

# TACKLING CORRUPTION, TRANSFORMING LIVES

Accelerating Human Development  
in Asia and the Pacific



Published for the  
United Nations  
Development Programme





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**About the Asia-Pacific Human Development Report**

The Asia-Pacific Regional Human Development Report (APHDR) is an important resource and instrument to explore critical development concerns. The Report thus informs policies from a human development perspective, putting people at the centre of development debates. As a regional public good, the APHDR focuses on issues that are of common concern to several countries in the region, have sensitivities that are better addressed at a regional level, or have clear cross-border dimensions.

The APHDR is an independent intellectual exercise developed through a regional participatory process that draws from the contributions of many. The theme for each Report is also selected through consultations that include participants within and outside UNDP. The more nuanced focus of the Report is guided by substantive and diverse inputs that bring together Asia-Pacific stakeholders from governments, civil society, academia, research institutions, the media, the private sector and others. Technical background papers are prepared by eminent experts drawn largely from the Region. An established peer review process contributes to quality and impartiality. The work is enriched by a moderated discussion on the Asia-Pacific Human Development Network, which comprises members from the Region and beyond. Drawing from this rich material, the Report is prepared by the Human Development Report Unit team. The APHDR is disseminated widely, helping to promote dialogue and bring together the people of Asia Pacific to accelerate human development.

# Foreword

This Report comes on the heels of the landmark Second Session of the Conference of State Parties to the United Nations Convention against Corruption in Bali, Indonesia, which is aiding countries in the implementation of their anti-corruption efforts. The United Nations Convention Against Corruption (UNCAC) is the first legally binding, international anti-corruption instrument that provides a unique opportunity to mount a global response to a global problem. This Regional Human Development Report examines the problem of corruption from the perspective of the countries of Asia and the Pacific. In doing so, it builds on the momentum around the UNCAC mobilization, and hopes to contribute to the agenda for change. This publication is also timely – this is the halfway mark in the timetable for achieving the Millennium Development Goals, and it addresses corruption surrounding the exploitation of natural resources, at a time when concerns about climate change are reaching a peak in this most dynamic region of the world. The Report documents the challenge corruption poses for human development and the solutions that are being attempted to address this multi-dimensional problem.

The focus on corruption from a human development perspective makes this Report unique. It hones in on the price corruption extracts from the poor and disadvantaged, especially in their daily lives. It spotlights hidden forms of corruption that get less media attention. These include the passing of laws and regulations which allow corruption to be conducted within legal bounds. The

misleadingly termed ‘petty corruption’, which takes its toll on vast numbers of people, is just as weighty as ‘grand corruption’, which gets the lion’s share of publicity. Cross-border issues, increasingly important for this rapidly globalizing region, are also explored.

Corruption undermines democratic institutions, retards economic development and contributes to government instability. It attacks the foundation of democratic institutions by distorting electoral processes, perverting the rule of law and creating bureaucratic quagmires whose only reason for existence is the soliciting of bribes. Economic development is stunted because outside direct investment is discouraged and small businesses within the country often find it impossible to overcome the ‘start-up costs’ required, because of corruption. As Kofi Annan, the former UN Secretary-General remarked, *‘Corruption hurts the poor disproportionately by diverting funds intended for development, undermining a government’s ability to provide basic services, feeding inequality and injustice, and discouraging foreign investment and aid.’*

In a diverse region like the Asia-Pacific, which is attempting the twin task of development and democratic consolidation, the problem of corruption goes to its very core. It diminishes not only the outcomes we seek to achieve, but also corrodes the instruments and mechanisms we have at our disposal to do so. Many democratic regimes have been overthrown because elected governments failed not only to deliver results; they abused their offices for securing private gains. But non-democratic regimes that replaced them,

also have not been able to resolve the problem of corruption. While non-democratic regimes may initially appear to curb visible corruption through strong action, they are neither accountable nor responsive to the people they govern, in the way democratic institutions can be. The solutions lie, therefore, in more and better quality of democracy; in terms of reinvigorated democratic institutions and vibrant democratic practice.

Governments, civil society and companies around the world are showing that it is possible to stymie high levels of corruption. Those in the Asia-Pacific region have won some battles against it. Home-grown success stories brought to the fore in this Report could help dissipate defeatist attitudes, which consider corruption as an incurable ailment. The solutions in these pages seek to deepen the burgeoning momentum for change and help countries identify and strengthen their own strategies.

This Regional Human Development Report is, ultimately, by and for the people of the region. Stakeholders from Asia-Pacific countries not only identified corruption as one of the most pressing concerns for the region, they also contributed to lively and often intensive discussions with views, suggestions for focus areas and solutions. Those actors included government officials, media, private sector, academia and civil society organizations. Contributions from experts drawn largely from the region then helped shape arguments and messages. The entire process has been truly collaborative.

Solutions form the heart of this Report. Options are presented of relevance not just to nations, but also to the region and the globe. Tackling corruption in Asia-Pacific is an international responsibility that goes beyond governments, after all. It needs to be shared by transnational companies, international banks, multilateral agencies, aid agencies, civil society organizations, media and individuals alike. Today, combating corruption makes more political sense than ever before. This is especially so in sectors like water and electricity, and health and education, which can greatly promote citizen satisfaction.

The Report is action-oriented, and proposes a seven-point agenda for change, building upon ongoing anti-corruption efforts. These parallel and reinforce efforts for achieving the MDGs by improving developmental results and building the tools to deliver. The Report therefore provides a coherent, comprehensive vision for tackling the problem of corruption in the Asia-Pacific region, and proposes interventions that add to a concerted, robust response. This vision is not fantasy; it is about the reality within reach.



31.12.2007

Hafiz A. Pasha  
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and the Pacific, UNDP*

The analysis and policy recommendations of this Report do not necessarily reflect the views of the United Nations Development Programme, its Executive Board or its Member States. Mention of firm names and commercial products does not imply endorsement of the United Nations. The Report is an independent publication commissioned by UNDP. It is the fruit of a collaborative effort by a team of eminent experts, stakeholders, and the HDRU team of the RCC led by Anuradha Rajivan.

# Preface

The real price of corruption is not paid in currency, after all. The true costs are eroded opportunities, increased marginalisation of the disadvantaged and feelings of injustice. The myth that nothing can be done to curb corruption seems to be nearly as pervasive as corruption itself. This Asia Pacific Human Development Report, *Tackling Corruption, Transforming Lives*, shows that widespread corruption does not have to be an inevitable part of going about one's everyday life and doing business. The Report prioritises tackling corruption in areas that can improve daily lives, particularly of the poor. Improving justice systems, preventing misuse of the region's abundant natural resources and ensuring the effective delivery of public services, such as clean water, energy, health and education, touch people everyday. These improvements are also critical for progress towards the Millennium Development Goals.

The Report aims to demystify certain misconceptions surrounding a complex phenomenon – aspects of corruption that are less well known and hence tend to be ignored. Sometimes behind closed doors, sometimes openly on the floors of parliaments, laws are passed, which allow corruption to be legal. Meanwhile, misleadingly termed 'petty corruption' can be just as, if not more, crushing as grand corruption, hitting hard especially at the poor.

Tackling corruption in the Asia-Pacific is a responsibility to be shared by governments, the private sector, international organizations, civil society and the media. Individuals must also assert themselves as citizens and

consumers. As corruption is not confined to country borders, it is necessary for solutions to be a global responsibility to be shared by multi-national companies, international banks and aid agencies alike. This Asia Pacific HDR proposes combining political will from the top with people's voices from below, each strengthening the other.

How best can social policy be shielded from the power of narrow special interests? How can the poorest segments of society have a stronger voice? Particular solutions will depend on every country's specific circumstances. Reducing corruption is ultimately in the long-term interest of all layers of society, promoting justice and legitimacy of institutions, with the disadvantaged benefiting the most. We hope that this Report will contribute to constructive debate. The Asia Pacific region, well known for its dynamism, can seize the momentum for change to mobilise support within and across borders to build more just societies. There is much to be gained.

The publication of this Report is especially opportune. The year 2008 started with the Second Session of the Conference of State Parties to the United Nations Convention against Corruption (UNCAC) held in Nusa Dua, Indonesia, in January. The UNCAC is the first legally binding international anti-corruption instrument, providing a unique opportunity for a global response to a global problem that pervades institutions within countries and crosses national borders.

The Report benefited enormously from the ongoing guidance and support of Hafiz Pasha. He worked with the Team more like a

member than a Bureau Director and saw the Human Development Report Unit through the many twists and turns in the course of

this work. On behalf of the Regional Centre in Colombo, we would like say a very special thank you to him.



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## Contributors

Numerous background papers, papers, drafts, special contributions and notes covering a wide range of issues have informed the Report. The main contributors were: Jens Christopher Andvig, Omar Azfar, Sara Azfar, Gry Ballestad, Bineswaree (Aruna) Bolaky, Elena Borsatti, Neera Burra, Hiram E. Chodosh, Sheila S. Coronel, Sergio Feld, Ramesh Gampat, Sonia Gomez, Kevin Evans, Manzoor Hasan, Angela Hawken, Michael Johnston, Patrick Keuleers, C. Raj Kumar, Molly Lipscomb, Tenen Masduki, Toby Mendel, Ajit Mishra, Satish C. Mishra, Ahmed Musfiq Mobarak, Gerardo L. Munck, Omar Noman, Jon S.T. Quah, R.K. Raghavan, Anuradha Rajivan, Renata Rubian, Niranjana Sarangi, Basheerhamad Shadrach, Nazhat Shameem, Amit Shrivastava, Omar Siddique, M. Sohail, Andre Standing, Paul Steele, and Ngoc Anh Tran, Manoja Wickramaratne and Zengke He.

## Technical Consultations

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## Definitions of Technical Terms

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# Abbreviations

ACA	Anti-Corruption Agency
ACC	Anti Corruption Commission
ADB	Asian Development Bank
ASEAN	Association of South-East Asian Nations
BEEPS	Business Environment and Enterprise Performance Survey
BRAC	Bangladesh Rural Advancement Committee
CAC	Commission Against Corruption (Macau)
CBI	Central Bureau of Investigation (India)
CBO	Community Based Organization
CCAGG	Concerned Citizens of Abra Good Government (NGO-Philippines)
CCI	Control of Corruption Index (World Bank)
CGAP	Consultative Group to Assist the Poor (Consortium of Aid Agencies)
CIAA	Commission for the Investigation of Abuse of Authority (Nepal)
CIDSS	Comprehensive & Integrated Delivery of Social Services (Philippines)
CITES	Convention on International Trade in Endangered Species
CPI	Corruption Perception Index (Transparency International)
CPIB	Corrupt Practices Investigation Bureau (Singapore)
CPLC	Citizen Police Liaison Committee (Pakistan)
CSO	Civil Society Organization
CSR	Corporate Social Responsibilities
CVC	Central Vigilance Commission (India)
DFID	UK Department for International Development
EBRD	European Bank for Reconstruction and Development
EU	European Union
EIU	Economist Intelligence Unit
ESI	Environmental Sustainability Index
ESIA	Environmental and Social Impact Assessment
EITI	Extractive Industries Transparency Initiative (Regional Initiative)
FAO	Food and Agriculture Organization of the United Nations
FATF	Financial Action Task Force on Money Laundering (Founded by G7)
FDI	Foreign Direct Investment
FIIA	Foreign Investment Implementation Authority (India)
FLEG	Forest Law Enforcement and Governance (East Asia Ministerial Conference, 2001)



FSC	Forest Stewardship Council
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GONGOS	Government Sponsored NGOs
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICAC	Independent Commission Against Corruption (Hong Kong)
ICC	International Cricket Council
ICRG	International Country Risk Guide
ICT	Information and Communication Technology
ICW	Indonesia Corruption Watch
IFI	International Financial Institution
ILO	International Labour Organization
IT	Information Technology
IUU	Illegal Unreported and Unregulated
KDNG	Kachin Development Network Group (Myanmar)
KICAC	Korea Independent Commission Against Corruption
KPK	Komisi Pemberantasan Korupsi (Indonesian Corruption Eradication Commission)
LGRDD	Local Government and Rural Development Department (Pakistan)
LRA	Load Regularization Agreement
MDG	Millennium Development Goal
MDI	Micro Finance Institutions
MKSS	Mazdoor Kisan Shakti Sangathan (Indian NGO)
MSC	Marine Stewardship Council
NBI	National Bureau of Investigation (Malaysia)
NCCC	National Counter Corruption Commission (Thailand)
NGO	Non-Governmental Organization
NIS	National Integrity Strategy (Bangladesh)
NJPMC	National Judicial Policy Making Committee (Pakistan)
NLCGG	Northern Luzon Coalition for Good Governance (Philippines)
NRB	National Reconstruction Bureau (Pakistan)
NREGA	National Rural Employment Guarantee Act (India)
OC	Ombudsman Commission (PNG)
ODA	Official Development Assistance
OECD	Organization for Economic Development and Cooperation
ONA	Office of National The Assembly (Vietnam)
OPEN	Online Procedure Enhancement for Civil Applications (Republic of Korea)
PAP	People's Action Party (Singapore)

