Corruption and the Smallholder: A Review of Current Literature and Research

by Chris Webster

Introduction

Corruption is a hot topic of academic and public policy research. Specifically, corruption is often characterized as directly impacting the economies of developing countries: “Corruption undermines governance, economic growth, and, ultimately, the stability of countries and regions” (Spector, 2005). Of particular concern are areas of the world, such as Sub-Saharan Africa, where corruption is perceived to be rampant and where smallholders form the backbone of the economy. This paper will address the current research and literature on corruption with a specific focus on the impact of corruption on the smallholder.

Corruption Analysis

Definitions
First, the very definition of corruption is worth a brief discussion. There is great debate today about how to properly define corruption and of what use the various definitions play in our understanding of the phenomenon. The most common definition involves private gain via public authority: the abuse of public power for private benefit or profit. This is the working definition that many world organizations use in discussing corruption, including the World Bank, the International Monetary Fund, and Transparency International. It is also, we should note, an attempt to define corruption universally and without regard to a specific culture.

To refine this, corruption is literally a transaction. Much of the academic research, particularly from the economic perspective, emphasizes this approach. Corrupt transactions occur at the intersection of the public and private sectors. Susan Rose-Ackerman’s seminal book, Corruption: A Study in Political Economy, is an early example of the emphasis on the interface between public finance and private profit (Rose-Ackerman 1978). The goal in this viewpoint is to isolate the quid pro quo nature of transactions between agents to understand the economic effects and “suggest how legal and institutional reforms might curb the harms and improve the efficiency and fairness of government” (Rose-Ackerman 2006).

The classical definition of corruption is often attributed to Colin Nye as “behaviour that deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains” (Nye 1967). Mushtaq Khan offers that corruption is “behaviour that deviates from the formal
rules of authority because of private-regarding motives such as wealth, power, or status” (Khan 1996). Corruption, then, may exceed legal boundaries and become a question of morality, following this logic naturally.

Often, the definition of corruption is tied to a particular style or category of the occurrence as a whole. For example, the distinction between systemic or institutionalized corruption and private or petty payoffs is seen as defining the study and understanding of the impact of corruption on state and society (Rose-Ackerman 2006). Another naming convention often used as a substitute for corruption is “rent seeking.” Rent seeking, however, is really a category of corruption: it defines an economic transaction based on a value (Kunicova and Rose-Ackerman 2005). In other words, rent is in excess of all relevant costs. As such, rent seeking may not always be considered immoral or illegal but is often inefficient.

Social exchange presents an intriguing opportunity to view corruption in a cultural light that may be excerpted from the role of the state. Social exchanges are often customary and traditional, reflecting the values of a regional or localized group. But these exchanges take on new dimensions when their construct is overlaid on governmental interaction with private citizenry. In other words, when does gift giving leave the realm of cultural tradition and become bribery? The World Bank defines the line at reciprocity: a gift is no longer just a gift when it is reciprocated. In fact, gift giving is a rich topic worthy of much further consideration, especially considering the cultural implications and historical or traditional context in which it occurs. (See Blundo 2006).

Favoritism and nepotism are both types of clientelism – a system of patron-client relationships through which exchanges take place. Since social traditions and culture are often inextricably linked with such practices, viewing clientelism as corruption may be challenging without providing sufficient context: According to case studies, in many Sub-Saharan African countries, “long lasting patrimonial and clientelist practices have over the years established what has been called hegemonic elites, or ruling state-classes. These are composed of a rather small elite of politically and economically dominating families.” (Amundsen 1999)

Corruption may also be considered in large scale terms, often referred to as grand corruption in the literature versus petty, opportunistic ventures. Political corruption is often considered on the grand scale such as corrupt branches of government, corrupt electoral systems, or corrupt public-private projects (Rose-Ackerman 2006). An interesting way to understand how such corruption becomes pervasive in an organizational structure is to view it as collectivization (Amundsen 1999). Such corruption takes on a conspiratorial quality with the costs of participating in the collective action lower than the costs of whistle-blowing or refusal.

