

CORRUPTION ON POVERTY

A literature review

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INTRODUCTION

The purpose of this short paper is to raise an argument that corruption plays a major role in preventing the world from achieving Sustainable Development Goals (SDG), in this paper I particularly focus on corruption on poverty. This is also the same with the former Millennium Development Goals (MDG) that were never met.

Despite the fact that the global poverty rate has been halved since 2000, intensified efforts are required to boost the incomes, alleviate the suffering and build the resilience of those individuals still living in extreme poverty, in particular in sub-Saharan Africa. Social protection systems need to be expanded and risks need to be mitigated for disaster-prone countries, which also tend to be the most impoverished. (*Progress towards the Sustainable Development Goals, 2017*)

In 2013, an estimated 767 million people lived below the international poverty line of \$1.90 a day. This was down from 1.7 billion people in 1999.

This means it took the world 14 years to move 240 million people above the international poverty line from 1999 to 2013.

In essence, if things continue as they are and as they were, averagely (taking it from 2013), the world will normally decrease the estimated people living under the international poverty line from 767 million people to round about 476 million people in 2030.

It's clear, the 2030 zero poverty target will not be reached.

This document reviews whether corruption has an impact on poverty, which in turn would of course influence the targeted number of SDG 1.

DEFINING CORRUPTION

A simple search on Google will say corruption is the dishonest or fraudulent conduct by those in power, typically involving bribery. While that is not incorrect, it's not enough. We need a broader definition.

In this paper, we are mostly going to rely on 'Transparency International' for a wider definition of corruption.

Corruption can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.¹

Grand corruption consists of acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good. Petty corruption refers to everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other agencies.¹

Political corruption is a manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth.¹

THE COST OF CORRUPTION

Corruption impacts societies in a multitude of ways. In the worst cases, it costs lives. Short of this, it costs people their freedom, health or money. The cost of corruption can be divided into four main categories:

political, economic, social and environmental.¹

On the political front, corruption is a major obstacle to democracy and the rule of law. In a democratic system, offices and institutions lose their legitimacy when they're misused for private advantage. This is harmful in established democracies, but even more so in newly emerging ones. It is extremely challenging to develop accountable political leadership in a corrupt climate.¹

Economically, corruption depletes national wealth. Corrupt politicians invest scarce public resources in projects that will line their pockets rather than benefit communities, and prioritise high-profile projects such as dams, power plants, pipelines and refineries over less spectacular but more urgent infrastructure projects such as schools, hospitals and roads. Corruption also hinders the development of fair market structures and distorts competition, which in turn deters investment.¹

Corruption corrodes the social fabric of society. It undermines people's trust in the political system, in its institutions and its leadership. A distrustful or apathetic public can then become yet another hurdle to challenging corruption.¹

Environmental degradation is another consequence of corrupt systems. The lack of, or non-enforcement of, environmental regulations and legislation means that precious natural resources are carelessly exploited, and entire ecological systems are ravaged. From mining, to logging, to carbon offsets, companies across the globe continue to pay bribes in return for unrestricted destruction.¹

According to Transparency International, it is clear that corruption from higher offices affects societies in many ways, ways that under develop individuals and communities at large.

DEFINING POVERTY

Reducing poverty has become an international concern, yet there is no international consensus on guidelines for measuring poverty (*UNESCO*).

Frequently, poverty is defined in either relative or absolute terms. Absolute poverty measures poverty in relation to the amount of money necessary to meet basic needs such as food, clothing, and shelter. The concept of absolute poverty is not concerned with broader quality of life issues or with the overall level of inequality in society. The concept therefore fails to recognise that individuals have important social and cultural needs. This, and similar criticisms, led to the development of the concept of relative poverty. Relative poverty defines poverty in relation to the economic status of other members of the society: people are poor if they fall below prevailing standards of living in a given societal context. An important criticism of both concepts is that they are largely concerned with income and consumption (*UNESCO*).

CORRUPTION ON POVERTY

The literature points to the conclusion that corruption, by itself, does not produce poverty. Rather, corruption has direct consequences on economic and governance factors, intermediaries that in turn produce poverty. Thus, the relationship examined by researchers is an indirect one.²

The burden of petty corruption falls disproportionately on poor people ...For those without money and connections, petty corruption in public health or police services can have debilitating consequences. Corruption affects the lives of poor people through many other channels as well. It biases government spending away from socially valuable goods, such as education. It diverts public resources from infrastructure investments that could benefit poor people, such as health clinics, and tends to increase public spending on capital-intensive investments that offer more opportunities for kickbacks, such as defense contracts. It lowers the quality of infrastructure, since kickbacks are more lucrative on equipment purchases. Corruption also undermines public service delivery (*World Bank, 2001: 201*).²

This simply utters that corruption highly affects poor people, the very same people the Sustainable Development Goal number 1 is targeting.

Chetwynd, Chetwynd & Spector (2003) has established that that few studies examine or establish a direct relationship between corruption and poverty.

This emphasises the fact that the linkage of corruption to poverty will never be realised if the relationship is not analysed in a rigorous way.

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.³

According to Chetwynd, Chetwynd & Spector (2003), Johnston (2000) suggests that serious corruption threatens democracy and governance by weakening political institutions and mass participation, and by delaying and distorting the economic development needed to sustain democracy.

They [Chetwynd, Chetwynd & Spector (2003)] add that; in a study of 83 countries, Johnston compares Transparency International's CPI with an index of political competitiveness and finds that well-institutionalised and decisive political competition is correlated with lower levels of corruption. These results were confirmed, even when controlling for GDP and examining the relationship over time.

KEY FINDINGS ON LITERATURE REVIEWED

- Corruption by itself, does not produce poverty
- Corruption has an indirect relationship with poverty
- Corruption has direct consequences on economic and governance factors, intermediaries that in turn produce poverty
- Corruption biases government spending away from socially valuable goods, such as education.
- It diverts public resources from infrastructure investments that could benefit poor people, such as health

clinics, and tends to increase public spending on capital-intensive investments that offer more opportunities for kickbacks, such as defense contracts

- Few studies examine the direct relationship between corruption and poverty.

CONCLUSION

The goal to end poverty will never be realised until corruption is realised as a Millennium goal.

The biggest mistake made by the Millennium Developmental Goals and now by Sustainable Developmental Goals is not realising corruption as a social issue.

NOTES

1. <https://www.transparency.org/what-is-corruption#define>
2. Eric Chetwynd, Frances Chetwynd and Bertram Spector, 2003. Corruption and Poverty: A Review of Recent Literature
3. The Link between Corruption and Poverty: Lessons from Kenya Case Studies by: The African Centre for Economic Growth