PBS	Pally Bidyut Samities (Bangladesh-Rural Electrification Board)
PCIJ	Philippine Centre for Investigative Journalism
PES	Payment for Environmental Services
PMT	Pole Mounted Transformer
PPP	Public Private Partnership
PSC	Public Service Commission (Bangladesh)
PWYP	Publish What You Pay (Campaign launched in 2002 by Civil Societies)
RAS	Rapid Alert System (WHO)
RRC	Regulatory Reform Committee (Republic of Korea)
RFD	Regional Forestry Division (Thailand)
RTI	Right To Information (India)
RWI	Revenue Watch International
SAARC	South Asian Association for Regional Cooperation
SEUF	Socio Economic Units Foundation (India-NGO)
SFDA	State Food and Drug Administration (China)
StAR	Stolen Asset Recovery (Initiative launched by World Bank and UNDOC)
SWC	Single Window Cell (India)
TAF	The Asia Foundation
TAG	Transparent Accountable Governance (NGO-Philippines)
TI	Transparency International
TAN	Transparency and Accountability Network (Philippines)
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and Pacific
UNODC	United Nations Office on Drugs and Crime
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational Scientific and Cultural Organization
UNFCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
VA	Village Accountants
VAT	Value Added Tax
WHO	World Health Organization

# Tackling Corruption, Transforming Lives

## Overview

People across the Asia-Pacific region are becoming increasingly concerned about corruption, and governments are starting to react. Hauling the rich and powerful before the courts may grab the headlines, but the poor will benefit more from efforts to eliminate the corruption that plagues their everyday lives. Corruption has to be tackled from the top down *and* from the bottom up, with vigorous support from the media and organizations of civil society. An international response is needed to counter cross-border corruption in this increasingly globalized world as well.

Corruption has many damaging effects: weakened national institutions, inequitable social services, and blatant injustice in the courts – along with widespread economic inefficiency and unchecked environmental exploitation. And it hits hardest at the poor – who often depend heavily on public services and the natural environment and are least able to pay bribes for essential services that should be theirs by right.

Politicians in the region are starting to respond. Nowadays most want to be associated with fighting corruption. Indeed the need to combat corruption has been used as a justification for overthrowing elected governments, sometimes even with an element of public support. Civil society groups too are making greater efforts to hold public- and private-sector organizations to account, and the media are also focusing on this issue and finding new ways to expose and publicize it.

There is also greater commitment at the international level. By the end of 2007, 140 state parties had signed the first global anti-corruption instrument, the 2005 United Nations Convention Against Corruption. It

requires acceding and ratifying countries to implement far-reaching reforms.

Corruption is an important development issue – developing countries do not want to follow the slow historical path of the now developed countries, for corruption to be better controlled. Just as they are putting in place conscious policies for poverty reduction, so too they would like to speed-up the process of tackling corruption.

### A Historical Problem

Corruption has plagued the world ever since the emergence of organized forms of government as people organized themselves for group living. Until the nineteenth and early twentieth centuries, many of the now developed countries were riddled with corruption and it took many decades to bring the levels down. Governments across the Asia-Pacific region have also been preoccupied with this issue. Some countries, Singapore and Hong Kong (SAR), China, for example, have managed to reduce corruption much more swiftly but most other countries in the Asia-Pacific have

generally made slow progress – they are larger territories and their leadership has proved less resolute.

Across the region, corruption comes in many forms, but the commonest overall distinction is between ‘grand’ and ‘petty’. Grand corruption typically involves relatively large bribes from contractors or other corporations, generally associated with high-level politicians or officials. Petty corruption involves smaller amounts but more frequent transactions – lower-level public officials demanding ‘speed money’ to issue licenses, for example, or to allow full access to schools, hospitals or public utilities. It tends to affect the daily lives of a very large number of people, and more so the poor, and hence calling it ‘petty’ is really a misnomer.

Though corruption is widespread it is largely clandestine, and thus difficult to measure. Most attempts have been indirect – gauging people’s perceptions rather than actual transactions of corruption. One of the most widely cited is the ‘Corruption Perceptions Index’ (CPI) produced by the NGO Transparency International. Another is the ‘Control of Corruption Index’ (CCI) produced by the World Bank. They do offer some relevant information and have spurred countries into responding. They can also be useful for cross-regional comparisons – for which this Report uses the CCI. However, since these measures are opinion-based they are necessarily imprecise. The measurements are generally oriented towards businesses and make less of an attempt to express the impact on the poor.

### **Political and Economic Impact**

All forms of government are vulnerable to corruption, but some are more vulnerable than others. On the whole, corruption seems lower in democracies than authoritarian

regimes, and lower within parliamentary than presidential systems. Although in democracies there is always the danger that elected politicians will become beholden to wealthy donors, citizens can always ‘vote the rascals out’.

Within all forms of government, some institutions are generally worse than others. In the Asia-Pacific region the least trusted are the police, followed by the judiciary and tax offices. Education and medical services come next, while the least corrupt sectors are utilities and registry or permit services – although even in these, levels of corruption are still very high.

Corruption inevitably has an impact on the economy and the society. It is sometimes argued that by ‘greasing the wheels’ corruption speeds things up. But there is little evidence for this from the aggregate standpoint; indeed it seems more likely if businesses readily pay bribes they will simply encourage bureaucrats to unreel yet more red tape.

On the other hand, there are many ways in which corruption is likely to hamper growth especially over the long term – for example, if talented people are tempted to make an easy living as corrupt bureaucrats rather than as entrepreneurs. Even those who do run businesses, may prefer to remain in the informal sector rather than expand and be faced with greater demands from corrupt officialdom. Corruption is also likely to weaken infrastructure; not only does it drain away funds, it also reduces the quality of investment, producing inadequate transport, power, or communications systems.

Corruption distorts both the national economy and public investment through the tax system. When governments apply high tax rates, with complex rules that are interpreted by underpaid officials they can expect to lose a lot of tax income – particularly if there is little risk of being caught or punished.

This, in turn, could reduce the capacity of government to provide quality public services.

A number of studies have indeed suggested that extensive corruption is associated with lower levels of growth – though the correlation is weaker in Asia than elsewhere. Generally it does less damage in larger countries, perhaps because investors may be willing to tolerate a more difficult working environment if they can recoup their losses in large consumer markets. Another factor is the way in which corruption is organized: usually it is less harmful if it is predictable, when, for example, a strong but corrupt ruler demands for himself and his entourage a standard percentage on all major activities and works with a long time horizon, delivering at least some benefits to bribe payers.

### **Corruption and Human Development**

Corruption undermines human development. This can happen through various channels. It is likely, for example, to corrode ideals of public service, so that corrupt administrations will tend to be less interested in investing in health and education. Even if they wish to, they will find that their activities have hampered economic growth and weakened tax collection, leaving them less to spend on public service programmes.

Corruption also affects the quality and composition of public investment. Corrupt officials are less attracted to small-scale projects that involve a large number of actors, preferring large infrastructure projects that offer greater opportunities for collecting rents. This distorts the pattern of public expenditure – away from key public goods such as public health, education and environmental protection, and towards new roads or airports or military hardware.

Corruption is also likely to undermine

efforts at poverty reduction – by diverting goods and services targeted for the poor to well-off and well-connected households who can afford to bribe officials. The poor also lose out when they have to pay bribes, since they can only afford small amounts, which represent a high proportion of their income.

In turn, better human development conditions – wider-spread education, an informed citizenry with voice to influence decision makers in government and businesses – can help combat corruption.

### **Justice for Sale**

In the Asia-Pacific region, corruption is often at its worst in law enforcement, seriously undermining justice. Many police officers are honest and conscientious, but others have a different agenda; rather than serving as guarantors of rights and protection they are sources of harassment and fear. In the rural areas, they may, for example, be in the pockets of rich landowners who use them to control their workforces or their tenants. In the cities, the police can be in the pay of corrupt politicians and business interests, and may be used, for example, to force poor people off their land to make way for new developments. Or police officers may simply be working for themselves, extracting as much income as they can from their position of power. Poor salaries and working conditions among the lower constabulary are contributory factors.

Police corruption is especially pernicious since it is often accompanied by violence. Police may, after apprehending suspects, choose not to arrest them but instead beat them up or rape them, and force them to pay for their freedom. Police can also seize people they know to be innocent, threatening them with arrest and demanding payment for release. A survey in the Asia-Pacific

region found that over the previous year, 18 per cent of respondents had paid a police bribe.

The poor are the most exposed because they lack the funds or influence needed to defend themselves. In cities, among those likely to be harassed are street vendors, who have to pay up or see their goods confiscated or destroyed. On the other hand, poor people are less likely to receive any attention if they want to register a complaint.

For tackling police corruption, one of the most important steps is to ensure that complaints against the police are dealt with, by a truly independent body. Other solutions involve changing police structures and operations to make them more efficient and responsive – applying rigid recruitment criteria, reallocating individuals across tasks, modifying transfer patterns, and carrying out ethical evaluations of those who are up for promotion. The overall intention should be to create more professional forces that enable individual officers to take greater pride in their work.

People tend to have fewer interactions with the court system. But here too they may find that justice has its price. A number of studies across Asia have found that two-thirds or more of the population consider the routine court system to be corrupt, and admit that they themselves, guilty or innocent, will consider it wise to pay bribes. The poor will suffer from a corrupt legal system that offers them little protection – exposing them to arbitrary judgements that may cause them to lose their land, homes, or livelihoods.

Judicial corruption is another aspect of a weakly functioning state. In many countries, judges are appointed or promoted by politically motivated bodies and even judges who want to uphold ethical principles may find themselves subject to heavy political pressure in high-profile cases. Low salaries

make it tempting for weak judges to buckle to other pressures too. Some may, for example, consider it more important to support a relative or associate than to uphold the rule of law. They may also fear retribution.

Much of the responsibility for reducing judicial corruption lies with the judges and lawyers – acting individually and through associations or professional bodies. But governments can also minimize judicial corruption. They can, for example, ensure that judges are appointed by independent bodies, serve fixed terms, have salaries that match their experience and qualifications, and are offered all necessary protection. The judicial system should also require judges to give written reasons for their judgements – making greater use of information technology to offer easier access to court documents.

### **Keeping Public Services Honest**

Corruption is also widespread in social services such as health and education, as well as in public utilities that provide electricity and water. As a result, poor people find themselves excluded from schools or hospitals that they cannot afford, or asked to pay extra simply to gain access to services to which they already have a right.

### **Health Services**

Corruption can occur within health services at all levels – from grand corruption, as funds are siphoned off during the construction of new hospitals or health centres, to petty corruption as health workers or administrators demand bribes just to perform their routine duties. Corruption can also take various forms within health service staffing. This may involve, for example, buying positions at the time of hiring, or excessive absenteeism: across the region reported



absenteeism rates cluster around 35 per cent to 40 per cent. Corruption also creeps in via the pharmaceuticals business – at all stages of drug development and supply. For the drug companies, one of the main priorities is to ensure that their products are prescribed, so they are profligate with generous ‘perks’ for doctors.

One might expect corruption to result in poorer standards of health. Some cross-national studies have indeed suggested that in countries where levels of corruption are higher immunization rates are lower and levels of child mortality are higher.

Reducing corruption in health and other government services will require action from below and above. From below, users can work together to resist demands for bribes. In India, teams of semi-literate rural people working as amateur reporters have exposed doctors illegally charging for delivering babies at a community health centre. From above, governments will need to ensure more transparent and better managed services. In the Mekong sub-region, for example, the regulatory authorities have been improving communications and cooperation across borders, so they have been able to notify each other of the circulation of fake drugs and remove them more quickly.