Finally, some literature distinguishes corruption on the basis of outcomes, specifically labeling it as redistributive versus extractive. This distinction is based on the idea that corruption is not necessarily mutually beneficial, in other words, not a quid pro quo deal. If the corruption is understood as immediately benefiting one party more than the other,
then the direction or flow of that benefit may determine whether it’s extractive or redistributive. The latter is most easily understood in the classic Robin Hood cliché of stealing from the rich to give to the poor, while the former is a more feudal style of authoritarian rule and benefit.

It is important, therefore, to understand corruption as an evolving concept that may not always be simply a transactional issue. Corruption may characterize many types of social, civil, and governmental interactions depending upon the viewpoint. To fully capture the impact of corruption on smallholders, it is critical that these perspectives be considered.

**Forms**

To drill down further, typical manifestations of corruption may include:

- Bribery
- Embezzlement/Graft
- Fraud
- Extortion
- Patronage
- Favoritism
- Kickbacks

Each of these could be explored in detail as well, but the basic concepts should be somewhat self-evident and really serve as methods of the larger categories defined above. Table 3.1 in Appendix II is another list of corruption methods (Blundo 2006). It will be useful to have these forms as examples of smallholder impact are discussed later. This background on the definition, recognition, categories and forms of corruption will serve as a foundation to next review the academic approaches that characterize the broad range of literature on corruption.

**Academic Disciplines**

**Economics**

Much of the historical research and classical methodology for gathering and analyzing empirical data about corruption stems from an economic perspective. In fact, the study of corruption is often contained to an econometric approach, utilizing models to better understand the transactions, costs, and general effects on production. This approach essentially characterizes corruption as an inefficiency in the market which can be remedied by some imposition of incentive, structure, or regulation.

While there is plenty of data to support this conclusion, there is also plenty of data to controvert it. Currently, much of the economic scholarship is recognizing this and addressing it by embracing aspects of other academic disciplines to provide more a comprehensive understanding of the issue.
It should also be noted that the study of agriculture has not been left out in this review, rather, most of the agricultural literature this author encountered can be easily considered as falling under economics since typically it related the transactional viewpoint.

**Political Science**
Almost as prevalent as the economic research into the effects of corruption on markets, development, and production is the political science theory on the state, civil society, and collective organization. Typically, the research from the political science camp involves more analysis of the power structures inherent in corruption.

**Anthropology**
Perhaps one of the more interesting approaches to understanding corruption is from the field of anthropology. Relatively recent, the literature in this area explores the causes and effects of corruption on a more humanistic level, emphasizing the social conduct, history, and culture as factors. Where political science sees the intersection of state and society as the source of corruption, and economics understands corruption as a flaw in the system, anthropology looks at corruption as social exchange. And in this context, perception – a theme that will reappear often – is as important as “reality.” (Haller 2005)

**Public Policy**
A quick search online yields numerous reports and recommendations from a variety of think tanks, NGOs, and public policy institutions. Most such reports emphasize the pragmatic: fighting or reducing corruption in developing countries. These reports tend to amalgamate some of the academic literature from economics, political science, and to a lesser extent, anthropology in characterizing the problem and proposing solutions.

**Perception Indices**
Indices are really a tool of econometrics, but they have developed in the study of corruption out of academic research combined with public policy initiatives. The most important and well recognized index is Transparency International’s annual corruption perception index. This index simply indicates the perception of corruption on a country by country basis, globally. (See Appendix I.) Other indices include the Business International (BI) Index, the International Country Risk Guide (ICRG) Index, and the Global Competitiveness Report Index.

**Current Trends and Themes in Corruption Literature**
Overall, the study of corruption in the various disciplines continues to struggle with a number of themes. First, the analysis of corruption is almost always tied to the state. This results in two principal issues: 1) a comparative study, most often referred to as cross-country analysis and 2) a distinction between government and civil society.

The first of these, cross-country analyses, often provide startling results. For example, in studies comparing corruption in Asia to Sub-Saharan Africa, the results demonstrate similar issues with corruption yet very differing results in economic growth and
productivity (Johnston 2005). Furthermore, much of the cross-country analysis makes grand assumptions, representing an entire region or continent with the study of a few countries. The distinction between government and civil society also leads much of the public policy development to blame weak governance. But this distinction is currently being challenged by much of the research, especially from the anthropological point of view.

