

# Corruption in the Planning Domain: Towards an Effective Planning Theory

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Works on corruption in planning theory are **extremely rare**.

We could deduce that:

i) corruption is **not a significant phenomenon** in land use planning;  
*or that*

ii) corruption is **independent** from the characteristics of a planning system.

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*“Corruption is a persistent feature of human societies over time and space”  
(Aidt, 2003)*

However:

i) corruption is an **endemic feature** of governments and public authorities at all levels, in many countries, with reference to **land use planning domain** as well;

ii) a precise **causal nexus** exists between the spread of corruption and the (substantive and procedural) characteristics of a certain planning system.

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# 1. A general overview on corruption

## Spread and Magnitude

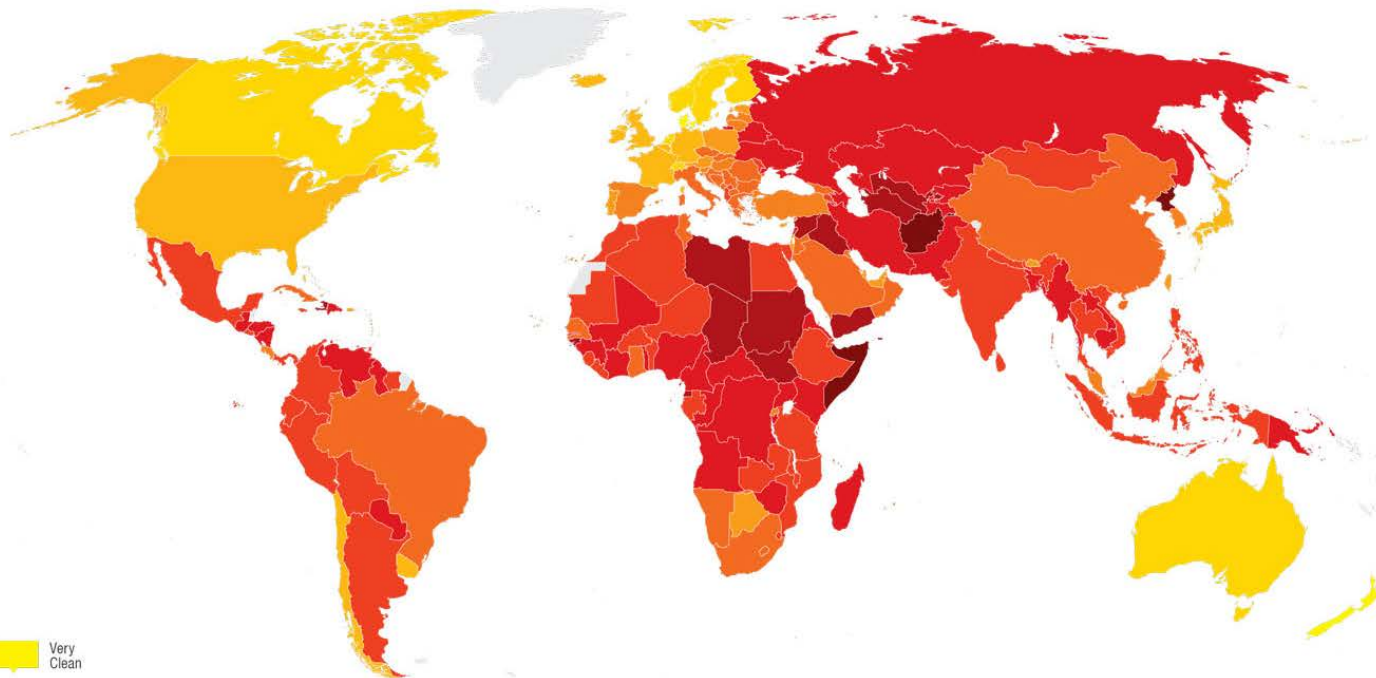
Reliable **direct data** on the magnitude of corruption across countries don't exist. However, we can state that corruption is **common in many countries**.



# CORRUPTION PERCEPTIONS INDEX 2013

The perceived levels of public sector corruption in 177 countries/territories around the world.

### SCORE



We can **indirectly** infer the cost of corruption.

An example: In Italy, the Milan underground cost €67-million per km; the Hamburg underground €23-million per km.