### **Education**

Corruption is also widespread in education systems. This can start in the procurement of material and labour for school construction, as corrupt officials siphon off funds for school buildings – which can increase costs between two and eight times. There can also be corruption in the purchase of textbooks, desks, blackboards, and other supplies, as well as in contracts for cleaning services and meals. In many countries, there are irregularities in the hiring of teachers, which

in the most extreme form, results in the recruitment of ‘ghost teachers’ or even in the creation of entire ‘ghost institutions’ – with the allocated salaries and other expenses channelled into the pockets of officials. Just as families may need to pay bribes to get into hospitals, they may also have to pay extra to get their children into schools.

If governments do not address these problems, schools will continue to transmit a culture of corruption to succeeding generations. The main priority should be closer supervision, especially by allowing communities more control over schools through parent-teacher associations and other local organizations. In the Philippines, for example, a range of civil society groups, from NGOs to churches to Girl and Boy Scout groups, have come together to monitor the delivery of school books. In India, one NGO uses cameras to register the attendance of teachers by taking digital photos that record the date and time.

### **Public Utilities**

For electricity and water supplies, across the region the standard kickback for infrastructure projects is often quoted as 10 per cent of the value of the contract. Corrupt officials regularly demand bribes to accept bids or to approve the completion of the work. But construction companies themselves often take the initiative – colluding with officials or other bidders.

Once the systems are in place, corruption continues in day-to-day operations. Since water supplies and sanitation and electricity supplies are generally delivered by monopoly providers, officials can take advantage of the fact that consumers have nowhere else to turn. Staff might, for example, supplement their salaries by colluding with clients to provide services ‘informally’ – by carrying out

repairs for side-payments, falsifying meter readings, or making illegal connections. The ensuing losses can be huge: it has been estimated that, if corruption in water supplies were eliminated, 20 per cent to 70 per cent of resources could be saved.

But the most damaging effect is on the lives of poor people through high prices. As one consumer said to a researcher for this Report: 'It is really tough for a day labourer to pay a high price for electricity and water. You know it is not possible to get electricity and water connections without bribes or extra money. So our budget is strained and we cannot afford to meet our needs. We cannot save anything for our future either.' Others said that they had been deprived of basic foodstuffs and medical facilities, incurred business losses, and interrupted their children's education because they had to spend money on bribes.

Many of the strategies for uprooting corruption involve greater investment in services, to minimize the shortages that encourage people to pay bribes. Public corporations will also need to improve standards of management and operate in a more transparent fashion. But consumers too can take direct action to get better services. In Bangladesh, for example, the board of rural electric cooperatives is selected by consumers who then negotiate an agreement that includes targets for system losses, collection efficiency, and the cost of supply per kilometre of line. They also hire meter readers on fixed contracts – after that they have to seek different careers. Another example comes from the Local Government and Rural Development Department in Azad Jammu and Kashmir which has largely eliminated the use of private contractors. Instead, its technical staff work with community members who themselves provide labour and organize the purchase of supplies – limiting the opportunities for 'cream skimming' and collusion.

### **Stopping Leakages in Financial and Material Aid**

Emergencies such as conflict, natural disasters, or sudden changes in political configuration – 'special development situations' – often show human beings at their best. Nevertheless, there are also people who take advantage of opportunities to enrich themselves at a time when large amounts of cash and goods have to be transferred rapidly with few administrative controls.

To some extent, corruption can even lead to emergencies. Corruption tends to break the trust between the governing and the governed, as well as sow dissension among communities that can degenerate into destructive or violent conflict. Corruption can even exacerbate the impact of natural disasters, such as earthquakes, if it leads to uncontrolled development and compromises building inspection practices. The links between corruption and disasters are even clearer with landslides that result from illegal logging.

When responding to emergencies, aid agencies are under pressure to spend fast, and move quickly with flagship projects in an unfamiliar environment and have to relax or set aside normal procedures – which may cause damage in terms of community practice and expectation.

Many of the same issues arise with longer-term processes in the aftermath of conflict. In this case, there is a temptation to buy a temporary peace by allowing antagonistic groups to share out the spoils. This is dangerous since it allows corrupt elites to entrench themselves in politics and set up predatory schemes that later will be very difficult to eliminate.

As elsewhere, corruption in special development situations needs to be addressed through greater transparency in governance and closer monitoring. But there are also more specific measures. One is for agencies to



reduce the pressure to spend 'fast and furious' by operating with more rational deadlines; and rather than aiming at unrealistic fiduciary standards, they should try to ensure that their activities and the prices they pay are 'reasonable' under the circumstances. When responding to natural disasters they can also establish long-term contracts with prime international contractors – who should be required to engage and build the capacity of local businesses. In addition, governments and aid agencies also need to work closely with local NGOs and establish effective systems for dealing with complaints.

### ***Social Safety Net Programmes***

Social safety net programmes are an important part of anti-poverty programmes but they are also vulnerable to corruption. Those organizing the schemes may, for example, demand payments to register the names of recipients, or they can also enrol non-existent workers or falsify the number of hours worked or underpay workers or give them less food or materials than they are entitled to. Contractors who are supposed to be selling subsidized grains for the poor, sometimes sell much of this on the open market at inflated prices.

Governments have tried to reduce these leakages with more targeted programmes, but even these are susceptible to corruption during the selection of beneficiaries. An alternative form of targeting is to encourage 'self-selection'; for example, by offering work or wages that only the very poor will accept. Similarly, for food distribution, rather than distributing expensive grains, such as highly processed rice and wheat, safety net programmes can distribute cheaper but nutritious staples such as sorghum.

A number of countries have also improved the efficiency of such schemes by

ensuring greater community control and social audits. To be sustainable, however, community-driven approaches have to be backed by a strong legal framework and bureaucratic support.

### ***Cleaning Up Natural Resources***

Many developing countries in the Asia-Pacific region are rich in natural resources, but, thanks to corruption, much of this national wealth is being drained away. Companies may bribe public officials to get permits for cutting timber, for example, or they may pay to get away with logging in protected areas. Public officials themselves can also join in by running their own 'off-the-book' businesses. Similar problems arise with mineral extraction or unregulated fishing, and with systems of land registration and administration, or the capturing of protected species.

Given the size of potential profits, corruption can be on a grand scale, indeed frequently amounting to 'state capture', as private companies pay public officials to shape laws, policies, and regulations to their advantage. State capture can, however, also be achieved through legal routes – by intense political lobbying, for example, or by making donations to political parties.

Corruption in the management of natural resources is particularly damaging for the poorest communities. Many farmers have been driven into poverty as a result of illegal land expropriations or have been denied access to irrigation water. Whole communities, particularly indigenous people, suffer from the exhaustion of many natural resources, notably primary forests and inshore fishing grounds.

Experience across the region suggests a number of ways of addressing these problems. One is to ensure that new projects are subjected to environmental and social

impact assessments, followed by open public hearings. Another is to decentralize natural resource management – to allow local people to use resources sustainably, giving them also a greater incentive to control and protect these resources. At the same time, since exploitation of natural resources often takes place in remote regions, governments and international organizations can support them with satellite monitoring technologies.

Given the highly cross-border nature of the problem, it is vital to achieve international cooperation. Extraction processes are capital intensive and often involve large multinational companies that can be susceptible to international pressure – especially if governments insist that their financial transactions are open to public scrutiny. Unfortunately, many of the errant multinationals are based in Asian countries that have shown little interest in policing their companies abroad.

Since natural resource corruption is driven largely by governance failings, it will be important to strengthen state capacity generally. But there are also some specific options for agencies concerned with natural resources, such as separating functions for managing production from those for monitoring and conservation.

The most extreme solution for limiting the effect of public corruption is privatization. However, this may only shift the power from one corruptor to another. The aim instead should be to establish a clear and transparent regulatory framework for rights to natural resources, whether held publicly or privately.

This has to be a combination of national and international action. Most of the corrupt activity would be much less profitable without ready markets in richer countries for oil or metals or agricultural products. More effective monitoring and control by government and local communities will

therefore need to be matched by international campaigns that reject goods produced by corrupt and exploitative individuals and companies.

### **Crushing Corruption from the Top**

If countries are to tackle corruption they will need to address the issue at all levels of government as well as in the private sector – reforming institutions and processes so as to reduce the opportunities for corruption while creating effective systems for detecting malpractice and punishing offenders.

One of the most basic anti-corruption measures is to ensure that corrupt activities are outlawed – either as part of general legislation or laws against specific forms of corruption. Legislation can also cover such issues as money-laundering; a public procurement code of ethics should also be in place. It is also important to provide legal protection for ‘whistle-blowers’.

### **Anti-Corruption Agencies**

Governments may divide anti-corruption responsibilities between various prevention and law enforcement institutions. Most countries in the region have established formal anti-corruption agencies (ACAs) of one form or another. Unfortunately, these agencies are often quite weak. Almost all these ACAs depend on government funding and several face severe budget constraints. Another important factor is where the ACA is located in government: if it reports to the office of the prime minister, for example, it can be used as a weapon against political opponents. In the Asia-Pacific region, the experience has been mixed. Some administrations, such as those in Singapore and Hong Kong (SAR), China have resisted the temptation to meddle; others have not. Another important issue is

independence from the police; otherwise a corrupt police force may be free to investigate its own members.

Whether a country has one or many agencies, success in the fight against corruption depends to a great extent on cooperation from other parts of government. Unfortunately, this is rarely forthcoming and agencies are regularly frustrated by their inability to secure information and prosecutions. In the hands of a clean government, an ACA can be an asset. But since it can also be deployed as a political weapon, such an agency should not be created until there is a sufficient political consensus on an anti-corruption strategy.

### ***Civil Service Reform***

Attempts to reduce corruption within government will require civil service reform – reducing the incentives and opportunities for corrupt behaviour among public servants, while increasing their anxieties about being caught and punished. For this purpose, one of the first priorities should be to base personnel policies entirely on merit. Some countries in Asia had merit-based policies in the past but have not maintained this tradition and make many appointments on the basis of favouritism. Another option is to raise salaries, reducing the gap between those in the public and private sectors. Although this is unlikely to reduce grand corruption, which is caused less by need than by greed, it can reduce need-based and more retail corruption.

Governments will, however, need to supplement salary increases and merit-based promotions with tighter systems of monitoring and control that can detect corruption swiftly and punish it severely. This should alter the mindsets of civil servants so that they see bribery and corruption not as ‘low-risk, high-reward’ activities but as ‘high-risk, low reward’ ones.

Another issue is red tape, which slows procedures and forces users to join queues that can only be jumped by paying bribes. Most tax-related corruption, for example, flourishes within excessive red tape which requires frequent interactions between taxpayers and tax officials. This can be tackled by keeping rates moderate so as not to discourage potential taxpayers while creating an integrated, simple and rational system. This would allow tax departments to make the best use of information technology which limits the discretionary powers of tax officials while also cutting transaction costs, helping to increase transparency and build trust.

Finally, the acid test of an anti-corruption strategy is the determination to catch the ‘big fish’. Prosecuting and punishing the rich and famous, enhance the credibility of the strategy and has the added advantage of deterring others, especially junior civil servants.

### ***Privatization***

In addition to reforming public services, governments can also consider privatizing or outsourcing some of them. This does not necessarily solve the problem since corruption is also rife in the private sector, so governments need to be concerned not just with whether services should be privatized but how. If policy is weak before privatization, it will also be weak after privatization. An alternative is to create public-private partnerships. So far these have had mixed results; they seem to have worked better on a smaller scale.

### ***The Right to Information and e-Governance***

People now believe they have a right to see how government works and what it is doing.

In response, eight Asia-Pacific countries, including China and India, now have right to information (RTI) legislation. This defines key categories of information that all public bodies are required to publish, and establishes citizens' rights to receive specific information on request. Legislation is, however, only the first step. The highest levels of government also have to sustain their support of RTI and public officials have to engage positively and meet their obligations fulsomely, so it is important that officials are engaged from the outset, and understand not only their obligations, but also the benefits they can derive.

One development that should permit transparency and the right to information is the introduction of information and communications technology (ICT) and the extension of e-governance. Governments and service providers can use new technology to become more accountable and responsive. In India, for example, the Central Vigilance Commission uses its website to publish the names of officers against whom corruption investigations have been ordered or on whom penalties have been imposed.

But there are dangers. Governments may also use new technology to exercise greater control over their citizens. Corrupt officials too may also be able to exploit such systems to their own advantage. Many governments have placed the development of national e-governance plans in the hands of IT staff. Since they may not be very familiar with corruption issues, they need therefore to work with legal and anti-corruption experts.

