



FULBRIGHT
UNIVERSITY
VIETNAM

FULBRIGHT SCHOOL OF
PUBLIC POLICY AND MANAGEMENT

DEVELOPMENT POLICY

SESSION 10

Rule of Law, Clientelism and Corruption



Session 10

- Corruption is a universally occurring phenomenon. What is the status of corruption, rule of law, and clientelism?
- Are they necessarily bad?
- Vietnam's situation?



Governance Problems

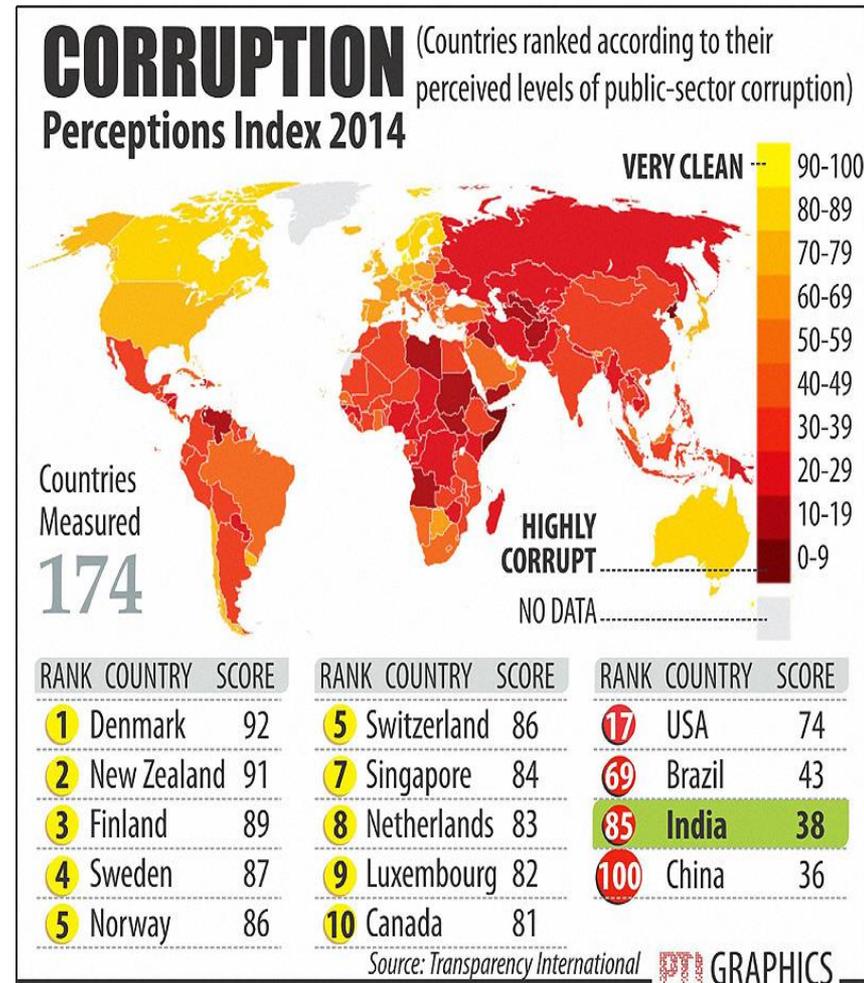
- **Grand Corruption Problem: “state capture”**
 - Leaders plundering state assets (African authoritarians)
 - Powerful “*oligarchs*” buying state officials
 - Corrupt leaders colluding with corrupt investors: non-competitive, non-transparent award of contracts (oil & gas)
- **Nepotism and Patronage**
 - Political pressure for award of contracts, appointments
 - Politicized transfers (South Asia)
- **Administrative (petty) corruption**
 - Bribes for licenses, permits, government services
 - Diversion of funds for public programs
 - Inefficient and ineffective service delivery

Is corruption necessarily bad thing?



Transparency International

- Vietnam's Ranking in Corruption Perception Index: 107/180.
- Corruption still pervasive in Vietnam: Bribery, Political interference, facilitation payments.
- Strong punitive action and institution are lacking.
- <https://www.business-anti-corruption.com/country-profiles/vietnam>





Two Governance Patterns

- **Good (enough) governance**: Developmental orientation of political leadership, functional check & balances, system not highest performing but mutually reinforcing and self-correcting
- **Clientelist**: Political leaders use authority to maintain their power base or are captured by powerful private interests. Leaders bypass check and balance institutions and use bureaucracy for patronage.
- But is clientelist necessarily bad thing? (e.g. Japan)

Impact of Corruption on Development



- **Samuel Huntington:** corruption as a *necessary stage* in the modernization process -- including a change in the basic values of a society, the differentiation between public role and private interests, and a proliferation of laws -- which increase opportunities for corruption.
- It was a reaction to the “moralist” approach to corruption, which is a simple condemnation on moral grounds.
- Other agree that though corruption may be beneficial in isolated instances, the **its cumulative effect in the long run** is detrimental to development.
- ***In fact, corruption diverts public resources from their intended purposes to private pockets and distorts the composition of government expenditure.

How Corruption Deter Development?