*“The direct costs of corruption are incalculable, but they are believed to be **astronomical** enough to support the wry observation of one high U.S. Department of Justice career official, who stated that ‘when we finally stop payoffs to public officials at all levels in this country **we will have found the cure to inflation**’” (NACCJSG, 1973)*



## Negative consequences

Corruption is more “**sand in the machine**” than “oil which greases the wheels”.

It affects the **efficiency**, **fairness**, and **legitimacy** of state activities.



Notice:

*“The costs of corruption are born by those taxpayers who are **poorer** and **less well-connected** and by the general public in the form of reduced services” (Rose-Ackerman, 1999).*

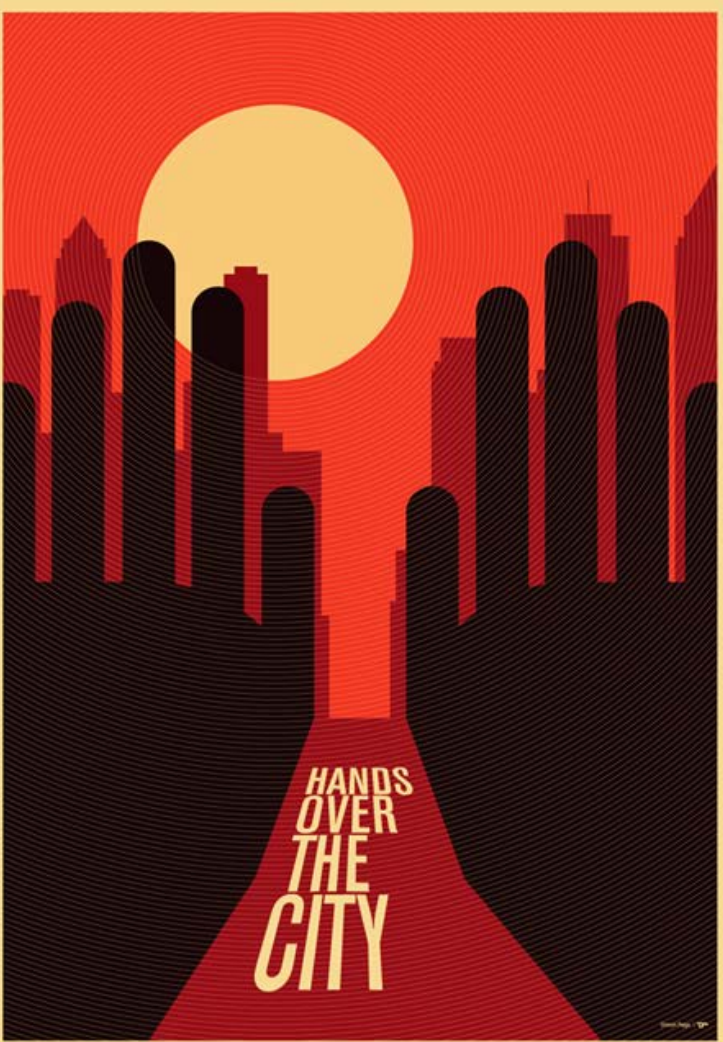
## Institutional Determinants

- i) Someone must have **discretionary power** (e.g. the authority to design and administer regulations);
- ii) there must be **economic rents** associated with this power;
- iii) The **benefit** of the corrupt transaction must be significantly higher than the possible costs (the participants in corruption are rational individuals. Then, the higher the probability that corruption will be detected and punished, the lower the effective benefits available)





## **2. Corruption in the land use planning domain: forms and determinants**



## Premise

Corruption in land use planning is a **very relevant phenomenon**.

According to Transparency International, **20%** of worldwide corruption is associated with **land use services**, and 17% with the related fields of registry and permit services.