### ***Cross-Border Cooperation***

In an increasingly integrated global economy, corruption has become a cross-border issue. Countering corruption will need, therefore, cooperation between governments, inter-

national agencies and international corporations. The most important step in this has been the United Nations Convention Against Corruption (UNCAC). Thus far, while 19 Asia-Pacific countries have signed the treaty, only 10 have ratified or acceded to it.

One of the aims of cross-border cooperation is to control transnational corporations (TNCs) – which generally operate more responsibly in developed countries where they are under closer scrutiny. While many TNCs have developed their own codes of conduct, a number of international agencies and civil society organizations have also established guidelines.

For developing countries, one of the main problems is that the proceeds of corruption are laundered through offshore banks and tax havens, outside of Asia Pacific and within. As a response to this, and to help developing nations recover assets stolen by corrupt leaders, UNDOC and the World Bank in 2007 launched the Stolen Asset Recovery (StAR) initiative.

### ***Citizens on Watch***

Tackling corruption is not a job for governments alone. Civil society too must play its part – by monitoring and reporting on standards of government and also by refusing to pay bribes or collude with corrupt officials. Individuals, civil society organizations and the media need to stay alert, demanding the highest ethical standards and resolving to reject corruption wherever it appears.

### ***The Power of the Media***

One of the principal watchdogs monitoring and exposing corruption should be the media – press, radio and TV. When the conventional media are too timid, those with vital information on corruption can now use the internet.

The media can serve many important functions, not just exposing corruption but also sustaining an open and transparent flow of information and fostering a climate of opinion that is increasingly intolerant of corruption.

Publicity can be particularly effective against extortion, which victims may be willing to report to the press. Another type of corruption that the press can expose is collusion; neither bureaucrats nor their clients have any incentive to expose the malfeasance, but journalists do – motivated either by their professional ethos or the prospect of a good story. As well as exposing individual cases, investigative journalism can lead to more profound reforms – uncovering serious systemic flaws and catalysing public discussion and debate.

The press and other media will, however, only be able to report on corruption if they are free to do so. They face two main types of constraint: the first comes from government censorship; the second comes from proprietors since the private media often serve the interests of wealthy individuals or corporations who also may be corrupt. In addition, there can be constraints of capacity since journalists often lack the skills for textured and in-depth reporting.

The media can promote good governance if news organizations enjoy editorial independence, abide by high ethical and professional standards and know that their rights will be guaranteed. Clearly, however, a free press is not enough. Corruption is rife even in countries with long traditions of press freedom. These countries also need clean and efficient systems of justice that will follow up on widely-reported allegations.

There have been many examples across the region, of action by national and community-based media. In Nepal, for example, the Civil Society Anti-corruption Project uses local radio listener clubs and

other civil society organizations to encourage anti-corruption activities. In Papua New Guinea, Transparency International, the Ombudsman Commission and the Media Council run a hotline, through which members of the public can report suspected cases directly to the media.

Even when the media are not launching investigations, they can still play a vital role through their normal functions. By reporting regularly on the activities of public anti-corruption bodies, the media reinforce their position. By persistently snapping at the heels of public officials, a lively press helps sustain a democratic system and discourages people tempted to engage in corrupt practices.

### *Civil Society Organizations*

While the media can prepare the ground, accountable government has to be sustained by citizens themselves, partly through the ballot box but also through civil society organizations (CSOs). What sort of relationship should CSOs have with local regimes: contentious or cooperative? To some extent, the answer depends upon the available political options, and upon the state of civil liberties and rule of law. CSOs must be forthright about opposing corruption, but where possible they should seek cooperative relationships with the regime, giving government officials incentives to oppose corruption, and helping them develop the means to do so. However, they should avoid becoming investigative bodies, whistle-blowers, or forces of anti-corruption vigilantes – which is unlikely to be welcomed by political leaders. Nor should they offer ethical ‘seals of approval’ to leaders, parties, agencies or private interests.

The Asia-Pacific region has a variety of organizations, which are active in the anti-corruption field. Some have a global focus, others a regional base. Their greatest



successes, as in the Philippines and India, for example, have often been in monitoring public works. In a number of countries, such as Cambodia, NGOs have mobilized public support for anti-corruption efforts.

Both media and civil society organizations can thus keep up the pressure on politicians and public services and hold them to account. If they have the benefit of a supportive political environment, they can amplify and reinforce a government's own commitment.

### Seizing the Moment

Governments and civil society are thus finding new ways to drive out corruption, working both from the bottom up and the top down. National political imperatives are being reinforced by international economic pressures. Asia's largest corporations are now global players and thus have to meet global standards, not just in the quality of their goods and services but in the way they produce them. That includes the influence of corruption, particularly in the extraction of natural resources. Consumers want environmentally 'clean' products – not those produced by logging or mineral extraction companies working hand in hand with corrupt administrations.

This combination of national and international pressures is creating fresh opportunities across Asia and the Pacific. How can the countries of the region best seize the moment? There is no one route or single answer. Action has to come from many directions – from governments, civil society organizations, the media and private business working together.

Much of this involves the pursuit of justice and retribution. However, anti-corruption campaigns can also be viewed in a more positive light. There are also huge political and economic dividends on offer. For

example, politicians who can claim credit for rooting out corruption from sectors like water or electricity, health or education, will derive fresh sources of legitimacy from a grateful electorate. Businesses that align themselves with higher standards of corporate governance can devote their energies to boosting their own growth and profits legitimately, rather than seeing their investment funds leech away unproductively into the pockets of corrupt officials.

### Setting the Priorities

Addressing corruption can be a daunting proposition. It may be better therefore to focus initially on a few specific areas.

The Report has identified three areas to consider – the police, social services, and natural resources. Naturally specific priorities will depend very much on national circumstances. From a human development perspective, however one priority is clear: governments should be seeking ways of reducing the forms of corruption that hit the poor the hardest – in health and education services, for example. Another priority should be to root out corruption within police forces and the justice system since this can pave the way for dealing with corruption elsewhere. With the growing international recognition on degradation of the environment and climate change, there is little time to lose in preserving our natural resources. These need prioritized attention before it is too late, especially where this is the backbone of livelihood for the poor.

### An Agenda for Action

Although the appropriate measures for tackling corruption will depend on national circumstances, there are a number of common options:

1. *Join with international efforts* – All countries in the region should join the United Nations Convention Against Corruption, and the Stolen Assets Recovery Initiative.
2. *Establish benchmarks of quality* – To judge their success, governments can use international benchmarks – for anti-corruption agencies, for example, and for the national media.
3. *Strengthen the civil service* – Some governments could raise salaries, but all should be able to ensure merit-based recruitment and promotion – along with more rigorous systems of control. Governments and donors will clearly need to invest much more in local government.
4. *Encourage codes of conduct in the private sector* – Among the professions, the most critical codes are those of lawyers and accountants.
5. *Establish the right to information* – All countries in the region could enact laws on the right to information – and encourage public officials, the media and civil society organizations to take advantage of this right.
6. *Exploit new technology* – Information technology and e-governance offer fresh

opportunities to break the information monopoly of corrupt officials.

7. *Support citizen action* – Local governments should publish the basic information on contracts to facilitate citizen auditing; individuals can do much as citizens and consumers, including keeping themselves informed and networked.

### **Taking the Higher Path**

The developing countries of Asia and the Pacific are likely to shed many corrupt practices as a natural by-product of modernization. But they need not simply wait for development to take its course. Nor should they. Just as most countries are designing targeted policies and programmes to eliminate poverty and meet the other Millennium Development Goals, so they can devise programmes specifically to tackle corruption. Uprooting corruption will not just improve governance and economic efficiency; it will also help reduce poverty and promote human development. In this light, anti-corruption measures are not just about prevention or punishment. They are also about establishing fairer societies. The history of corruption does not have to be the region's destiny.

# 1



## The Scourge of Corruption

BANGLA *Khushi kora* making happy

LAO *Kin sin bon* taking bribe money

CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law

SINHALA *Santhosama* money given as a gratification

URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection

THAI *Ka-numron-numcha* cost for hot water and tea

TAGALOG *Buaya* corrupt people, literally crocodile

PERSIAN *Baksheesh* gift, tip

DHIVEHI *Naajaaiz faidhaa* illegal benefits

MALAY *Duit kopi* Coffee money

INDONESIAN *Pembinaan wartawan* cultivating journalists

FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox

HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly

CHINESE *Yang-lien* money to nourish honesty, an ancient term



*One cannot conceal problems forever.*

SAMOAN PROVERB

*Just as it is impossible not to taste honey or poison that one may find at the tip of one's tongue, so it is impossible for one dealing with government funds not to taste, at least a little bit, of the King's wealth . . . it is difficult, though not impossible, to stop government officials from hiding their corrupt take.*

THE ARTHASHASTRA

# The Scourge of Corruption

# 1

## Chapter

Corruption is by no means a new phenomenon in the Asia-Pacific region but nowadays it is coming under much closer scrutiny. While corruption may be difficult to pin down and measure, there is little doubt that it is pervasive, ranging from petty corruption to grand corruption to 'state capture' – all of which erode trust in government and business and discriminate harshly against the poor.

People across the Asia-Pacific region, as elsewhere, are becoming increasingly concerned about the scourge of corruption. They can see the damaging effects of it in the form of weakened national institutions, inequitable social services, and blatant injustice in the courts, along with widespread economic inefficiency and unchecked environmental exploitation. It is also evident that corruption hits the poor hardest, who often depend heavily upon public services and the natural environment and are least able to pay bribes for services that should be theirs by right.

There are signs of growing support for anti-corruption action today. Responding to public concern, governments want to be seen to fight corruption, not enable it. Civil society too is working to make the public and private sectors more accountable. Media are more aggressively exposing corruption. Popular anger against corruption, real or perceived, has also been utilized to destabilize elected governments, with unfortunate consequences for democratic governance.

There is also greater international commitment. This is evident in the 2005 United Nations Convention Against Corruption, which is the first global legally binding anti-corruption instrument and requires members to implement its far-reaching reforms. Towards the end of 2007, 140 governments had signed the Convention and 104 had

ratified or acceded to it. Recognizing the complexity of the issue, the Convention stresses a cross-border approach based on cooperation involving governments, civil society and the private sector to fight corruption. It promotes a five-pronged anti-corruption strategy – prevention, criminalization, international cooperation, asset recovery and mechanisms for implementation.

Till now attention on corruption has concentrated more on its effects on economic growth and the business climate and less on the impact on human development – on the ways in which bribery and graft siphon off scarce national resources and weaken governments' abilities to deliver public services and protect the interests of the poor. There has also been less attention to the ways in which corruption affects the livelihoods of poor households and frustrates many of their own efforts to improve their lives. The result, as Amartya Sen repeatedly points out, is a reduction in the capabilities of large segments of the population.<sup>1</sup>

One might think that corruption is a problem that will eventually go away – perhaps owing to rapid development and improvements in living standards along with more efficient and effective government. International experience suggests otherwise. Even the most mature democracies and advanced economies have to remain alert to the

*People across the Asia-Pacific region, as elsewhere, are becoming increasingly concerned about the scourge of corruption*

*Corruption can take on many forms ranging from the gross to the subtle, some of which are not widely understood*

dangers of corruption. The countries of the Asia-Pacific region need therefore, not just to uproot corruption now, but also build institutions and processes that could help keep a lid on it on a continual basis for the future as well.

### What is Corruption?

Corruption is commonly defined as the ‘misuse of entrusted power for private gain’ (Box 1.1). Note that this does not restrict the potential for corruption to only the government. Individuals in private companies in privileged positions may take bribes to provide goods or services that are in short supply. The definition is, however, limited since it portrays corruption as a one-way process driven by the greed of corrupt officials. In fact, almost all corrupt transactions have two players – the person who is receiving the bribe and the corporation or individual who is offering it. Moreover, the balance of power is not necessarily on the side of the corrupt person with ‘entrusted power’, since outside influences can serve to overwhelm weak and ineffective administrations.<sup>2</sup>

Some acts of corruption involve coercion – a demand for a bribe, for example, or extortion. This tends to happen in secret but may also become public if the victim protests. Others involve collusion between the corrupt official and the corruptors – a premeditated meeting of minds that is harder to detect as both parties have an interest in concealment. Corruption can take on many forms ranging from the gross to the subtle, some of which are not widely understood. The phenomenon is thus difficult to capture in a single definition or measure.

