
CHAPTER 5

Public Services: Land, Ports, Healthcare



Introduction

Why is it important to curb corruption in public services?

Corruption in public services takes many forms.

*“Corrupt incentives exist because state officials have the power to allocate scarce benefits and impose onerous costs.”*¹ Consequently, reducing the benefits or increasing the costs of malfeasance are the key strategies for anti-corruption efforts in public service delivery. A classic example is a service provider—a government clerk issuing passports or licenses, a teacher, doctor, or police officer—extracting an informal payment from a citizen or business to grant access to a service, expedite it, or guarantee a certain quality standard. These forms of malfeasance are often labeled “petty corruption” because of the relatively small amounts involved in every transaction; however, these per-transaction amounts add up to significant totals in those systems where they are common. Yet such “petty corruption” in service delivery sectors is often symptomatic of what the literature refers to as “grand corruption,”² such as embezzling funds earmarked for government services, receiving kickbacks from private-sector contractors responsible for different aspects of delivery, or various forms of collusion and realized conflicts of interest.

Whether operating on a relatively small or large scale, corruption in service delivery imposes significant costs on the government, citizens, and businesses. Olken and Pande³ provide a useful review of the existing country-specific studies that use

a variety of methodologies to estimate the magnitude of such costs (see Table 5.1). Naturally, these estimated costs differ by country and service delivery sector. For example, bribe payments to port and customs officials by cargo shippers were about 14 percent of total shipping costs in Mozambique, in comparison to 4 percent in South Africa. In another example, truck drivers in Indonesia pay around 13 percent of the cost of the trip in bribes to police; this is significant in comparison to the truck drivers’ wages, which average about 10 percent of the trip cost. Perhaps most staggeringly, in Uganda, only 13 percent of the education funds from the central government for non-wage spending reached the schools, suggesting that 87 percent of the public money had been lost to graft. While these estimates must rely on various assumptions, and as such are subject to critiques, taken together they point to the significant magnitude of the monetary costs of corruption in public services. One attempt to estimate the total amount of bribes across sectors in a single country, Ukraine, arrived at roughly USD0.5 billion, or 1 percent of the country’s GDP per year.⁴ Additional costs with multiplier effects include poor development outcomes that are sector-specific (e.g., corrupt health or education sectors), reduced volume of international trade and investment flows due to high informal payments, and generally low trust in government. Low trust in turn results in a vicious cycle of low investment, low tax compliance, and low citizen participation.

Adopting a sector-specific approach

Unpacking sector-specific issues is crucial to diagnose the root causes of corruption in public services. Some researchers have argued that binary distinctions of corruption types in service delivery—grand/petty, need/greed, political/bureaucratic, institutional/individual—may be useful as a framing device, but are not particularly actionable in terms of formulating a reform approach.⁵ This is because these different types of corruption, just as the general phenomena such as bribery, nepotism, or collusion, can be present in any sector at the same time.⁶ Instead, a

more sector-specific approach allows one to see the problem holistically and to laser-focus on appropriate solutions. For example, the Curbing Corruption⁷ initiative by a group of international policy experts and academics develops a list of corruption types for 11 sectors, including health, land, shipping, defense, education, police, and others. The typology includes 20-40 different types of corruption per sector that are common across countries; as an example, Figure 5.1 lists corruption typologies in land and health administrations.

Understanding the existing corruption types in a sector enables the design of appropriate and feasible solutions. For example, in healthcare, a reform could be narrowly focused on rooting out a particular issue, such as bribery in surgery waiting lists, or adopt a multi-pronged approach to focus on the entire service. The correct diagnostics also allows reformers to assess the feasibility of the program, as well as to identify the loci of leadership and how to

build stakeholder coalitions. For example, where the professional integrity has currency, doctors could be asked to lead the reform. Where civil society is strong and vocal, further power could be given to patient groups for monitoring and closing the accountability loop. In some situations, a link to an international initiative, such as U4 for healthcare or EITI for mining, may provide the necessary alliance to boost the reform and increase its feasibility and credibility.