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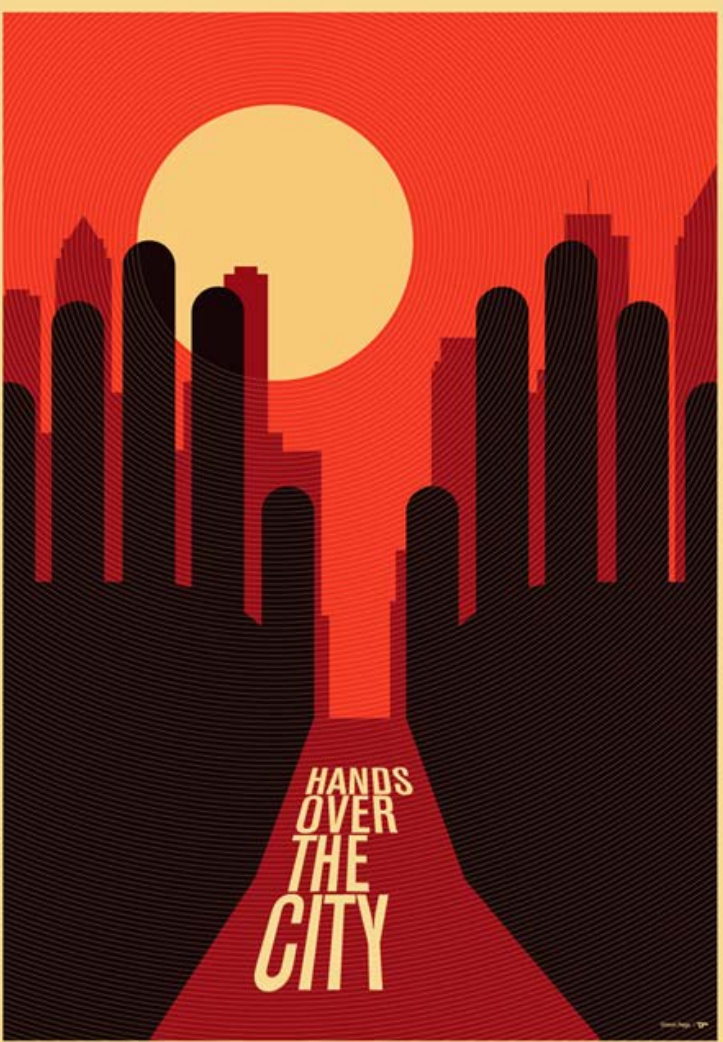
A relevant portion of this corruption is related to modifying the contents of zoning plans, i.e. to the **allocation of building rights**



**HANDS  
OVER  
THE  
CITY**

## ***Determinants***

- i) Discretionary allocative power;*
  - ii) Economic rents associated with the discretionary power;*
  - iii) Low probability to be detected and punished (expected benefits higher than possible costs).*
-



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Land use decisions are by definition:

### **i) discretionary decisions**

They rest also on a (weak) technical rationale; they always rest in particular on a **political rationale** (which is discretionary by definition). **Decisive technical reasons** don't exist to choose a specific policy or a specific land use configuration.



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Land use decisions are by definition:

### **ii) allocative decisions**

Planning implies a **distribution of economic values**. Then, this distribution is often a **relative** distribution (someone gains, someone doesn't gain – or loses).



## **Determinants**

- i) *Discretionary allocative power;*
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Land use decisions always have **significant economic effects**.

This is especially so for **zoning decisions** preventing or allowing certain uses of land.

## **An example**

Surface: 10.000 sqm.

Location: Melegnano (25 km from Milan)

Current market price (agricultural use): €56,600

**Possible market price if zoned as housing** (floor area ratio: 0.3)  
**= €1,932,000**

$(P_x = GFL * V_{tr})$

GLF: Gross Floor Area (Area surface \* Floor Area Ratio)

V<sub>tr</sub>: Transformation Value (€2,300)

## **Determinants**

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## ***Determinants***

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In the majority of countries, the probability of detection and punishment is very low. (For instance, it is difficult to identify cases of corruption in land use planning from analyzing the outcomes of a decision).



# 3. How to cope with corruption in the planning domain



An available technical tool: **the Transfer of Development Rights.**

It can **reduce discretionary powers** of public officials over public decisions and **economic rents** controlled by public officials.



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**From Euclidean zoning to a TDR-based planning system**