Failing to demonstrate weak governance as the sole cause for corruption, the next easiest culprit to assign blame is culture. This, of course, can lead to a fatalistic viewpoint and hardly delivers a more accurate understanding of the issues. A more refined view of weak governance or culture, in some regards, is the emphasis on institutional structure as the source of corruption. This theory suggests that much of corruption is built in – either purposefully or unknowingly – to institutional structures.

Transparency is the often cited goal in curing much of corruption’s woes. One particularly interesting way of understanding transparency is to view patronage, rent-seeking or other acts that might be considered corruption as acceptable if enacted in a transparent environment. For example, the vast resources spent on political lobbying the United States could certainly be understood as corruption. Yet, the transparent or at least somewhat transparent environment in which that occurs somehow changes the dynamic to an acceptable practice (Jain 2001).

Incentive systems play a large role in the literature, particularly in the economic and public policy research. There is almost never an inefficient system which cannot be cured by the proper incentives, according to many economists. Yet, here again, the research is challenged by counter-intuitive data. Many studies have correlated higher wages to less corruption in government agencies, but there is a tipping point at which higher wages actually lead to increased corruption as government workers struggle to keep ahead of their peers (CITE).

And the notion of incentive systems as either the cause or the solution can be challenged by research from academic disciplines. As Steven Kerr clearly elucidated in “Rewarding A while hoping for B,” our best intentions to provide incentives for a particular behavior may ultimately reward an undesired behavior (Kerr 1995). Such incentive systems can also be systemic, or built in features of an economy. The system of gratuities, for example, often allows governments or the private sector to regulate or provide lower wages, capitalizing on the system to reward the wage earners at no expense to the state or business.

Finally, a promising trend in the study of corruption is sectoral analysis. By looking at the forms corruption takes on a sector by sector basis, rather than assuming the usual one dimensional suspects of state and citizen, a more refined understanding of the causes and effects of corruption may be understood. This is particularly relevant as we move next to reviewing literature on the smallholder and corruption.
Corruption and the Smallholder

Corruption impacts the smallholder in a variety of distinct and overlapping manners, almost always impairing growth or benefits. The following represent a number of case studies, analyses, and research projects that demonstrate the impact of corruption on smallholders. They are separated by topic or theme in order to tie the examples back to the academic theory on corruption.

**Grand or Systemic**
On the most macro level, grand corruption can impact smallholders directly and indirectly. As the perception indices indicate, the impact of the mere perception of corruption can be a financial toll in terms of lost potential foreign investment and business development (Transparency International 2006).

**Embezzlement**
To some extent, the effect of embezzlement on the smallholder may be characterized as grand or systemic: it’s an indirect loss of resources that should have otherwise “trickled down” to the lowest level. For example, in a well known and often cited audit of the school system in Uganda, it turned out that only 13% of the funds allocated for non-salary items like textbooks and supplies reached the schools. To remedy this, all allocations were subsequently published in newspapers and on the radio, increasing the funding that reached the schools by 90% (Spector 2005).

Another interesting perspective on embezzlement from an anthropological view describes the tension between the motivation for material gain and the standards of the community. In one case in Bolivia, Haller notes that the loss of reputation is no small thing for someone who has taken the time and effort to become a leader (Haller 2005).

**Services**
There is growing empirical research indicating that the provision of services is directly and indirectly impacted by corruption. Corruption is linked to reduced spending on operations, maintenance, medicine, schools, health care, and other social services. Specifically, a high level of corruption has adverse consequences for a country’s child and infant mortality rates, percent of low-birthweight babies in total births, and dropout rates in primary schools (Gupta in Jain 2001).

**Finance**
Lending is another area where smallholders are impacted by corruption. The availability of credit is a potentially important resource for agriculture, but it is also an easy opportunity for unnecessary fees and percentage payments. Furthermore, government subsidized credit invites systemic corruption (Spector 2005).