TABLE 5.1 Corruption in Public Services: Estimating the Magnitude of the Problem

Source	Country	Service delivery sector	Type of corruption	Methodology	Estimate of the magnitude of corruption
Olken and Barron (2009)	Indonesia	Police	Bribes paid by truck drivers to police	Direct observation: Enumerators accompanied truck drivers on their regular routes, posing as truck drivers' assistants, and recorded illegal payments	13 percent of cost of a trip (cf. truck driver's salary is 10 percent of cost of a trip)
Sequeira and Djankov (2010)	South Africa, Mozambique	Ports and customs	Bribe payments to port and border post officials	Direct observation: Enumerators accompanied clearing agents in ports to collect information on bribe payments	Bribes amounted to 14 percent (Mozambique) and 4 percent (South Africa) of the total respective shipping costs for container passing through the port
Reinikka and Svensson (2004)	Uganda	Education	Graft in public spending of educational funds intended to cover school's nonwage payments	Estimate by subtraction: PETS compared the amount of grant sent down from the central government to the amount received by schools	87 percent of funds (schools received on average only 13 percent of the grants)
Olken (2006)	Indonesia	Social assistance	Theft of rice from a program that distributed subsidized rice	Estimate by subtraction: Administrative data were compared to a generally administered household survey	At least 18 percent of the program's rice disappeared before reaching households
Gorodnichenko and Peter (2007)	Ukraine	Multiple	Bribes received by public sector employees	Estimate from market inference: Residual wage differentials between the public and private sectors (consumption levels are the same in the two groups and labor)	Aggregate amount of bribery estimated to be is between USD 460 million – USD 580 million, or about 1 percent of GDP of Ukraine

Source: Olken and Pande, 2012.

FIGURE 5.1 Disaggregating Corruption Typology within Service Delivery Sectors

Corruption Typology - Health	Corruption Typology - Land
HEALTH FUNCTIONS	LAND ADMINISTRATION
<ol style="list-style-type: none"> 1. Poor clinical protocols 2. Unnecessary interventions 3. Informal payments in interventions 4. Informal payments in waiting lists 5. Prescribing unnecessary or costly medicines 6. Over-charging 7. Other cases of illegal contact 8. Inappropriate prescribing and misuse of the electronic systems 9. Over-treatment 	<ol style="list-style-type: none"> 1. Bribery and rent-seeking by land administration officials 2. Bribery of judicial authorities 3. Favouritism and nepotism by land in decision-making 4. Elite capture and preferential access to land titling schemes 5. Manipulation and interference of records, adjudication and dispute resolution 6. Manipulation of land valuation to secure higher prices and/or reduce compensation payable 7. Fraud and production of false claim documentation & certificates 8. Embezzlement of public land administration funds & land revenues 9. Use of the institutions as a platform for private practice 10. Manipulation in public procurement of land administration services to win private contracts
LEADERSHIP & GOVERNANCE	CUSTOMARY LAND TENURE
<ol style="list-style-type: none"> 10. Capture by special interests 11. Inappropriate care strategies 12. Dereliction by fraud, lax controls 	<ol style="list-style-type: none"> 11. Abuse of power by chiefs 12. Control over land revenues by influential people 13. Multiple allocations of the same plots 14. Conversion of customary and rural land for urban development 15. Reluctance of officials to provide land services 16. National institutions and business interests override local land rights
HEALTH WORKFORCE	MANAGEMENT OF STATE-OWNED LAND
<ol style="list-style-type: none"> 13. Inappropriate selection for jobs, promotion or training 14. Inappropriate absenteeism 15. Nepotism in restrictive expert groups 16. Inappropriate professional accreditation 17. Expert-bias in complaints procedures 18. Improper inducements for conferences, research, placements 19. Fake workshops and fake per-diems 20. Discrimination against groups 21. Undeclared or tolerated conflicts of interest 22. Fake reimbursement claims 	<ol style="list-style-type: none"> 17. Collusion of government officials by private interests 18. Manipulation of compulsory land acquisition and compensation processes 19. Inadequate legal framework for conversion to private land 20. Irregular conversion of property classification status
MEDICAL PRODUCTS, VACCINES & TECHNOLOGIES	LAND USE, PLANNING & INVESTMENTS
<ol style="list-style-type: none"> 23. Substandard, falsified medicines 24. Inappropriate approval of products 25. Inappropriate product quality inspection 26. Private sector collusion in markets 27. Corruption in new product R&D 28. Companies 'gaming' the system 29. Theft and diversion of Products 30. Re-packaging of non-sterile and expired product 31. Legal parallel trade in drugs 32. Overly high pricing on non-medical products 33. Inadequate control of non-intervention studies 34. Improper benefits from companies 35. Improper acceptance of donated devices 36. Improper research, trial & marketing practices by companies 	<ol style="list-style-type: none"> 21. Capture of profits originating from land conversion and re-zoning 22. Abuse of government officials' discretionary power to propose developments 23. Acquisition of land through state capture and/or by insider information 24. Bribery of government officials by investors and/or developers
HEALTH FINANCING	LARGE SCALE LAND ACQUISITION FOR INVESTMENT
<ol style="list-style-type: none"> 37. Corruption in health insurance 38. Corruption in procurement 39. Complex & opaque tendering procedures 40. Decentralised procurement that enables corruption 41. Donor collusion in corruption 42. Corrupt invoicing by suppliers 	<ol style="list-style-type: none"> 25. Bribery and manipulation of community leaders 26. Payments of bribes and kickbacks to officials involved in approving land allocations 27. Circumvention of agreed and legally binding consultation procedures 28. Political interference in land acquisition and allocation
HEALTH INFORMATION SYSTEM	
Not usually a source of corruption types	

