

COLLEGE OF BUSINESS EDUCATION (CBE)

DAR ES SALAAM CAMPUS



INDIVIDUAL ASSIGNMENT:

COURSE: BACHELOR IN INFORMATION TECHNOLOGY

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SUBJECT: THEORIES AND PRACTICES OF DEVELOPMENT STUDIES

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REG NO: 03.2481.01.01.2023

QUESTION:

The extent that petty and grand corruption frustrates economic and social political development of country is unquestionable using Tanzania as your point of reference. Discuss this statement with valid example and citation

Corruption refers to the abuse of entrusted power for private gain, whether it be financial, political, or personal. It undermines the rule of law, distorts public policies, and erodes the trust of citizens in government institutions. *According to The World Bank (2015)* There are two types of corruption such as Petty Corruption and Grand Corruption:

Petty Corruption: Petty corruption refers to small-scale corrupt practices that involve relatively minor amounts of money or influence. These corrupt acts typically occur at lower levels of government or in everyday interactions between individuals and public officials. Examples of petty corruption include bribery to expedite bureaucratic processes, facilitate access to public services, or avoid minor fines or penalties. While petty corruption may involve smaller sums of money compared to grand corruption, its cumulative impact can still be significant, particularly in communities where it is widespread. *According to Robert shwadron (2005)*

Grand Corruption: Grand corruption, on the other hand, involves large-scale corrupt activities that have far-reaching consequences and often involve high-ranking officials, politicians, or business leaders. Grand corruption typically entails the misuse of substantial amounts of public funds or resources for personal enrichment or political gain. Examples of grand corruption include embezzlement of public funds, kickbacks in major infrastructure projects, insider deals for natural resource extraction, or the diversion of state assets into private accounts or offshore havens. Grand corruption undermines the integrity of institutions, distorts economic development, and erodes public trust in government. *According to Robert shwadron (2005).*

Example:

One notable example of grand corruption in Tanzania is the "TEGETA ESCROW SCANDAL," which unfolded in 2014 and involved high-ranking government officials, businessmen, and international entities. The scandal centered around the fraudulent sale of a government-owned power plant to a private company, Independent Power Tanzania Limited (IPTL), and the subsequent misuse of public funds held in an escrow account.

an overview of the TEGETA ESCROW SCANDAL:

1. Sale of the Power Plant: In the late 1990s, the Tanzanian government entered into a contract with IPTL to build a power plant in Tegeta. However, the project faced numerous delays and cost overruns, leading to disputes between the government and IPTL. In 2001, the government decided to buy back the power plant from IPTL to address electricity shortages in the country.

2.Escrow Account: As part of the buyback agreement, the government paid \$75 million to IPTL and deposited an additional \$22 million into an escrow account as security pending resolution of the legal disputes surrounding the project. The escrow account was managed by the Bank of Tanzania and overseen by various government agencies.

3.Fraudulent Payments: In 2014, it was revealed that significant sums of money had been withdrawn from the escrow account and paid to various individuals and companies, including government officials, IPTL executives, and foreign entities. These payments, totaling over \$122 million, were made under questionable circumstances and without proper authorization.

4.Government Complicity: Investigations into the scandal uncovered evidence of collusion between government officials, including ministers and senior bureaucrats, and individuals affiliated with IPTL. It was alleged that the payments from the escrow account were part of a scheme to siphon off public funds for personal enrichment and to settle political debts.

5.Public Outcry and Legal Proceedings: The revelation of the Tegeta Escrow Scandal sparked public outrage and calls for accountability. The government initiated legal proceedings to recover the misappropriated funds and hold those responsible accountable for their actions. Several individuals implicated in the scandal, including government officials and IPTL executives, were arrested and prosecuted.

The Tegeta Escrow Scandal exposed the depth of corruption within Tanzania's political and business elite and underscored the need for comprehensive reforms to combat graft, strengthen accountability, and promote transparency in governance. While significant efforts have been made to address the fallout from the scandal, it remains a stark reminder of the challenges posed

by grand corruption and the importance of robust anti-corruption measures in safeguarding public resources and fostering integrity in public service.