**Institutional Vulnerabilities - Collectives**
It is tempting to think of cooperatives or collective organizations of smallholders as a key to building trust and eliminating corruption. This would be a mistake, according to one
analysis of collectives as rent-seeking tools. Reviewing the performance of Kenya’s coffee cooperatives, Andre Mude notes:

“Virtually all cooperatives conduct their elections in the traditional fashion of mlolongo. Mlolongo, literally translated as “line-up”, describes the method of having voters line up behind their preferred candidate, with the one having the longest line the winner. This voting method facilitates vote-buying by offering a rent seeking candidate a free and perfect mechanism for enforcing votes bought or bullied by the candidate.” (Mude 2005)

Furthermore, these cooperatives helped to establish effective monopolies by requiring that all coffee growers with less than five acres to market their goods exclusively through cooperatives. This shields the cooperative from competition (Mude 2005).

**Supplies**

Smallholders often rely on institutional structures for the acquisition of supplies. These supplies and their distribution are a common source of references to corruption in the literature. For example, in some cases the control of seeds is in the hands of private companies while in others it is controlled by governmental structures, implying weak regulation. Seed multiplication and distribution is a major problem affecting cotton production for smallholders in Kenya, for example (Wakhungu 2004). The Philippine Center for Investigative Journalism reported in another example that farmers receive low quality planting materials, unhealthy farm animals and undelivered farm equipment from the state (Sarimiento 2000).

**Irrigation**

Irrigation remains one of the central problems for many smallholders. Managing water resources is a primary challenge. In a case study on Zimbabwe, Robinson points out that state run smallholder irrigation projects are riddled with corruption and favoritism and questions how some are guaranteed access while the vast majority are not (Robinson 2002). The allocation of water and irrigation facilities often hinges on corrupt practices such as favoritism and rent seeking (Spector 2005).

Furthermore, even the topic of best systems of irrigation for smallholders has implications for corruption. “On-demand” systems of irrigation, for example, are challenging to administer, especially in terms of accounting, measuring, and tracking. These challenges are magnified by the potential for corruption. Smallholders often have no means of verifying the fairness of delivery and there is no clarity or transparency in the system. This has lead experts in the field to call for structured irrigation systems where systems of water delivery are proportioned and automatic (Albinson 2002 and Wade 1982).

**Product Distribution**

Many studies indicate that it is commonplace for smallholders to distrust the distribution mechanisms that guide their output to the marketplace. In one qualitative study of livestock service delivery amongst smallholder dairy producers in central Kenya, the perception of corruption was common. These perceptions increased the further the
producers were from the market, thus implying that the more reliant a smallholder is on such services, the less trust that was exhibited (Morton 2000). Again this highlights the important role of the mere perception of corruption.

Research supported by the International Development Research Centre indicates that intermediaries extract one-quarter of the wholesale value of smallholder farmer produce as it is transported and marketed between the farm and the wholesale buyer. And produce often changes hands three to four times in that process (Opala 2004).

**Market Liberalization**

Many countries in Sub-Saharan Africa have experienced market liberalization. While freeing the market from government monopoly is typically seen as a good thing, there are unintended consequences. The delivery mechanisms for the output of smallholders are now more complex, with more opportunity for corruption. While incentives for more production supposedly help drive growth in smallholder agriculture, they also increase the number of private traders who operate in the countryside. One study on the impact of market liberalization on corruption found that smallholders suffered from the

- absence of buying centres and few traders at village level, thus reducing competition among buyers and creating a buyers market instead
- traders’ insistence to use volume unit measures rather than weight measures, which leads to cheating on prices
- absence of a grading system, thereby reducing the incentive to maintain quality output
- impossibility of collecting lawful levies and information under present market conditions. (Mbiliny 1997)

Thus, the complexities of a free market also create vulnerabilities for corruption. Some studies suggest that while market liberalization leads to growth, the perceptions of corruption require a delicate balancing act between further liberalization and government regulation (Journal of International Food & Agribusiness Marketing 1999).

**Fraud**

Fraud also impacts the smallholder directly. Malawi is reported to have lost US 40 Million to fraud due to a scam by the Agriculture Minister involving fertilizer and a smallholder fund. (Phiri, n.d.) In addition, an increasing emphasis on product certification and standards also increases the potential for fraud and bribery (Spector 2005).