### An Agency Framework

One way of considering corruption is within the framework of ‘principals’, ‘agents’ and ‘clients’. The principals want to ensure that a particular service or activity is delivered to clients, but since they are not in a position to do everything themselves, they will employ agents to work on their behalf. In government, the principals can be elected officials who represent the state and its citizens and employ a wide range of public servants – from tax officials, to labour inspectors, to teachers

#### BOX 1.1

##### CHARACTERISTICS OF CORRUPTION

Corruption is such a complex phenomenon that attempting a universal definition of it is fraught with difficulties. To understand the phenomenon better, we may nevertheless identify some core characteristics or prerequisites for a corrupt act. Here are six:

- **Gap** between group and individual interest or between short- and long-term benefits
- **Two or more parties** since one can hardly be corrupt with one’s own self
- **Consenting adults** that have a common understanding, with reciprocity, explicit or understood, whether by collusion, coercion, through perceived lack of choice, passive or facilitative<sup>3</sup>
- **Benefit furtherance**, be it private, sectional, or political party interest
- **Existence of power** that could be grabbed, usurped, entrusted or otherwise available; corruptors (givers) can have

power; it should be available, whether in public or private hands or both

- **Misuse** of the power that often drives a wedge between intended and stated positions, for unintended benefits

The last prerequisite is complicated by the fact that what constitutes ‘misuse’ or unacceptable behaviour could differ by context, shaped by local norms and priorities. Social norms are difficult to ignore in identifying corruption. And norms tend to have local variants, their plurality leaving space open for interpretation. The differences are not limited to cross-country variations; there are, equally, differences within a country as well.<sup>4</sup> A further complication arises when norms are not universally held even in local contexts.<sup>5</sup> Under such circumstances, whose norms should receive primacy remains an open question. Corruption often constitutes a divergence between a stated position and actual intent.

Sources: Gampat 2007a; Rajivan 2007b.

– to deliver public services to citizens. Principals could also, ultimately, be the voters. Similarly, in the private sector the owners of companies are principals who employ managers to do most of the day-to-day work and provide services and goods to customers.

The problem arises when the agents take advantage of the power entrusted to them to work on their own behalf or on behalf of their

## BOX 1.2

### THE MOST COMMON FORMS OF CORRUPTION

The following are the most common forms of corruption, as described in the United Nations Anti-corruption Toolkit.

*Bribery.* The bestowing of a benefit in order to unduly influence an action or decision. This is the most common form of corruption. It can be initiated by a person who seeks or solicits bribes or by a person who offers and then pays bribes. The 'benefit' in bribery can be virtually any inducement: money and valuables, company shares, inside information, sexual or other favours, entertainment, employment or, indeed, the mere promise of incentives. The conduct for which the bribe is paid can be active – the exertion of administrative or political influence – or it can be passive – the overlooking of some offence or obligation. Bribes can be paid individually on a case-by-case basis or as part of a continuing basis.

*Embezzlement, theft and fraud.* In the context of corruption, these all involve the taking or conversion of money, property or valuables by an individual who is not entitled to them but, by virtue of his or her position or employment, has access to them. In the case of embezzlement and theft, the property is taken by someone to whom it was entrusted. Fraud, however, consists of the use of false or misleading information to induce the owner of the property to relinquish it voluntarily. For example, an official who takes and sells part of a relief donation or a shipment of food or medical supplies would be committing theft or embezzlement; an official who induces an aid agency to oversupply aid by misrepresenting the number of people in need of it, is committing fraud. An ordinary bystander, on the other hand, who steals aid packages from a truck is committing theft but not corruption. That is why the term 'embezzlement' essentially means the theft of property by someone to whom it was entrusted.

*Extortion.* This relies on coercion, such as the use or threat of violence or the exposure of damaging information, to induce cooperation. Officials in a position to initiate or conduct criminal prosecution or punishment often use the threat of prosecution or punishment as a basis for extortion. While extortion can be committed by government officials or insiders, such officials can also be victims of it. For example, an official can extort corrupt payments in exchange for a favour or a person seeking a favour can extort it from the official by making threats. In some cases, extortion may differ from bribery only in the degree of coercion involved. A doctor may

solicit a bribe for seeing a patient quickly but if an appointment is a matter of medical necessity, the 'bribe' can be more properly characterized as 'extortion'.

*Abuse of discretion.* For example, an official responsible for government contracting may exercise the discretion to purchase goods or services from a company in which he or she holds a personal interest or propose real estate developments that will increase the value of personal property. Such abuse is often associated with bureaucracies where there is broad individual discretion and few oversight or accountability structures, or where decision-making rules are so complex that they neutralize the effectiveness of any accountability structures that do exist.

*Favouritism, nepotism and clientelism.* This generally involves abuse of discretion. Such abuses, however, are governed not by the self-interest of an official but the interests of someone linked to him or her through membership of a family, political party, tribe, religious or other group. If an individual bribes an official to hire him or her, the official acts in self-interest. If a corrupt official hires a relative, he or she acts in exchange for the less tangible benefit of advancing the interests of family or the specific relative involved (nepotism).

*Conduct creating or exploiting conflicting interests.* Most forms of corruption involve the creation or exploitation of some conflict between the professional responsibilities of a corrupt individual and his or her private interests. The acceptance of a bribe creates such a conflict of interest. Most cases of embezzlement, theft or fraud involve an individual yielding to temptation and taking undue advantage of a conflict of interest that already exists.

*Improper political contributions.* It can be difficult to make a distinction between legitimate contributions to political organizations and payments made in an attempt to unduly influence present or future activities by a party or its members once they are in power. A donation made because the donor supports the party and wishes to increase its chances of being elected is not corrupt. A donation made with the intention or expectation that the party will, once in office, favour the interests of the donor over the interests of the public is tantamount to the payment of a bribe.

Source: UNODC 2004.

*Citizens who need services may have no option but to pay – what is referred to as ‘needs-based’ corruption or ‘survival’ corruption*

clients. Typically, they know far more about the administration or the business than either the principal or the client – a situation of ‘asymmetric information’ – and can exploit their position as go-betweens to act more in their own interest, commonly through bribery, extortion, fraud, nepotism or embezzlement.

### **Grand and Petty Corruption**

Within government, corruption can take many forms, at many levels (Box 1.2). The commonest distinction is between ‘grand corruption’ and ‘petty corruption’. In grand corruption sums are large and agents are typically high-level politicians or officials who collude with corporations by, for example, accepting bribes from contractors. This is especially prevalent in periods of rapid economic growth when there are many new opportunities for investment in infrastructure, for example, or in the extraction of natural resources. In these circumstances, decisions are often taken secretly and quickly and with little effective oversight. But even in

normal circumstances many areas of government activity such as arms supplies are shrouded in secrecy and are vulnerable to grand corruption.

Petty corruption, on the other hand, also referred to as ‘street’ or ‘retail’ corruption, involves transactions that are smaller but usually more frequent. It generally involves agents or sub-agents demanding or accepting ‘speed money’ to issue licenses, for example, or to provide access to schools, hospitals or water supplies. Unlike grand corruption, petty corruption often thrives during periods of weak economic growth at times when goods and services are in short supply – though the agents can also deliberately create shortages by raising additional bureaucratic hurdles. Petty corruption also has a more direct impact on the poor.

Citizens who need services may have no option but to pay – what is referred to as ‘needs-based’ corruption or ‘survival’ corruption. Some may take the initiative in offering bribes in order to gain privileged access or to jump queues. The poor, however, with the

#### **BOX 1.3**

##### **VIRTUOUS WOMEN, CORRUPT MEN?**

It is popularly thought that women are more honest and less corrupt than men. This claim has been supported by a number of studies which argue that women are less tolerant of corruption than men, and that having more women in public life would reduce corruption.

Statistics show that in the Asia-Pacific region, if a country has more women with secondary education, and a higher proportion of those working in the service sector are women, then the country’s score on the control of corruption index tends to be higher. On the other hand, the control of corruption index does not show any significant correlation with the proportion of seats held by women in national parliament. Similarly, many of the countries in the region have been run by female presidents or prime ministers with no discernable improvement in corruption.

In fact, many women would find it difficult to get involved in corrupt dealings – even if they wanted to. Arenas where corrupt dealings take place are typically all-male networks and forums from which women are excluded. In India and Bangladesh, for example, women cannot normally participate in the male-dominated patronage networks through which

corrupt exchanges occur, unless they are represented by male relatives.

Without holding posts with potential bribery income, how can women become ‘receivers’? In Bangladesh, for example, only 20 per cent of Civil Service cadre officers are female. Similarly, without access to substantial assets and to incomes, how can women equally be ‘givers’?

As workplaces become more feminized and women take leadership jobs it cannot be assumed that women will be less corrupt. On the other hand, gender may influence the impact of corruption. Women are, for example, at risk of extortion for sexual favours instead of cash much more frequently than men. And when positions, grades, and diplomas can be bought, girls are less likely to benefit. Women, with less cash at their disposal are more likely to lose out. Finally, the funds allocated for women’s development may be more easily stolen if women are less aware of their rights and less willing to demand accountability.

*Sources:* Alolo 2006; Dollar et al. 1999; Goetz 2007; Goetz and Jenkins 2005; Nyamu-Musembi 2006; Swamy et al. 2000; Transparency International Bangladesh 2007.



same needs, do not have the same freedom to pay for their needs to be met.

### *Areas of Ambiguity*

Although many acts of corruption, whether grand or petty, are clear enough, there can also be areas of uncertainty between acceptable and unacceptable behaviour. These include:

*Legality and illegality.* Acts that many people would regard as corrupt need not necessarily be illegal. Until a few years ago it was quite legal for companies based in OECD countries to bribe officials in other countries. Only recently has this become a crime in the company's home country. On the other hand, there are many illegal acts which do not involve corruption. A government official who steals a car in the street is guilty of theft, but if he or she acquires it by abusing their privileged position in the administration, then this constitutes corruption.

*Ethics of survival.* In many Asia-Pacific countries people engage in what might be called 'survival corruption' in order to meet basic needs. Faced with poverty and shortages they will do whatever is needed to support themselves and their families. Members of poor or marginalized groups might, for example, steal water or electricity in collusion with a local lines-man, or bribe a petty official to falsify an address to make them eligible for a ration card.

*Private and public.* In many countries across Asia and in smaller states in the Pacific, where there are strong notions of hierarchy, it is considered right to make payments to those in authority as a way of showing respect. In these cases the public-private interface is ill-defined. Power is seen to reside not in offices or institutions but in the persons of high officials, and lines of authority are drawn not

from one function to another but from one person to another. These lines are further blurred when public officials have ties with certain groups of citizens based on ethnicity, religion, or language and may tend to favour them, even if they do not have any direct financial gain.

*Gift giving.* When is a gift a bribe? In many societies across Asia and the Pacific, daily transactions and social networking commonly involve gifts, typically consumable items such as food. Indeed in many Pacific countries not giving a gift can be seen as corruption. In recent times, however, traditional systems of governance have been combined with 'introduced' systems and as the two interplay, gift-giving has been extended to non-consumable items such as land. This manipulation of the practice of gift giving has often led to the justification of corrupt acts. However it can be argued that in most cases both the 'givers' and the 'takers' know when the lines are being crossed and a supposed gift is actually a bribe for a specific favour.

*Lobbying.* Many developed countries, frown upon bribery yet allow high-powered lobbyists to bombard public officials with one-sided information and arguments. The lobbyists do not provide cash but offer free 'services' such as research and information with the intention of biasing lawmaking or awarding of contracts in their favour. Lavishly funded lobbying can be considered as a form of corruption.

*State capture.* This refers to a situation where private interest has effectively taken over certain state functions, a type of corruption generally less understood by the public or by the media. One example is when an international mining company is largely determining the contours of a country's mining policy. Corruptors who have achieved state capture do

*Traditional systems of governance have been combined with 'introduced' systems*

*Corruption is intrinsically bound up with social norms and practices*

not simply take the institutions as given but also seek to shape them: they are thus 'makers' rather than 'takers'. Companies often achieve this through corrupt and illegal practices – for example, by bribing law-makers to adjust legislation in their favour, so that their subsequent activity may now be legal but is actually corrupt. This can be termed 'legal corruption'.<sup>6</sup>

Corruption is thus intrinsically bound up with social norms and practices.<sup>7</sup> Indeed, some people argue that it is not something to which countries in the region should respond – that efforts to combat corruption involve imposing Western or developed country biases on very different societies. In this context, however, it is important to distinguish between cultural pluralism and cultural relativism. Cultural pluralism acknowledges that traditional practices are different and that these differences will affect the forms of corruption, but it is nevertheless consistent with an underlying set of universal principles that would condemn corruption.

