Corruption:
Identifying opportunities and controls
APSACC Sydney, 28 November 2013

Professor Adam Graycar
Australian National University

adam.graycar@anu.edu.au
http://tric.anu.edu.au
• Corrupt Societies
• Corrupt Organisations
• Corrupt Individuals

• Corrupt events

Different controls
• Doing wrong things
• Failing to do something one should do
• Doing something permissible, but purposely doing it in an improper manner

• Breach of trust
• Unauthorized trading of entrusted authority
Official exchange: agent gets salary and delegation, and delivers as required

If agent makes discretionary decisions to benefit a client, and if the exchange is hidden, and if the agent receives a payment, it is a corrupt exchange.
• **TASP**  *(Graycar)*

• **Type**

• **Activities**

• **Sectors**

• **Places**
Types

• Bribery
• Extortion
• Misappropriation
• Self-dealing
• Patronage
• Abuse of discretion

• Creating or exploiting conflict of interest
• Nepotism, clientelism and favoritism

etc etc
Activities

- Appointing personnel
- Buying things (Procurement)
- Delivering programs or services
- Managing disasters
- Making things (Construction / manufacturing)
- Controlling activities (Licensing / regulation/issuing of permits)
- Administering (justice for example)

etc
Sectors

• Construction
• Health
• Tax administration
• Energy
• Environment & water
• Customs & Immigration
• Legal system

Places

• Countries
• Regions
• Localities
• Corporations
• Work places

etc

adam.graycar@anu.edu.au
http://tric.anu.edu.au/
<table>
<thead>
<tr>
<th>Type</th>
<th>Crane inspector</th>
<th>Cleaners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribery</td>
<td></td>
<td>Self dealing</td>
</tr>
<tr>
<td>Extortion</td>
<td></td>
<td>Conflict of interest</td>
</tr>
<tr>
<td>Abuse of discretion</td>
<td></td>
<td>nepotism</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td>Controlling things</td>
<td>Service delivery</td>
</tr>
<tr>
<td></td>
<td>Issuing licences</td>
<td>procurement</td>
</tr>
<tr>
<td>Sector</td>
<td>Construction</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>Safety</td>
<td></td>
</tr>
<tr>
<td>Place</td>
<td>City</td>
<td>Workplace (Uni)</td>
</tr>
<tr>
<td>Type</td>
<td>Railcorp</td>
<td>Crooked judges</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td></td>
<td>• The lot (full house!)</td>
<td>• Bribery</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Abuse of discretion</td>
</tr>
<tr>
<td>Activity</td>
<td>• Making things</td>
<td>• Administration of justice</td>
</tr>
<tr>
<td></td>
<td>• Appointing people</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• procurement</td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>• Infrastructure</td>
<td>• legal</td>
</tr>
<tr>
<td>Place</td>
<td>• Multiple workplaces</td>
<td>• Court jurisdiction (county)</td>
</tr>
</tbody>
</table>

adam.graycar@anu.edu.au
http://tric.anu.edu.au/
Municipal corruption New York City

(Graycar & Villa 2011)

<table>
<thead>
<tr>
<th>Initiating offender</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private person</td>
<td>38</td>
<td>52.8</td>
</tr>
<tr>
<td>Public servant</td>
<td>34</td>
<td>47.2</td>
</tr>
<tr>
<td>total</td>
<td>72</td>
<td>100</td>
</tr>
</tbody>
</table>
Municipal corruption New York City

(Graycar & Villa 2011)

<table>
<thead>
<tr>
<th>Acting alone or as a team</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alone</td>
<td>57</td>
<td>79.2</td>
</tr>
<tr>
<td>Team</td>
<td>15</td>
<td>20.8</td>
</tr>
<tr>
<td>total</td>
<td>72</td>
<td>100</td>
</tr>
</tbody>
</table>
Municipal corruption New York City

(Gravcar & Villa 2011)

<table>
<thead>
<tr>
<th>Kind of public servant involved</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspector</td>
<td>36</td>
<td>50</td>
</tr>
<tr>
<td>Low-level worker</td>
<td>16</td>
<td>22.2</td>
</tr>
<tr>
<td>Supervisor</td>
<td>14</td>
<td>19.4</td>
</tr>
<tr>
<td>Politician</td>
<td>5</td>
<td>6.9</td>
</tr>
<tr>
<td>N/A</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>total</td>
<td>72</td>
<td>100</td>
</tr>
</tbody>
</table>
Context

• Structural
  (embedded and/ or tolerated)

• Situational
  (opportunistic)

Participants

• Willing
  (collusion)

• Unwilling
  (extortion)
What is being corrupted?