**Money Laundering**

In a discussion of forestry in Southern Africa and reducing poverty through commercial forestry, widespread money laundering, illegal logging, and illegal monopolies were highlighted as key problems for smallholder groups and communities (Dieterle 2006).

**Taxation**

Any sort of government imposed levy can create an opportunity for corruption. First, the collection of assessments relies on strict regulation and transparent authority – both of
which are often lacking in developing countries. Second, the imposition of taxes can lead to the creation of informal economies. Informal economies are often discussed in relation to bribery, “greasing the wheels.” But the impact on the smallholder can be that they are forced into such informal economies, and therefore lost political power to address grievances or change the system. Some studies indicate that highly restrictive regulatory frameworks are associated with high levels of corruption (Govereh 2005).

One remedy that has been used in Africa and Latin America is the establishment of semi-autonomous revenue authorities, separate from the typical finance ministries. Studies suggest that this approach has some merit (Fjeldstad in Rose-Ackerman 2006)

**Land Rights**

There is much academic scholarship on this subject, and of course, for smallholders land is their principal asset. As such, it is fundamental to the economy of smallholders. The impact of corruption on land rights is such a large a topic that it deserves further exploration than can be provided here. But it is critical to note that land rights can be influenced by a variety of factors that are all subject to corruption or exploitation. First and foremost, governance is the crucial issue for land rights. Land ownership, registration, tenure, and sales all suffer from corruption in the form of weak governance, rent seeking, favoritism, bribery, extortion, and outright fraud (See De Soto 2000, Spector 2005, Toulmin 2006, Palmer 2007).

“Multiple titles exist on many parcels and the rights of family members, especially women and children, are not well defined in some societies. Moreover, registration of title is often a slow, complex, and costly process, which is vulnerable to bribes offered or demanded for service. Informal properties, that is, parcels with no official documentation as to ‘who owns’ or ‘occupies’ the land, are common.” (Spector 2005)

Land speculation is an increasingly difficult problem for smallholders as well. A study of land speculation in Zambia indicates that a titling system with fees has prevented smallholders from participating in market driven land acquisition while speculators find the costs attractive.

“Any system in which a valuable and scarce good is administratively allocated for free is prone to corruption. This is the case in Zambia, where customary land does not have a market value until it is converted to leasehold. As gatekeepers to this valuable – yet virtually free – resource, chiefs, district-level officers, and bureaucrats at the Ministry of Lands are in a position to exploit their strategic position within a ‘soft system’. Lack of complete information at each level of the system exacerbates the problem. At all levels of land administration, administrators can bend or ignore the rules governing the conversion of customary land to leasehold.” (Brown 2005)
Thus, governance, management, and market forces create complex scenarios for land distribution that create a wealth of opportunity for corruption, which in turn directly impacts the key asset to all smallholders.

**Gender Issues**
One area of research that is certainly worth further pursuit is the role of gender issues and corruption in regard to smallholders. In areas where the social structure is dominated by men though often dependent on women for agricultural production, the situation is ripe for exploitation. A number of studies, including one focused on Kenyan coffee growers, demonstrate the need for empowerment of women. Monetary systems, land titling, and rights are often assigned only to men (Turner 1997). Exploitation may not be corruption, per se, but they are intertwined and share the same fertile ground for abuse of public services for private gain. The losers are likely to be the “exceptionally poor, female, and marginalized” (Robinson 1998).

**Bribery**
The simplest and most easily understood form that corruption often takes, bribery is seemingly ubiquitous in developing countries and imposes a tremendous burden on smallholders. One study in the Dominican Republic demonstrates that smallholders there cannot participate in forestry as an economic activity due to the overwhelming bribery that exists in the government bureaucracy (Peter 2004).

Another perspective on bribery is from the supply side, that is, the bribe-giving. Bribe giving may be as much to blame as bribe extraction. According to the World Bank, more than $1 trillion dollars is paid in bribes every year and over 60% of multi-national corporations paid undocumented bribes. (Oxfam n.d.)