Source: Curbing Corruption

What are emerging economies doing to address corruption in public services?

Implementation of reforms takes time, providing important lessons for emerging economies along the way.

Rose-Ackerman and Palifka⁸ offer general takeaways: *“The most favorable cases are those in which the number of beneficiaries builds up over time as reforms take effect to create a constituency for the new policies. In particular, reform is much easier if the domestic and international business communities believe they will benefit from a reduction in corruption and patronage, and ordinary citizens benefit as well.”*

In other words, progress takes time, often decades, and sequencing matters. However, there are plenty of anti-corruption initiatives focused on service delivery ongoing around the world, many of them showing promise, even if the progress is partial or its sustainability not yet ascertained. It is this partial progress and the potential reversals that offer lessons for other countries on what works and what doesn't in particular sectors and contexts.

Although the issues and their corresponding solutions are sector-specific, there are common threads that can be derived when comparing reforms across sectors. This chapter focuses on three distinctive service delivery sectors: healthcare, land administration, and port services.

- **Healthcare** is an example of a frontline public service that affects virtually all citizens, as proven by the 2020 COVID-19 crisis. If plagued by pervasive corruption, the outcomes in human development can be impacted, which in extreme cases undermine governments' legitimacy.
- **Land administration** – land titling and registration – affects a large proportion of the population and is often a very sensitive sector that is central to many economies. Especially in historically unequal or post-conflict societies, corruption in land administration can undermine land reform and citizens' trust in government as a whole.
- **Port services** may seem like a very specific issue; however, they are a good example of a government-to-business (G2B) service. Pervasive corruption in ports directly affects trade and the investment climate in the countries relying on maritime commerce, hampering their development.

The solutions being implemented in these three sectors vividly illustrate the types of reforms that have a chance to take root in emerging economies.

They take into account both the service type as well as sector specifics.

Some public services, such as land administration, lend themselves to sector-wide “sunlight” reforms with a primary aim to modernize the sector and increase transparency, thus increasing the cost of malfeasance and reducing corrupt incentives in service delivery.

The case of Rwanda's reform of land mapping and titling is an example of such an approach. The reform was focused on good management practices in land administration, including the digitization of records. Even though rooting out corruption was not a stated objective of the reform, the largely informal land transactional system in place prior to the reform was especially conducive to corruption. Some of the most common types of corruption issues are bribe payments to gain access to records; the production of fraudulent documentation and certificates; circumvention of procedures for allocating land or the duplicative allocation of land plots; bribery of court officials; and refusal of basic services without payment. The reform is one of the reasons why Rwanda scores significantly better in regional surveys on managing corruption in land services than neighboring countries. In addition, this reform took place during a period of post-conflict recovery where land was a continuing source of tension. Since corruption was a symptom of the underlying problem, the reform was able to use the post-conflict window of opportunity to solve a number of underlying issues, including corruption.