• process
• culture
• event
Will the behaviour:

• Benefit an individual or organisation
  – Need/ Greed

• Exhibit patronage
  – Nepotism / Cronyism / Love / Friendship

• Promote ideology, change values, re-allocate resources
Boundary Issues

• Fraud and embezzlement
• Poor service/ “sleeping on the job”
• Inexcusable behaviour/ bullying, harassment
• Poor governance
• Misconduct
• Maladministration
• Criminality
• Corruption
Combating Corruption

- Understand the opportunity structure
- Identify and implement controls
Opportunities

• motivated offender,
• a target
• absence of a capable guardian.

adam.graycar@anu.edu.au  http://tric.anu.edu.au/
Opportunities (1)

Systemic Opportunities
• lack of integrity among leaders (in both the public and private sectors),
• lack of culture of integrity
• ethical codes do not exist, or are not enforced,
• patronage and nepotism are accepted
• complexity of regulations/complexity of systems

Localized Opportunities
• supervision and oversight is not taken seriously
• specialized knowledge/high discretion
• decisions affect costs and benefits of activities
• activity remote from supervision
• no capable guardian

adam.graycar@anu.edu.au  http://tric.anu.edu.au/
Opportunities (2)

Systemic Opportunities

• where factionalism, regionalism or ethnic differences matter
• weak legal regimes
• weak financial controls
• weak institutions of governance
• very weak state (or very strong state)

Localized Opportunities

• low decision monitoring
• silencing of whistleblowers
• low salaries
• low risk of being caught
• conflict of interest disregarded
• demand exceeds supply
Corruption control may include, but is more than

• Ethics training
• Performance management
• Process re-engineering
• Criminalisation
Responses

Tangible Controls

• Criminalization, investigation, prosecution, sanctions
• Anti-corruption agencies
• Structural reform
• Education, integrity building mobilization of the public
• situational countermeasures

adam.graycar@anu.edu.au  http://tric.anu.edu.au/
Controls (1)

**Systemic Controls**

- Increasing the moral cost of corruption
- Creating a culture of integrity
- Vigilant media
- Civil society oversight
- Criminalization and penalties

**Localised Controls**

- Appropriate oversight of discretionary decision making
- Establishing effective internal and external reporting procedures
- Whistleblower protection
- Setting and enforcement of procurement guidelines
- Penalties for procurement breaches

adam.graycar@anu.edu.au  
http://tric.anu.edu.au/
Controls (2)

Systemic Controls
• Modification of conflicts of interest guidelines
• External auditing for party finances and campaigns
• Changing the burden of proof for demonstrating the legality of officials’ wealth
• Simplifying regulatory framework

Localised Controls
• Decision making process transparent + regular and random audits
• Random integrity testing
• Rotating agents
• Creating a code of ethics
• Workplace performance indicators
• CCTV surveillance where appropriate

adam.graycar@anu.edu.au
http://tric.anu.edu.au/
Situational Measures

• Increase the effort to behave corruptly
• Increase the risks of corrupt behavior
• Reduce the rewards of corrupt behavior
• Remove excuses for corrupt behavior
Inspections

Situational measures

- Increase the effort
- Increase the risks
- Remove excuses

Controls

Systemic
- Creating a culture of integrity
- Criminalization and penalties

Localised
- Appropriate oversight of discretionary decision making
- Establishing effective internal and external reporting procedures
- Decision making process transparent and available for regular and random audits
- Random integrity testing
- Rotating agents
Cleaning Services

Situational measures

• Increase the effort
• Increase the risks
• Reduce the rewards
• Remove excuses

Controls

Systemic

• Enforce a culture of integrity
• Modification of conflicts of interest guidelines

Localised

• Appropriate oversight of discretionary decision making
• Setting and enforcement of procurement guidelines
• Penalties for procurement breaches
• Workplace performance indicators

adam.graycar@anu.edu.au
http://tric.anu.edu.au/
## Situational measures

- Increase the effort
- Increase the risks
- Remove excuses

## Controls

### Systemic

- Increasing the moral cost of corruption
- Creating a culture of integrity
- Modification of conflicts of interest guidelines
- Change burden of proof on employee wealth

### Localised

- Appropriate oversight of discretionary decision making
- Setting and enforcement of procurement guidelines
- Whistleblower protection
- Penalties for procurement breaches
- Rotating agents
- Workplace performance indicators

adam.graycar@anu.edu.au

http://tric.anu.edu.au/
Jailing kids for cash

Situational measures

- Increase the risks
- Reduce the rewards
- Remove excuses

Controls

Systemic

- Increasing the moral cost of corruption
- Creating a culture of integrity
- Vigilant media
- Civil society oversight
- Changing the burden of proof for demonstrating the legality of officials’ wealth

Localised

- Appropriate oversight of discretionary decision making
- Whistleblower protection
- Rotating agents
Thank you

Any questions?

adam.graycar@anu.edu.au