Cultural relativism, on the other hand, would say that it is impossible to apply values across traditional practice systems; each country has to work out its own principles of right and wrong – including those on corruption. A related issue is cultural determinism which asserts that certain traditional practices are innately more prone to corruption. Some studies have indeed found evidence for the fact that traditional practices do matter but they do not show that some are destined for corruption or are likely to be more tolerant of it.<sup>8</sup>

### **A Scourge through the Ages**

Corruption is certainly not a new phenomenon. Governments across the Asia-Pacific region have been preoccupied with this issue ever since they started to build states on the basis of funds collected from peasant agriculture. Rulers who wanted to raise funds for wars of conquest or to reward court followers and the local nobility had to employ tax

#### **BOX 1.4**

##### **JUST NOT CRICKET**

Participation in sports helps young people learn honesty, discipline and teamwork. But at the professional level, many sports such as cricket, rugby and football are extremely lucrative multi-billion dollar enterprises and sports bodies such as the Fédération Internationale de Football Association (FIFA) and the International Cricket Council (ICC) are accorded statuses similar to those of governments. However, this boom has come at a price and Transparency International argues that commercialization of sport has promoted opportunism for 'dirty business' to thrive. FIFA and the ICC have taken some action to monitor irregularities, although there is a lot more to do.

In the Asia-Pacific region one of the most popular sports is cricket, which in the last decade has been marred by match-fixing and bribery scandals that have caused major players to leave the game in shame. At the administrative level senior officials have been sacked for using their authority for personal gain and entire boards have been dissolved.

The potential gains from corruption are also large when it comes to choosing venues for huge events like the Olympics and the Football World Cup, when politicians may be tempted to bribe the officials of governing bodies. In addition, the domi-

nance of certain sports has given sports official's diplomatic statuses and other absolute privileges making them less accountable and more susceptible to corruption.

Sport can itself also be used as a way to corrupt other processes. In Sri Lanka, for example, making it onto a high school sports team comes with a certain level of prestige that is helpful in securing better employment. Thus it would be beneficial at an interview if one belonged to the same alumni as the interviewer and even better if one was a member of its cricket or swimming team.

Many of the exposures of corruption in sport have been the result of tireless work by investigative journalists and organizations dedicated to ensuring fairness in sport. International sports organizations have also been making determined efforts. FIFA, for example, has recently introduced an ethics commissions and created a commercial firm called 'Early Warning System' and the ICC now has an Anti-Corruption and Security Unit – approaches that could be emulated by other sporting bodies.

*Sources:* BBC, 2007; FIFA.com 2007; ICC n.d.; Poroznuk and Pfeifer 2006; Transparency International 2006b.

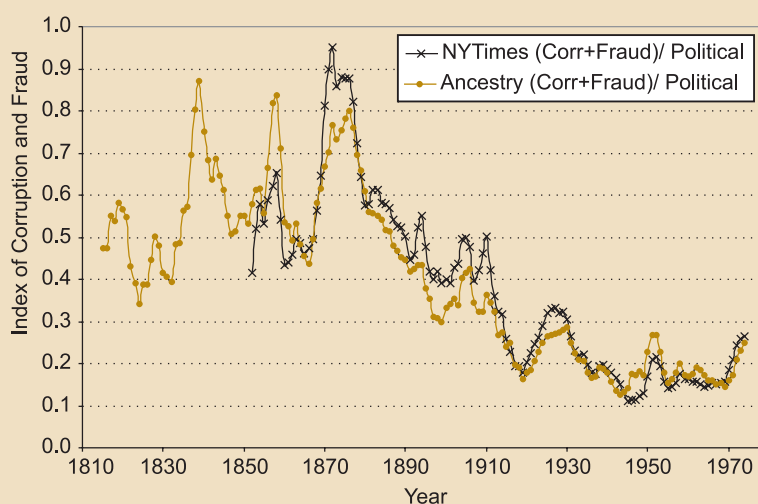
collection agents – who then spied an opportunity for self-enrichment. The statesman and philosopher Kautilya, for example, wrote in the fourth century BC about the King's servants who were skimming off a part of his revenue. 'Just as it is impossible not to taste honey or poison that one may find at the tip of one's tongue, so it is impossible for one dealing with government funds not to taste, at least a little bit, of the King's wealth.'<sup>9</sup> Kautilya went on to suggest that it is difficult, though not impossible, to stop government officials from hiding their corrupt take. There are different versions of the same saying all over the ancient empires of the world. And many of the solutions advocated today, such as raising the salary of officials or improving records of property rights and tax liabilities have also been advocated since time immemorial.

Among all the ancient empires, China came closest to organizing a centralized and effectively managed bureaucracy – with all the requirements for bringing corruption to heel: political commitment from the Emperor; a system of pay and benefits for the scholar gentry; a moral-ethical code provided by Confucian doctrine that emphasized order and hierarchy; a system of audits and inspection; and, by no means least, harsh punishments for disobedience.

Nevertheless, corruption remained a persistent problem. The Emperor Yongzheng (1723–35), for example, concluded that the tax system was full of abuses and that local financial clerks had been accepting payoffs to exempt wealthy families from nearly all their tax obligations. He responded with a series of reforms, including improving financial records of provincial authorities, carrying out special inspections and increasing the salaries of local officials through a bonus called *yang-lien* 'money to nourish honesty'.

Similar problems were evident in most other countries in Asia and beyond. Until the nineteenth and early twentieth century, many of the now developed countries were riddled with corruption. In some, for example, much of the public funding for basic services such as street cleaning and construction was diverted through kickbacks. Since then, matters have improved considerably; nevertheless it took some of these countries almost a century to reform. One way of following this slow process, for example, is to track the steady decline in mentions of 'corruption' or 'fraud' in dailies (Figure 1.1). The figure shows that corruption declined over a period (long) as captured by reporting, controlling for space given for political reporting. National reporting (*The New York Times*) is corroborated by small town and city reporting (Ancestry.com).<sup>10</sup>

*The Emperor Yongzheng . . . concluded that the tax system was full of abuses and . . . responded with a series of reforms, including improving financial records of provincial authorities . . . and increasing the salaries of local officials through a bonus called yang-lien 'money to nourish honesty'*



**Figure 1.1: Declining Trend in Corruption and Fraud, 1815–1975**

Note: 'NY Times (Corr + Fraud)/Political' and 'Ancestry (Corr + Fraud)/Political' are series based on the count of articles containing the words 'corruption' and 'fraud' (and their variants). For the Y-axis, this count is standardized, providing an 'index of corruption and fraud' dividing by the number of articles containing the word 'political' (and its variants), taking into account the overall amount of attention given to politically-relevant stories on corruption and fraud.

Source: Based on Glaeser and Goldin 2006.



*Singapore and Hong Kong had the advantages of being city territories but probably the most important reason for their success was strong political will*

Asia, on the other hand, provides several cases of countries that have managed to reduce corruption much more swiftly. Before 1960, Singapore, for example, was as corrupt as in many other places in Asia. Then in June 1960 the People's Action Party introduced the Prevention of Corruption Act, which enhanced the powers of the Corrupt Practices Investigation Bureau. As a result, by 1965, when the country attained its independence, the situation had been turned around and today Singapore is of the cleanest and most effective bureaucracies in the world.<sup>11</sup>

Around the same time, Hong Kong too started to take firm action against corruption. The early 1970s was a time when 'bad cops and bribes ruled the streets'.<sup>12</sup> The police were largely in charge of running crime, while regularly staging 'fake busts' to give an impression of honest action. Widespread public dissatisfaction, however, eventually resulted in strong action. In 1974 the government established the Independent Commission against Corruption and by 1977 this had helped break all major corruption syndicates, including those within the police force.

Singapore and Hong Kong had the advantages of being city territories over which it proved easier to exert control, but probably the most important reason for their success was strong political will. In most other countries in Asia, anti-corruption efforts have generally been slower because they cover much larger territories and because the leadership has proved less resolute.

### **A Challenge for International Organizations**

The past 60 years or so have seen a considerable increase in the number and scope of international organizations. Nor surprisingly, these too have proved vulnerable to corruption and have had to re-examine their methods of operation so as to achieve greater

transparency and accountability, confronting malfeasance head-on and improving management. This is vital if they are to fulfil the goals of partners, staff and donors, and above all the beneficiaries.

This has involved, for example, tightening up many policies and practices, strengthening ombudsman offices, requiring senior staff to disclose their assets and liabilities, increasing legal protection for whistleblowers, and introducing independent audit offices. Agencies are also publishing more information through websites and other media. They have added to this impetus for reform through the formation of staff associations and institutions such as 'town hall meetings' in which they can air their grievances to the management.<sup>13</sup>

### **Measuring the Problem**

Just as it is difficult to define corruption across different cultures and political environments, it is also very difficult to measure its extent. One might consider, for example, the amount of money being lost, but this misses out the number of people involved. And both the money value and the number of people miss out on the social loss in undermining institutions. And in either case, since corruption is generally illegal and clandestine, it is hard to track it directly.

Instead, the most common measures work indirectly, based not on registering specific corrupt acts but people's perceptions of the extent of corruption. One of the most widely cited examples is the 'Corruption Perception Index' (CPI) produced by Transparency International (TI).<sup>14</sup> Since 1995 TI has been collecting the ratings of business people and country analysts and averaging them into a single index. By 2007 the CPI covered 180 countries and appeared as a widely publicized league table which regularly

listed several Asian countries as among the world's most corrupt. Since 2003, TI has supplemented the CPI with the Global Corruption Barometer which is based on a Gallup International Poll that explores the issues in greater detail, considering not just perception, but also direct experience, and by 2006 covered 62 countries.

Another widely used source, produced since 1996 by the World Bank, is the Control of Corruption Index (CCI). Although its title suggests that it is measuring the effectiveness of measures to control corruption it is, in fact, another perception index. It does however differ in a number of respects from the CPI. It gathers data from a wider range of sources than the CPI and also covers petty and grand corruption as well as situations of state capture. In addition, the CCI uses different statistical techniques that make it better suited for comparisons across countries and over time. While interpreting the CCI, it should be noted that it combines perceptions and observed data.

Other sources of corruption rankings include those from private consultancies designed to offer businesses and investors an indication of the investment climate in each country. The International Country Risk Guide, for example, includes subjective assessments conducted by staff on the 'likeliness to demand illegal payments in high and low levels of government'.

These indices do indeed provide some information of relevance and spur countries into responding. But they may not give a very accurate reflection of the actual situation and make little attempt to gauge the pressures and the effects on the poor. Mostly they are oriented towards businesses though they may also be used by donors to make decisions on the distribution of foreign aid. They can also be useful at the regional level for comparative purposes – for which this report will use the CCI index. Another approach would be to

compare each country's vulnerability to corruption by considering factors such as the size of the public sector, or marginal tax rates (Box 1.5). But ultimately, no single metric would work in uniquely measuring the phenomenon.

### Forms of Government

History has demonstrated that all forms of government are vulnerable to corruption but some may be more vulnerable than others. It might be argued, for example, that, authoritarian leaders, such as Chinese emperors, would have found it easier to deal with corruption because they can act against corrupt officials quickly and ruthlessly without the need for prolonged and uncertain judicial processes. On the other hand, authoritarian leaders may also deliberately foster a more corrupt environment as a result of what has been called the 'dictator's dilemma': the more power a dictator has the more insecure he feels, so he distributes opportunities for 'rent gathering' and other favours as ways of building support and trust.

Similar considerations can apply in democratic systems. Democracies are better designed to control corruption since citizens can take advantage of regular elections to vote out corrupt politicians, but the quality of democracy determines if this mechanism is actually exercised. Democracies can also be susceptible to corruption if politicians become beholden to wealthy donors on whom they rely for electoral funds and who will expect favours in return. This popular disillusionment has recently led to the overthrow of many democratically elected regimes on the explicit grounds of corruption, such as in Bangladesh, Fiji and Thailand.