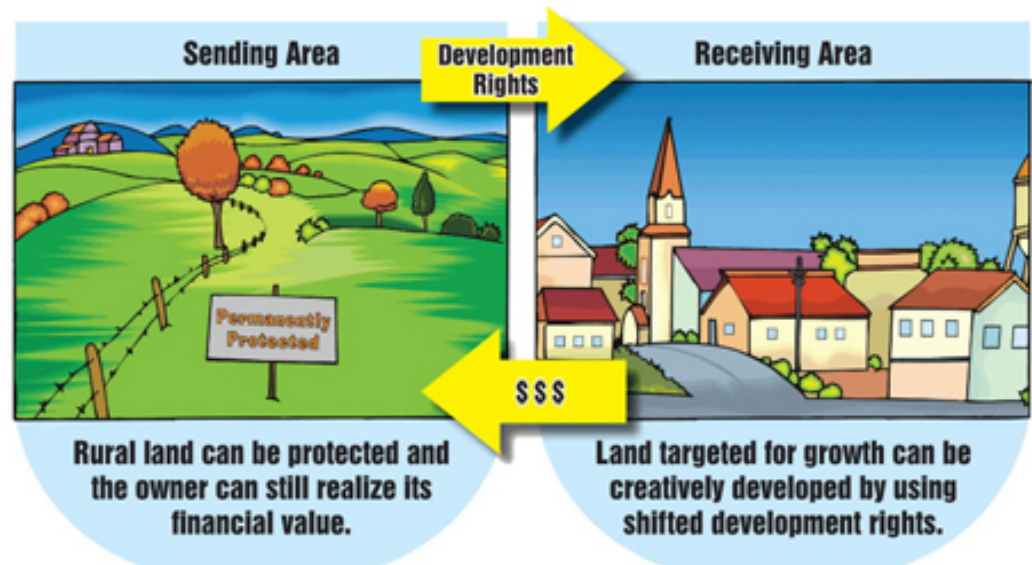
*Euclidean Zoning:* development rights are **fixed** (a certain development right refers to a specific parcel, and it can be exercised only in that parcel).

## An available technical tool: the **Transfer of Development Rights**.

It can **reduce discretionary powers** of public officials over public decisions and **economic rents** controlled by public officials.

**TDR-based planning system**  
(Transferable) Development rights are “generated” by a specific plot, but they can be transferred and “consumed” elsewhere. TDRs allow **all landowners to benefit** from the area’s development, and require **all benefitted landowners to pay** the costs associated with the preservation and protection of sensitive land.

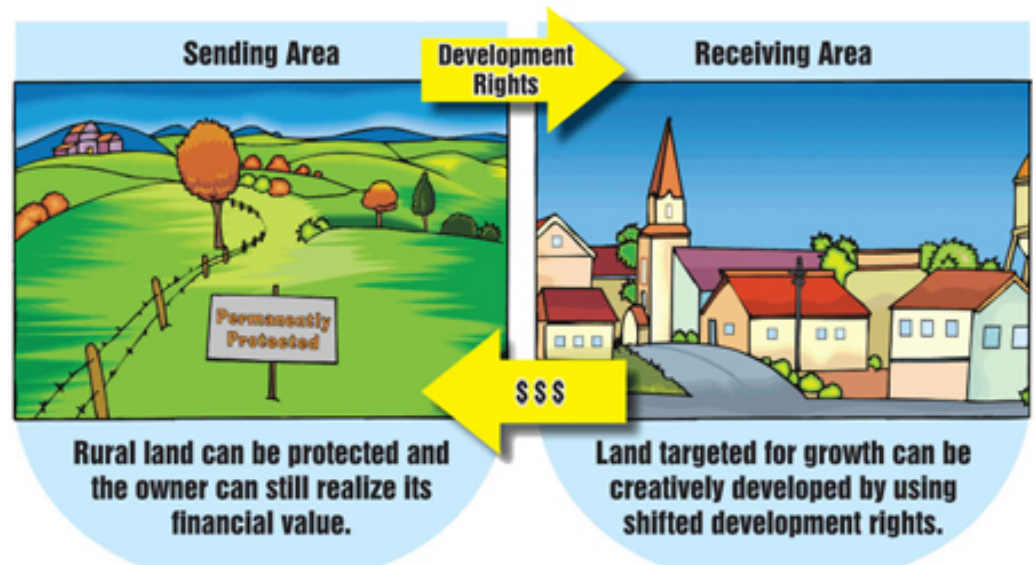
## From Euclidean zoning to a TDR-based planning system



The **equalization principle** of TDRs makes land owners **less sensitive to specific planning decisions**, therefore reducing the risk of corruption.

