighbouring countries and the fear of being ‘more corrupt’; second, the increasing influence of the CPI on the behaviour of international investors.
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References/resources


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