Petty and grand corruption have significant economic impacts on Tanzania, affecting its development, governance, and overall prosperity:

Unequal Distribution of Wealth: Corruption often leads to wealth being concentrated in the hands of a few, while the majority of the population remains poor. This widens the gap between rich and poor. *According to U4 Anti-Corruption Resource Centre(nd).*

Reduced Foreign Investment: Tanzania relies on foreign investment to drive economic growth and development, particularly in sectors such as mining, agriculture, and tourism. However, corruption deters foreign investors by creating uncertainty, increasing business risks, and undermining the rule of law. Potential investors may be reluctant to commit capital to Tanzania if they perceive that corruption is pervasive and that their investments may be vulnerable to exploitation or expropriation by corrupt officials or vested interests. *According to Transparency International(nd).*

Distorted Market Dynamics: Corruption distorts market dynamics by favoring well-connected individuals or companies over competitors based on merit and efficiency. Petty corruption, such as bribery to secure licenses or permits, creates barriers to entry for small businesses and stifles competition, leading to market inefficiencies and monopolistic practices. Grand corruption, such as preferential treatment in public procurement, further distorts market outcomes and undermines the principles of fair competition and transparency. *According to U4 Anti-Corruption Resource Centre(nd).*

Reduced Foreign Aid: Donor countries may be hesitant to provide aid to countries with high levels of corruption, as they fear the funds will be misused. *According to Transparency International(nd).*

Stifling Economic Growth: Corruption, whether petty or grand, hampers economic growth by distorting market mechanisms, deterring investment, and reducing productivity. In Tanzania, corruption increases transaction costs for businesses, undermines the efficiency of public services, and discourages both domestic and foreign investors from engaging in economic

activities. As a result, the economy operates below its full potential, leading to slower growth rates and limited job creation. *According to Transparency International(nd).*

The social impact of both petty and grand corruption in Tanzania is significant and wide-ranging, affecting various aspects of society. Here are some key social impacts:

Weakened Rule of Law: When those in power are seen as above the law, it undermines the entire legal system. People lose respect for the law and are less likely to follow it themselves. This can create a chaotic environment where disputes are settled through violence or intimidation rather than through legal channels. *According to Susan Rose-Ackerman(1999).*

Reduced Safety and Security: Corruption in law enforcement weakens public safety. Bribes can allow criminals to operate with impunity, hindering investigations and prosecutions. This creates a climate of fear and insecurity, especially for vulnerable groups. *According to Robert Shwadron (2005).*

Environmental Damage: Corruption in industries like mining and logging allows for environmentally destructive practices. Officials may turn a blind eye to illegal deforestation or pollution in exchange for bribes. This harms the environment for present and future generations. *According to World Bank report on (corruption in Arabic) discusses the impact on development in Africa [World Bank corruption and development in africa ON researchgate.net]*

Social Unrest and Conflict: Widespread corruption can be a recipe for social unrest. When people feel that the system is rigged against them, they may be more likely to resort to protests or even violence to express their grievances. This can lead to political instability and a breakdown of social order. *According to Robert Shwadron (2005).*

Impediment to Human Rights: Corruption can infringe upon human rights by depriving individuals of access to basic services, such as healthcare and education, to which they are entitled. In some cases, corrupt practices may result in human rights abuses, including arbitrary detention, harassment, or violence against those who speak out against corruption. *According to Susan Rose-Ackerman(1999).*

political impacts of Corruption in Tanzania that affect governance, democracy, and societal stability in various ways:

- **Undermining Democratic Principles:** Corruption undermines democratic principles by distorting electoral processes and weakening the rule of law. Politicians may use illicit means, such as bribery or vote-rigging, to gain or maintain power, compromising the integrity of democratic elections. This undermines citizens' faith in the democratic system and diminishes the legitimacy of elected officials. *According to U4 Anti-Corruption Resource Centre(nd).*
- **Stifling Economic Development:** Corruption hampers economic development by distorting market mechanisms, deterring foreign investment, and hindering economic growth. It creates an uneven playing field where businesses must navigate bribery and extortion to operate, stifling innovation and entrepreneurship. Moreover, corrupt practices such as embezzlement and mismanagement of public funds divert resources away from infrastructure projects and essential services, further impeding development. *According to Transparency International: [Tanzania Corruption]*
- **Social Inequality and Injustice:** Corruption exacerbates social inequality by diverting resources away from essential public services, such as healthcare and education, towards private interests. This perpetuates poverty and marginalization, as the most vulnerable members of society bear the brunt of the consequences. Additionally, corruption often thrives in environments where there is impunity for the wealthy and well-connected, leading to a sense of injustice among ordinary citizens. *According to Susan Rose-Ackerman(1999).*

Generally: Petty and grand corruption create a vicious cycle that hinders Tanzania's economic and socio-political development. By tackling corruption through stricter enforcement, improved transparency, and better public education, Tanzania can create a fairer and more prosperous future for its citizens.

REFERENCE:

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