

# CORRUPTION

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## THE DIFFERENT TYPES OF CORRUPTION:

1. Transactions between citizen and government official

2. Public officials acting alone

3. Within the partisan and electoral realms

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1. Transactions between  
citizen and government official

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graph TD; A[1. Transactions between citizen and government official] --> B["Bribery: where an illegal payment is made to a government official in return for some type of official, state-sanctioned, authoritative act"]; A --> C["• Kickbacks: which operate much like a bribe, but where the illegal payment is made after the service is rendered"]; A --> D["• Extortion: where the public official threatens to use (or abuse) state power to induce the payment of a bribe."];
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Bribery: where an illegal payment is made to a government official in return for some type of official, state-sanctioned, authoritative act

• Kickbacks: which operate much like a bribe, but where the illegal payment is made after the service is rendered

• Extortion: where the public official threatens to use (or abuse) state power to induce the payment of a bribe.

## 2. Public officials acting alone

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graph TD; A[2. Public officials acting alone] --> B[Graft and embezzlement]; A --> C[Fraud]; A --> D[Nepotism, favoritism and conflict of interest];
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Graft and embezzlement: where public officials act alone to appropriate public funds or divert their use

Fraud: refers to the various, often complex and imaginative schemes orchestrated by officials to appropriate public funds, often with civilian accomplices.

Nepotism, favoritism and conflict of interest: where public-sector jobs or benefits are illegally channeled to family, friends or to the benefit of the decision-makers own interests.

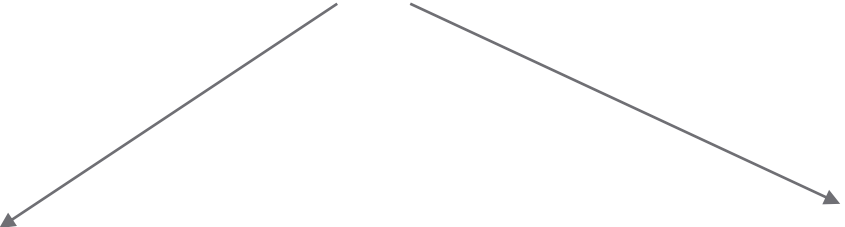


3. Within the  
partisan and electoral  
realms

Illegal campaign  
contributions, illegal  
expenditures, electoral  
fraud and vote buying.

- To be able to distinguish different forms of corruption an identification of the following elements is need :

1. **Institutional location of the actor and norms:**



Bureaucratic corruption that relates to civil servants and involves violation of the first-order norms (laws written of the product of politicians decision making)

Political corruption committed by policy makers such as presidents, ministers and so on, involves the violation of more nebulous second-order norms (the unwritten guidelines determining how politicians should make decisions)

## 2. The nature of the transaction:

- “Transactive” corruption involves the mutual arrangement between a donor and a recipient;
- “extortive” corruption implies some form of compulsion usually harming a party;
- “defensive” corruption refers to the act the victim of extortion is compelled to engage in;
- “investive” corruption involves an act with no immediate payoff, but an understanding of a favor sometimes in the future;
- “nepotistic” corruption relates to family members being appointed to positions in the government;
- “autogenic” corruption entails one person acting alone with no official-citizen exchange; and
- “supportive” corruption refers to acts designed to protect and strengthen existing corruption.

### 3. Systemic framework:

Which relates to differences based on size and frequency. This approach focuses not just on the individual corrupt act, but rather on the context in which the act occurs.

### 4. Motive or purpose:

A final approach distinguishes types of corruption based on the motives, purpose or outcome of the corrupt act.





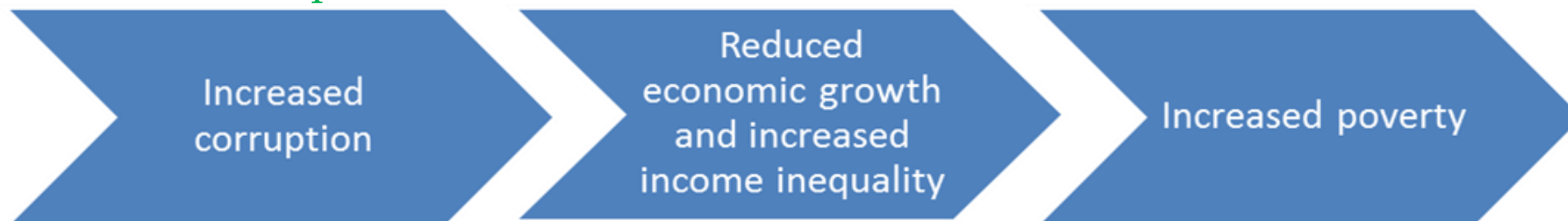
# How does corruption affect development and economic growth?