- On macroeconomic growth: remains contested, and corruption has not been a determining factor constraining growth.
- Yet, corruption has a negative effect on both inequality and the provision of basic services, *so it affects poor people disproportionately*.
- Lack of trust, reduced legitimacy and lack of confidence in public institutions can be both a cause and an effect of corruption.
- A negative effect on domestic investment and tax revenues.
- At the micro level, corruption imposes additional costs on growth for companies (in terms of their performance and productivity).
- Negative consequences for the environment.



Factors Facilitating Corruption

- A variety of economic, political, administrative, social and cultural factors enable and foster corruption.
- Corruption is collective rather than simply individual, going beyond private gain to encompass broader interests and benefits within political systems.
- A symptom of wider governance dynamics and is likely to thrive in conditions where **accountability is weak and people have too much discretion.**
- It is this collective and systemic character of corruption that makes it so entrenched and difficult to address.
- Democracy does not in itself lead to reduced corruption.



How to Prevent Corruption?

- Fiscal (i.e. spending) and revenue-gathering (i.e. taxation) powers are decentralized together.
- Public expenditure tracking in identifying corruption risks (+ citizen engagement & monitoring).
- Revenue and Customs authority reforms on reducing corruption.
- Stronger budget management systems and processes at the central level of government can lead to less corruption.
- Specialized audits (such as forensic or performance audits, when combined with punitive sanctions, is effective in detecting and then reducing corruption
- Anti-Corruption Agencies (ACAs): independent, well-resourced and coordinated with government and non-government actors that aim to curb corruption.



Rule of Law?

- The rule of law or the principle “that refers especially to government under law and to an unending search for reasonableness as law’s most basic norm.”
- A set of state institutions that possess the means of legitimate coercion, exercised over a defined territory and its population,” exercises its power in a reasonable and not an arbitrary fashion.
- Proper checks and balances need to be in place to minimize the opportunities for the abuse of state power.



Can Anti-Corruption Agency Work?



- ACAs, considered to have been highly successful in reducing corruption in Hong Kong and Singapore.



- Generally appear to have failed in developing countries. Why?

Strong internal controls and accountability mechanisms

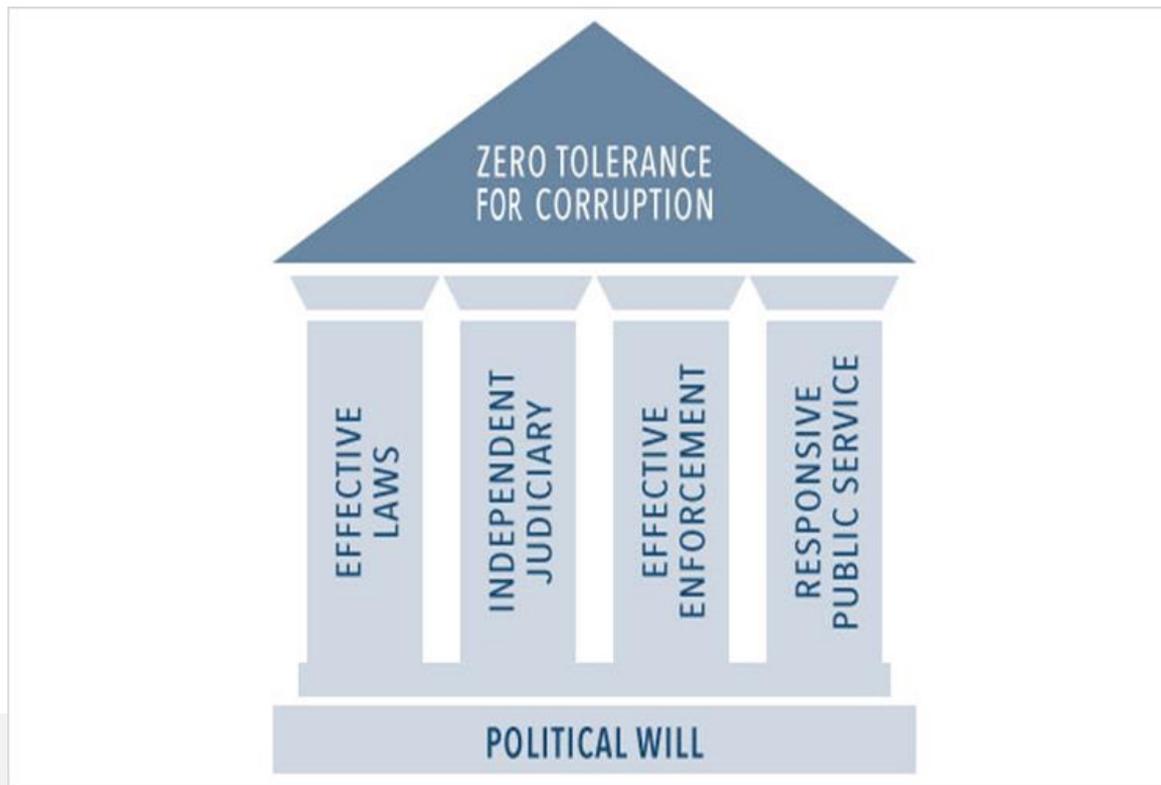
Alliances with government and non-government actors

Preventive and educational efforts



Singapore's Case - Discussion

- In Friday Review Session – Please read the article and discuss.
- Under what condition, independent anti-corruption body work?





Q&A



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