One way of checking which system is cleaner in practice is to compare the indices of corruption with those of democracy. This

*History has demonstrated that all forms of government are vulnerable to corruption; democracies are better designed to control corruption since citizens can take advantage of regular elections to vote out corrupt politicians*

**BOX 1.5****COUNTRY VULNERABILITY TO CORRUPTION**

Most popular measures of corruption are based, at least in part, on perception. Another approach might be to chart the 'climate' for corruption by identifying factors that may make a country vulnerable to corruption. This Report makes a mod-

est start in this direction by trying to identify likely factors and seeking out appropriate, observable indicators on which data are available. Below 21 indicators are grouped into 12 categories.

**Factors Capturing the Vulnerability of Countries to Corruption**

<i>Categories</i>	<i>Indicators</i>
Taxation system	Highest marginal tax rate, individual rate (%) Highest marginal tax rate, corporate rate (%)
Trade policy	Trade restrictiveness index (Tariff and NTF manufacturing)
Regulatory policy and transaction costs	Start-up procedures to register a business (number) Procedures to enforce a contract (number) Procedures to register property (number)
Level and nature of public expenditure	Military expenditure (% of GDP) Public investment (% of GDP)
Inequality	Ratio of the top 20% to bottom 20%
Access to services	No access to improved water source (% of population) Physicians per 1,000 people (reciprocal – to make it unidirectional) Gross <i>non-enrolment</i> rate (Combined primary, secondary and tertiary) (%)
Dependence on natural resources	Mining (% of GDP)
Access to knowledge and information	Illiteracy rate, adult total (% of people ages 15 and above) Internet <i>non-users</i> (% people) No <i>subscription</i> to fixed line and mobile phone (% people)
Relative wages in public sector	Military personnel exp per capita/per capita income (Proxy indicator, reciprocal to make it unidirectional)
Importance of FDI/ODA	FDI (% of GDP) ODA (% of GDP)
Informal Sector	Informal sector (trade + construction + other) as % of GDP (Proxy indicator)
Extent of cash transaction	Currency in circulation (% of money supply)

*Source:* Gampat, Sarangi, Wickramarathne and Senarathne 2007.

The 21 indicators are unidirectional in the sense that all indicators contribute positively to vulnerability to corruption. Of course, the relative importance of the indicators will vary

depending upon the country context. A more detailed discussion of these indicators is given in Technical note 2.

is illustrated in Figure 1.2 which plots the Control of Corruption Index against an index produced by the Economist Intelligence Unit which rates countries along a scale from 0 (authoritarian regimes) to 10 (full democracy). On this basis, countries at the highest ranking on the democracy scale tend also to be high on control of corruption, though there

are some outliers, such as Bhutan, Hong Kong (SAR), China and Singapore, which appear to have done exceptionally well in controlling corruption. The pattern is similar within the sample of developing countries and also within developed countries.

This is, of course, only a correlation. It does not indicate whether democracy itself

helps reduce corruption. However there have been efforts to explore causality. Treisman (2000), for example, using data from 64 countries, suggest that there is a connection, but he ascribes this not just to the current degree of democracy but to the length of time a democratic system has been in place: the more experience a country has with democracy, the better it can address corruption. This implies that in the short term compared with more authoritarian states, young democracies such as Cambodia, Indonesia, or the Philippines may have little advantage. But in the long term, when these countries have accumulated more experience with democratic institutions and improve the quality of their democratic practice, they would be able to address corruption more effectively.

### Parliamentary and Presidential Systems

There are, of course, many different shades and types of democracy. One of the clearest distinctions is between parliamentary and presidential systems. The Asia-Pacific region is distinct from the rest of the world in that it has a lower proportion of presidential or semi-presidential systems. In the rest of the world 55 per cent of states have these systems. In the Asia-Pacific region, on the other hand, only 27 per cent of countries do so; 58 per cent have parliamentary systems, the rest being monarchies or one-party states (Figure 1.3).

How do the different systems rate on the CCI? This is illustrated in Figure 1.4, which shows that the region's democracies tend to do better, achieving a simple average score of 0.1 compared with presidential and semi-presidential systems which get scores of -0.7 and -0.4 respectively. Somewhat surprisingly, the presidential and semi-presidential systems in Asia and the Pacific do not perform significantly better than one-party systems, which have a score of -1.1. As this fig-

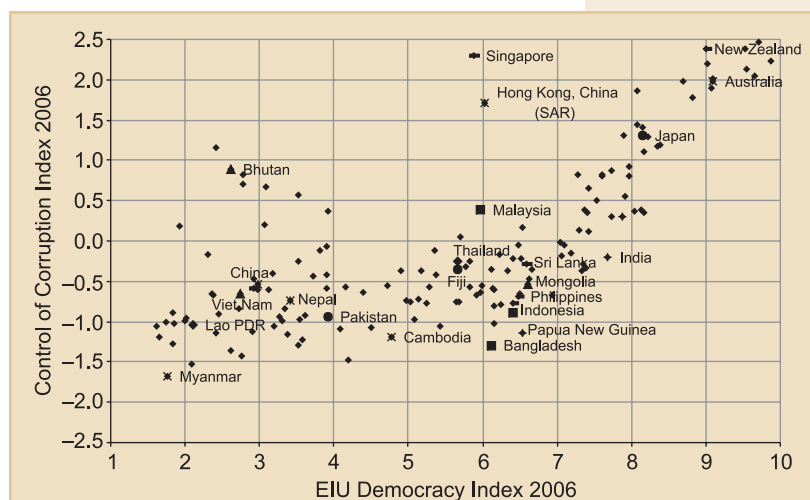


Figure 1.2: Political Systems and Perceptions of Corruption

Sources: EIU 2007; World Bank 2007b.



Figure 1.3: Political Systems in the Asia-Pacific Region

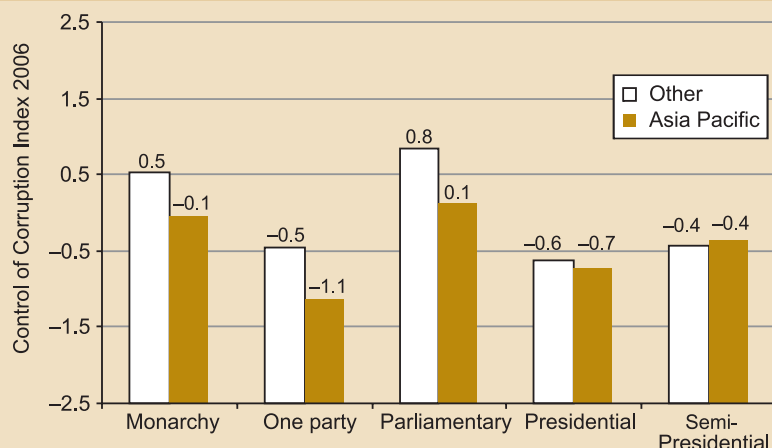
Colour codes: Green – parliamentary republics; Brown – presidential republics; Blue – semi-presidential republics; Violet – parliamentary constitutional monarchies in which the monarch does not personally exercise power; Yellow – republics where the dominant role of a single party is enshrined in the constitution; Red – absolute monarchies

Source: Tran 2007.

ure also shows, even the region's parliamentary democracies have lower scores than those in the rest of the world. On the other hand, the region appears to enjoy some of the world's least corrupt monarchies.

This perspective is confirmed by many cross-country and multivariate analyses which show that that corruption is

*The more experience a country has with democracy, the better it can address corruption*



**Figure 1.4: Systems of Government and Control of Corruption Index**

Note: Produced by the World Bank, the scores for the control of corruption index (CCI) range from -2.5 to 2.5; higher values indicate higher control of corruption; conversely, lower values indicate lower control over corruption.

Source: Tran 2007.

*Corruption is significantly lower in parliamentary states than in presidential ones*

significantly lower in parliamentary states than in presidential ones.<sup>15</sup> Others go further to show that corruption tends to increase as the president gets more powerful and that it usually worse towards the end of the presidential term, maybe because by this stage the incumbent has little to lose.<sup>16</sup>

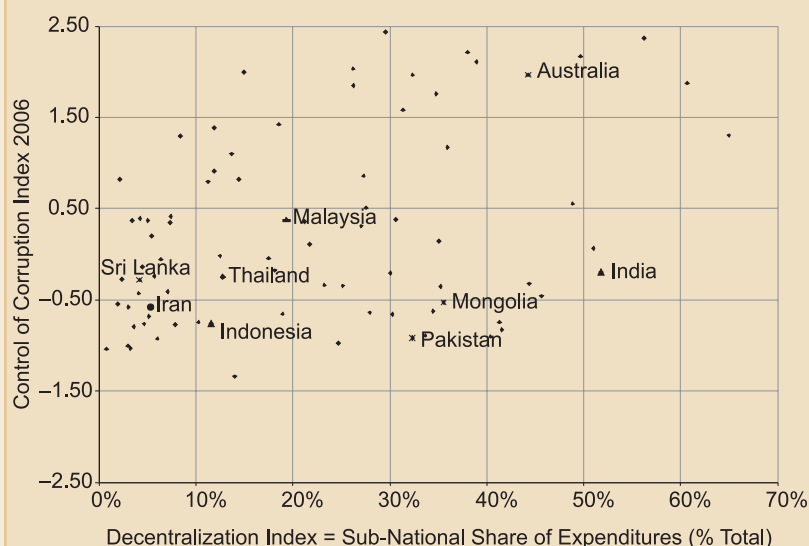
## Country Size and Decentralization

Corruption can also vary according to the size of the country. Some studies have found that larger countries tend to be more susceptible to corruption than smaller ones, perhaps because in smaller countries people are more likely to know their rulers and are in a better position to keep an eye on them.<sup>17</sup> Large countries might, however, be able to achieve a similar effect by decentralizing administration to lower levels of government, which local people would be better able to monitor and control. This assumes however that local communities have the necessary capacity. In practice this is seldom the case – legal and monitoring institutions are generally weaker and fewer at the local level, so decentralization can instead open the door to greater corruption.

One way to assess this would be to compare control of corruption with the extent of decentralization as indicated by the share of national expenditure administered at sub-national levels. As Figure 1.5 shows, this does not indicate any correlation. Indeed a number of studies that have attempted to assess the effects of decentralization on corruption have come up with mixed results.<sup>18</sup> So although many governments are keen on decentralization as a means of achieving more effective governance, the benefits for the control of corruption remain unproven.

## Impact on People's Lives

While it is interesting to consider in principle the relationship between systems of government and perceptions of corruption, ultimately the most important issue is which system offers greater protection to its citizens and is better able to promote human development. One indication of this is the Transparency International Global Corruption



**Figure 1.5: Decentralization and Perceptions of Corruption**

Sources: Tran 2007; World Bank 2007b.



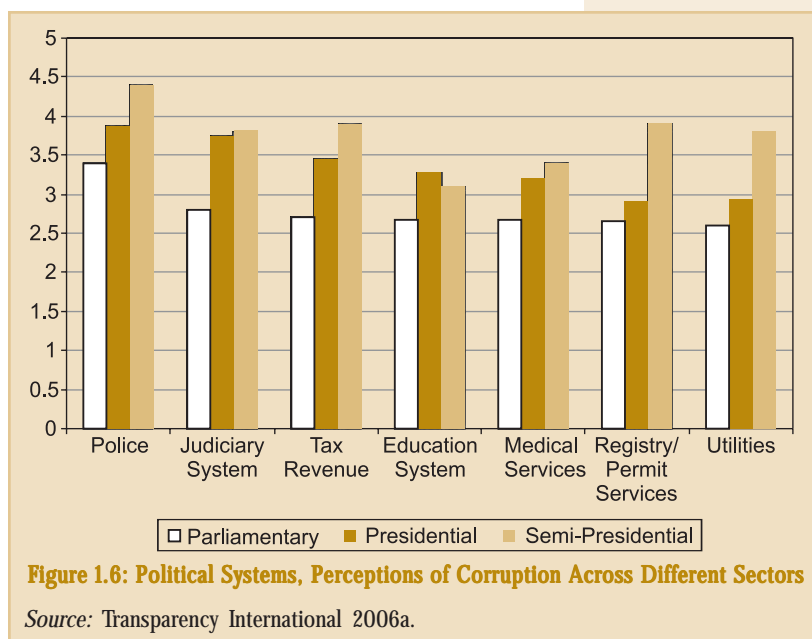
Barometer. This is compiled from opinion surveys that ask people to rate the level of corruption in seven important aspects of their everyday lives, on a scale from 1 (not at all corrupt) to 5 (extremely corrupt). The results for the Asia-Pacific region are shown in Figure 1.6.