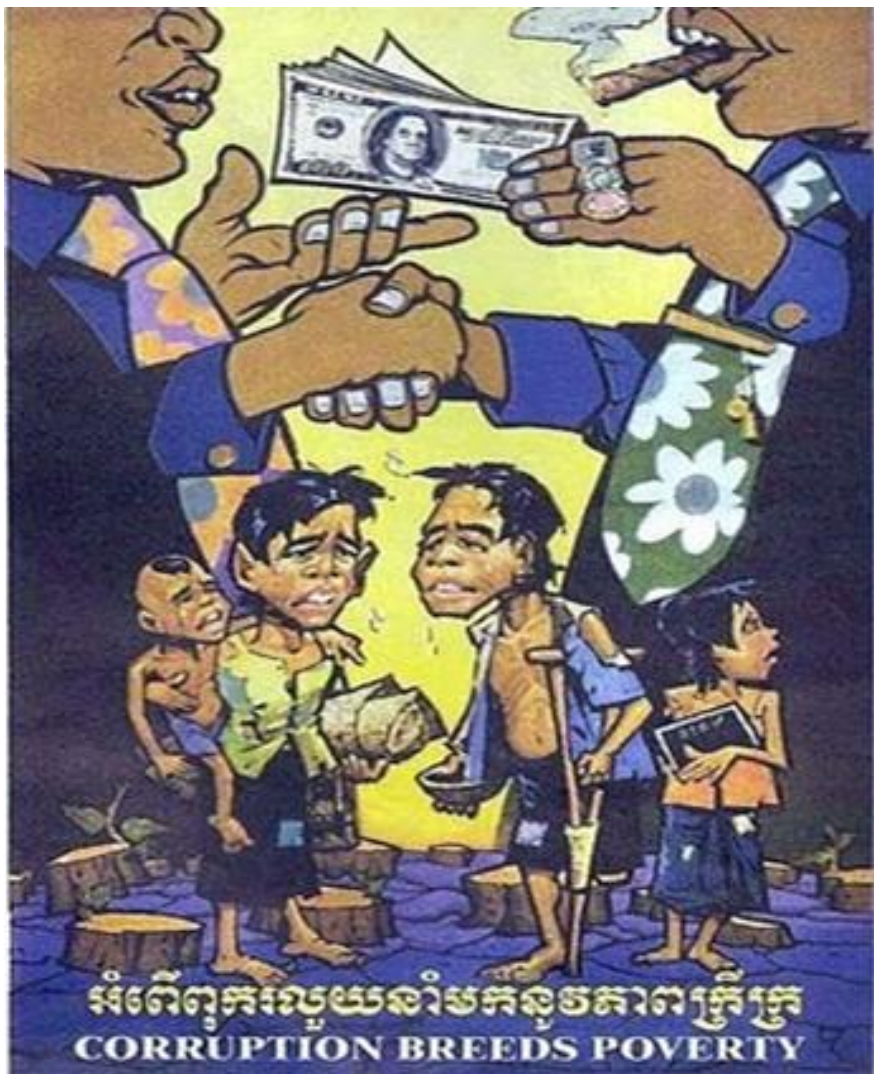
- Corruption discourages foreign and domestic investment: rent taking increases costs and creates uncertainty, reducing motivations to both foreign and domestic investors.
- Corruption taxes entrepreneurship: entrepreneurs and innovators require licenses and permits and paying bribes for these goods cuts into profit margins.
- Corruption lowers the quality of public infrastructure: public resources are diverted to private uses, standards are waived; funds for operations and maintenance are diverted in favor of more rent seeking activity.

- Corruption decreases tax revenue: firms and activities are driven into the informal or gray sector by excessive rent taking and taxes are reduced in exchange for payoffs to tax officials.
- Corruption diverts talent into rent seeking: officials who otherwise would be engaged in productive activity become pre-occupied with rent taking, in which increasing returns encourage more rent taking.
- Corruption distorts the composition of public expenditure: rent seekers (rent seeking is spending resources in order to gain by increasing one's share of existing wealth, instead of trying to create wealth) will pursue those projects for which rent seeking is easiest and best disguised, diverting funding from other sectors such as education and health.

# How does corruption affect poverty?

- Increased corruption reduces economic investment, distorts markets, hinders competition, creates inefficiencies by increasing the costs of doing business, and increases income inequalities.
- And that is through overall growth, biased tax system, poor targeting of social programs as well as through its impact on asset(benefit) ownership, human capital formation, education inequalities.
- Thus corruption favours the rich.
- Higher corruption is indeed associated with higher income inequality.
- A worsening in the corruption index of a country by one standard deviation is associated with an increase in the Gini coefficient of about 4.4 points.





- Bibliography:
- Corruption and Poverty: A Review of Recent Literature by Eric Chetwynd, Frances Chetwynd and Bertram Spector, January 2003
- Corruption: A Review by Arvind K. Jain

- Thank You