**Conclusion**

**Smallholder Overview**
Corruption clearly takes many forms and has a severe impact on smallholders. In fact, corruption disproportionately hurts the poor. In 2004, the African Union estimated that Africa loses $148 billion in revenue annually to corruption. (Oxfam n.d.) Almost every conceivable form of corruption directly or indirectly impacts smallholders as demonstrated in the many examples cited in this paper. The key analysis of corruption, however, is that the problem is not simply one of weak governance, cultural tradition, or inefficient markets. Rather, it is important to understand corruption contextually – specific to each situation. Secondly, the perception of corruption is almost as important to smallholders as actual forms demonstrated. Thus, any attempt to address corruption in terms of smallholders must integrate a variety of viewpoints and examine the relationship of such acts to the desired outcomes.

**Where Do We Go From Here?**
This author found the most intriguing research to be either from the anthropological point of view or qualitative studies of corruption and its impact on smallholders. It is clear that
no universal definition of corruption is entirely accurate, and any strategy that is so
conceived is destined to be problematic. Rather than focusing on anti-corruption
strategies – a subject worthy of a separate discourse – the important next steps should
involve developing a better understanding of the impact of corruption on smallholders
and economic development in a contextual and specific, case by case, scenario. Some of
the most interesting work in this regard, and perhaps especially relevant to this project, is
the analysis of social networks, social capital, and corruption (Barrett 2005). That is, the
importance of networks and communities to the smallholder cannot be underestimated
and plays a significant role in determining the type and extent of corruption that may
exist.

On a more pragmatic level, information delivery remains a key to successful smallholder
farming. According to Edith Adera, Senior Program Specialist with the IDRC’s Acacia
initiative in Nairobi, “Smallholder farmers tend to be exploited because they can ill-
afford inputs, because they are small producers who find it costly to individually seek
better markets for their produce.” (Opala 2004)

Thus, harnessing the power of social networks through the use of efficient technological
knowledge delivery mechanisms may provide a promising counter-balance to the
potentially devastating effects that corruption has on smallholders.
## Appendix II

### Table 3.1 The basic forms of corruption

<table>
<thead>
<tr>
<th>Form of corruption</th>
<th>Type of interaction</th>
<th>Degree of legitimacy</th>
<th>Legal category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gratuity</td>
<td>Spontaneous transaction</td>
<td>Legitimate</td>
<td>Corruption</td>
</tr>
<tr>
<td>Commission for illicit service</td>
<td>Negotiated transaction</td>
<td>Highly ambivalent</td>
<td>Corruption</td>
</tr>
<tr>
<td>String-pulling, favours, nepotism</td>
<td>Spontaneous transaction</td>
<td>Legitimate</td>
<td>Influence peddling</td>
</tr>
<tr>
<td>Unwarranted fee for a public service</td>
<td>Negotiated transaction or extortion</td>
<td>Predominantly illegitimate</td>
<td>Extortion (by a public servant)</td>
</tr>
<tr>
<td>Levy or toll</td>
<td>Extortion</td>
<td>Illegitimate</td>
<td>Extortion (by a public servant)</td>
</tr>
<tr>
<td><em>Gombo</em>, 'white-collar crime', sideline</td>
<td>Appropriation</td>
<td>Predominantly illegitimate</td>
<td>Misappropriation of public goods, abuse of social goods</td>
</tr>
<tr>
<td>Misappropriation</td>
<td>Appropriation</td>
<td>Highly ambivalent</td>
<td>Misappropriation of public goods, abuse of social goods</td>
</tr>
</tbody>
</table>

(Blundo 2006: 81)
Appendix III

Corruption and Income

Note: The graph depicts the regression line of corruption (CC 2002) on real GDP per capita (in logarithms) 1995.

(Svensson 2005)
Appendix IV

Notable Resources

For a theoretical overview and collection of current academic research on corruption:


For qualitative discussions and examples of corruption in smallholder settings:


For an excellent sectoral analysis of corruption in developing countries:


For an anthropological viewpoint:


For a provocative discussion of social networks and corruption:


For current empirical research, analysis, and trends in journals and other publications:

Notes


Simmons, P. (n.d.): “Overview of Smallholder Contract Farming in Developing Countries”, Graduate School of Agricultural and Resource Economics, University of New England, Armidale, Australia, 2351 University of New England, Armidale, Australia, 2351