In other public services, such as healthcare, the sector-wide approach needs to focus on improving the sector's development outcomes that have been directly affected by corruption.

In these cases, the fight against corruption moves away from financial compliance that “zero tolerance” approaches espouse, focusing instead on improving service delivery across the sector. In Ukraine's ongoing health system reform, changing the incentives of healthcare providers involves decreasing relative benefits from corrupt transactions as well as increasing their costs, resulting in better health outcomes. The reforms have been initiated for capitation financing in primary care; raising health

professionals' remuneration; initiating transparent, merit-based medical university admissions and health staff appointments; and developing an eHealth digital record-keeping system. Even though still ongoing, these reforms aim to lower out-of-pocket expenditure, reduce the number of acute medical events, and increase patient satisfaction with their care providers. This is an example of a true "ecosystem reform," in which changes to legislation are going hand-in-hand with executive implementation and strong civic engagement to serve as a feedback loop.

Successful sector reforms specifically focused on rooting out corruption in service delivery are possible when coalitions are formed. In the case of the program to combat corruption in Nigeria's ports, such a coalition included private shippers, the United Nations Development Program (UNDP) and three of the country's anti-corruption agencies. Shipping is a sector where it is possible to align the incentives of private companies, concerned about

the costs and risks of corruption, and government, which is trying to stem the flow of lost revenues. The collective action problem of the shipping companies was partly addressed by an international association called the Maritime Anti-Corruption Network (MACN), which brings together a group of shipping companies collectively concerned about reducing the prevalence of corruption in the sector. MACN and UNDP have piloted some reform programs globally and so were able to play a constructive key role in Nigeria's ports sector reform. The network worked together with the Nigerian government to initiate and implement measures with an aim to reduce corruption. These included developing corruption risk assessments of five ports, followed by standardizing procedures, using an e-governance portal, and establishing a grievance mechanism. Surveys conducted by the network and its partners suggest the measures had a positive impact in improving functioning of the ports, even though substantial work remains to be done.

What can we learn from these examples?

The reform approach need not be designed specifically to combat corruption, but rather aim to resolve its impact. Sector-wide reforms will have anti-corruption effects as long as they increase the costs and/or reduce the benefits of corrupt transactions. When the reforms specifically target corruption in a sector, they seem to work when there is a strong pro-reform coalition between the anti-corruption champions in the government and businesses or citizens. In order for businesses and citizens to be able to become agents of change, their collective action problem must be solved. To this end, an international network or body may help galvanize the effort.

In all three cases, employing information and communication technologies played a role, but only insofar as they changed the underlying incentives. In Rwanda, the land records were digitized, which brought the necessary amount of "sunlight" into the system, which meant that this basic information could no longer be bought and sold. In Ukraine, a digital eHealth platform connected to the reimbursement system was initiated to ensure greater transparency in payments. In Nigeria, an e-governance portal was introduced for the ports, making malfeasance and

extortion more difficult to hide.

Although each approach was different, it seized an existing political window of opportunity for reform. In Rwanda, it meant addressing the land titling issue during the post-conflict period by creating more transparency. In Ukraine, the reform was a response to a public health crisis, facilitated by the ripe political climate. In Nigeria, an international shippers' association with strong commercial incentives found willing partners in the UNDP and three anti-corruption agencies that were motivated to show positive results in combating corruption.

None of the three reforms are fully finished, uncontroversial, or immune from possible reversals. Rwanda's top-down approach calls into question the reform's sustainability. Ukraine's success continues to depend on the ability of the reformers to sustain their momentum. In Nigeria, despite improvements, there is still a long way to go until corruption in ports is fully rooted out. However, intermediate results in all three cases show that progress is possible even in very challenging environments.