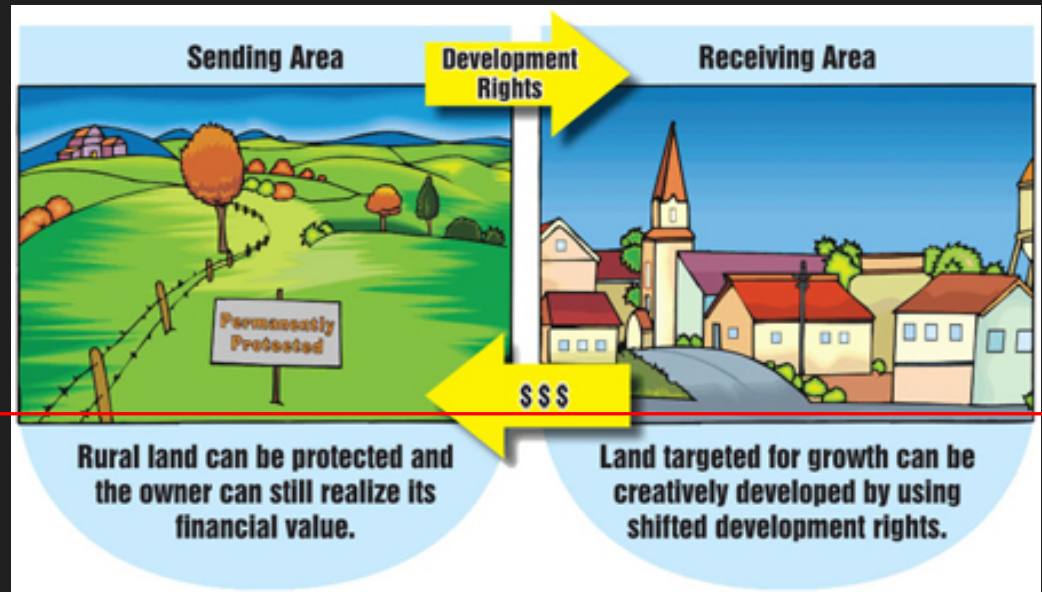
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## From Euclidean zoning to a TDR-based planning system



In the current TDR programs, a number of different development ratios are assigned to different areas.

This method weakens the potential of TDRs to reduce corruption

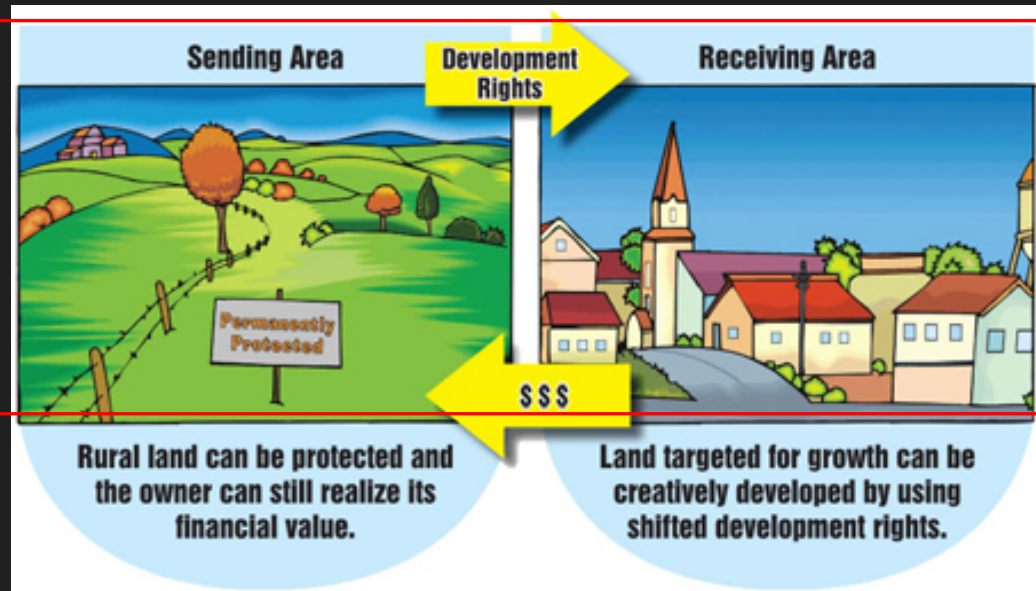


In our proposal, an **identical development ratio** (or a very limited number of ratios) is assigned to **all the landowners** of a jurisdiction (according to a geometrical or categorical criterion, so according to an **objective** criteria).

This would strengthen the anti-corruption potential of TDR.

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This method **weakens** the potential of TDRs to reduce corruption



## 4. Conclusions



Planning theory can provide a relevant contribution to fight corruption.

Different characteristics of a planning system provide **different incentives to corruption**.

So, it is fundamental that (the possibility of) **corruption become a central topic** when we assess the strengths and weaknesses of a planning system.

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THX!

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