Overall, people clearly have least confidence in the honesty of the police, followed by the judiciary and tax offices – though higher or supreme courts are considered relatively clean. Education and medical services rank in the middle of the scale, while the least corrupt sectors are utilities and registry or permit services – although even here levels of corruption are still very high.

But as Figure 1.6 also shows, in each of the seven sectors it seems that ordinary people are best served by parliamentary systems. Of the other systems, the presidential ones perform better than semi-presidential ones, though in both cases the perceived rates of corruption are not only higher but vary considerably across sectors.

### Hampering Economic Performance

Another matter of great concern is whether corruption affects economic performance. This will be difficult to prove one way or the other since economic growth is clearly the outcome of many different factors – up to 40 factors have in different studies been identified as having an effect on economic growth.<sup>19</sup> Generally they appear to be detrimental to economic growth, but there can be exceptions. For instance, it may not appear to harm growth in countries which are in the process of modernization.<sup>20</sup> Furthermore, the effects may only surface in the long term. For example, corruption may discourage innovation, or divert funds from productivity-enhancing investments towards those that offer more opportunities for rent-seeking.



### Can Corruption Boost Growth?

One way in which corruption might be thought to help economic performance is by ‘greasing the wheels’, i.e. allowing businesses to get quicker decisions, cutting through red tape and thus operate more efficiently. In countries where laws are rigid and inappropriate, circumventing these through bribery might increase efficiency. In fact, there is not much evidence that corruption has any such beneficial effect. One study found, for example, that the firms that were required to pay extensive bribes were still subject to high levels of official harassment. It seems that in a highly corrupt environment, officials take advantage of this to develop more sophisticated approaches, ‘customizing’ the nature and scale of their harassment to each firm and its ability to pay bribes.<sup>21</sup>

Another suggestion is that corruption could compensate for weak government. Bureaucrats charged with choosing between companies that are to be awarded contracts may, for example, have neither the information nor the competence to make the decisions

*People clearly have least confidence in the honesty of the police, followed by the judiciary and tax offices*

on objective criteria. They could therefore simply award the contract to whoever offers the biggest bribe – effectively holding an auction in which the contract goes to the company that places the highest valuation. This might be one way of achieving ‘allocative efficiency’, but this assumes that the person offering the biggest bribe also is the most talented entrepreneur with the best project, which is often not the case.

Bribery might also be seen as a way to increase efficiency by allowing queuing and rationing systems to work more effectively, on the assumption that the person or company prepared to pay most is also the one that can make the best use of the services. Indeed overall queuing times could be reduced if payments induce bureaucrats to work more rapidly.<sup>22</sup> Even if this were the case, however, capacity to pay seldom coincides with real need, so there will be a strong element of injustice.

A more fundamental objection to the ‘grease’ hypothesis is that it assumes a static environment in which businesses are faced with a bad and unchanging bureaucratic environment. It is more probable, however that businesses are sustaining this situation by their willingness and capacity to offer bribes – encouraging bureaucrats to increase their rigidity and unreel yet more red tape. Indeed in circumstances of rampant corruption, even honest officials will tend to become more bureaucratic – not because they want to extract bribes but because they do not want to be held individually responsible for any decision where they could be accused of taking bribes.

Moreover, for every case where corruption is suggested as a way of increasing efficiency there are always cleaner courses of action that perform at least as well or better. The fear that eliminating corruption will lead to a loss in efficiency is clearly unfounded.

### *How Corruption could Hamper Growth?*

On the other hand, it is also possible to identify many more mechanisms through which corruption could hamper growth:

*Allocation of talent.* Economic activity will certainly be hampered if people can earn more by working as corrupt bureaucrats than as entrepreneurs. Corruption thus distorts the allocation of talent by steering people to less productive or unproductive sectors. In the end, this leads to a downward spiral that even affects the income of corrupt officials. If the productive sector shrinks and returns are low, payoffs too will tend to fall, leading to high corruption with no growth.<sup>23</sup> Talent is also allocated to maximize family benefit through diversification, such as when one family member joins politics, another the bureaucracy and a third the private sector. This is often done to ‘hedge’ any risk involved in changing political circumstances, for example, when an opposing political party comes to power.

*Size of the formal sector.* A corrupt system may also prevent entrepreneurs from moving from the informal to the formal sector. Entrepreneurs who want to register their business may have to pay a high level of bribes to get the necessary documentation. If the informal sector is less productive or the cost of doing business in the informal sector is very high, then long-run growth will be lower. However, if the cost of operation in the informal sector is low, bureaucratic corruption may not have any effect on growth.<sup>24</sup>

*Availability of public goods.* Economic growth rates also depend on the level of government-provided public goods.<sup>25</sup> Corruption can affect these in several ways. Fiscal corruption, for example, could reduce government rev-

venues leading to lower investment in infrastructure. But even in the absence of fiscal corruption, bureaucratic corruption generally causes public goods to be under-supplied and overpriced.

*Innovation.* Corruption is likely to hamper innovation.<sup>26</sup> This is because innovators when starting from scratch tend to have greater need for government-produced goods and services and also have riskier projects that are vulnerable to bureaucratic delays. So even if corruption does not slow down investment or production in the short term, by deterring innovation it can have serious implications for long-term growth.

### **Empirical Results**

In principle therefore corruption is likely to slow economic growth, and a number of empirical studies have indeed suggested that higher levels of corruption are associated with lower levels of growth – though the correlation is weaker in Asia than elsewhere.<sup>27</sup> One, for example, concludes that a 10 per cent increase in corruption perception, would lead to a 2.8 per cent reduction in growth rate in Africa, and 2.6 per cent in Latin America but only 1.7 per cent in Asia.<sup>28</sup> This reduction in growth results to some extent from reducing investment<sup>29</sup> but mainly from undermining political stability which in one study accounted for around two-thirds of the effect of corruption on growth.<sup>30</sup> This suggests that corruption will have less effect on growth in countries with strong governments.

The link between corruption and growth can also depend on the size of the country.<sup>31</sup> Corruption may seem less damaging to growth in larger countries. In East Asia a number of large countries with high perceived levels of corruption have also sustained high

levels of economic growth. This may be linked to market size since investors may be willing to accept the risks posed by corruption if they are offset by the potential of a large consumer market. Growth rates seem to have been slower in smaller countries – with the exception of city states where anti-corruption efforts have been successful.

Another factor is the way in which corruption is organized.<sup>32</sup> Many people have argued that corruption is less harmful to growth when it is predictable – when, for example, a strong but corrupt ruler demands for himself and his entourage a standard percentage on all major activities. This might explain why many Asian countries have sustained rapid growth despite high levels of corruption – compared with other regions like Africa, where corruption is thought to be more disorganized. One study using a World Bank dataset confirmed that investment boosts productivity even at high levels of corruption. However, it also found that as the level of corruption rose it also becomes less predictable, so it would be wrong to believe that corruption can always be safely managed.<sup>33</sup>

Corruption will also have a less corrosive effect on the economy if corrupt politicians and officials work with a long-time horizon and deliver genuine benefits to the payers of bribes. During the 1980s and 1990s in a number of East Asian states, politicians established long-term relationships with capitalists; in exchange for bribes and kick-backs they provided valuable promotional privileges. In other countries where officials extracted bribes in a less predictable fashion and offered fewer real benefits growth tended to be slower.<sup>34</sup>

In addition to comparing the experience of different countries it might also be possible to look at groups of countries in Asia Pacific region and see if changes over time in the

*Even if corruption does not slow down investment or production in the short term, by deterring innovation it can have serious implications for long-term growth; corruption will have less effect on growth in countries with strong governments*



*As the crisis continued, corruption also weakened governments' capacity to respond and to protect the poor*

perceived levels of corruption correlate with changes in economic output. However, the opportunities for doing so are limited. The CCI, for example, has been produced only since 1996 and annually only since 2000. For some of the most dynamic economies of the region this provides only eight observations, some of which were during the Asian financial crisis, when the economic and political environment was in rapid flux.

Certainly there does not seem to be any correlation for individual countries. Take the example of Bangladesh which according to the CCI ranking is one of the world's worst countries in terms of corruption control. Yet it has achieved steady growth which does not correlate with the level of the CCI; indeed, corruption has become worse according to this index (Figure 1.7). This experience may, however, be temporary in a country making the transition to a more free market economy.<sup>35</sup> Yet, despite what high level of corruption might suggest, Bangladesh has made remarkable progress in certain social indicators such as in health (immunization rates and infant mortality) and gender

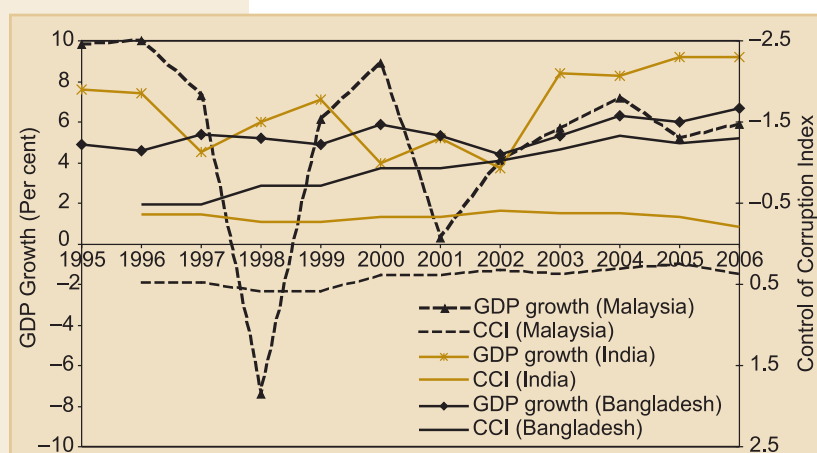
equality in education. The vibrant NGO sector in the country, along with government, has been instrumental in these positive human development outcomes even though corruption is shown by the CCI to be extremely pervasive in Bangladesh.

Even India, which has a middle ranking in the CCI, has seen significant fluctuations in economic growth at a time when perceptions of corruption have been relatively stable. Similarly, for Malaysia, which is consistently ranked among the cleaner Asia-Pacific countries, the growth and corruption outcomes seem unrelated: growth fluctuated between 1997 and 2002, though the perception of corruption scarcely changed.

One can also put the growth-corruption link into some perspective by considering the rise first of China and now of India as star global economic performers. Could they have grown any faster in the absence of corruption? Indian economic growth was over 9 per cent in 2006 and that of China has been over 10 per cent over a prolonged period. Corruption may have hampered growth, but probably not much. It seems more likely that growth is constrained by other factors – such as world market demand, the rate of technological adaptation and the actions of global competitors. It can, however, be argued that even in these countries growth will eventually lead to systemic shocks – economic or political – which are less easy to manage in countries hampered by high levels of corruption.

### ***The Asian Financial Crisis***

The most dramatic case of corruption contributing to an economic implosion was the 1997 Asian financial crisis. By now the proximate causes of the crisis are well known – related to the premature liberalization of banks and capital markets in the absence of an adequate regulatory framework. The need



**Figure 1.7: Control of Corruption Index and GDP Growth**

*Note:* GDP growth in the figure is the annual per cent change of GDP at constant 2000 prices. GDP growth is graphed on the left axis and control of corruption index is graphed on the right axis.

*Sources:* World Bank 2007b; World Bank 2007c.

for greater caution was also hidden to some extent by many years of record growth, stable exchange rates and relative political stability – which generated a degree of euphoria.

For long-term foreign investors this was too good an opportunity to miss. Faced with rising labour costs at home they were happy to take advantage of new technological possibilities by relocating and outsourcing to Asia. They were also reassured by the fact that their governments had anti-communist and defence alliances that reduced the likelihood of sudden changes of regime and nationalization of foreign assets, even in countries where the state remained a key player in economic decision-making.

The resulting flood of foreign capital, much of it short term, combined with the ability of local firms to borrow cheaply offshore in international capital markets created a dangerous but predictable bubble. As bubbles are prone to do, this one duly burst – and in spectacular style, starting with the nosedive of the Thai baht on 2 July 1997, and going on to rock the world capital markets, with tremors being felt as far away as Russia and Brazil.

This was a crisis exacerbated by ‘crony capitalism’ which distorted the worth of companies. The value of many companies had less to do with economic fundamentals and more to do with their political connections. Those that had managed to build strong relationships with political leaders were able to procure special privileges and licences and protection against competitors. They also found it easier to get credit. Valuable resources thus went to those companies that enjoyed special relations with government officials rather than to those most willing to pay for the license or who could achieve the highest returns for a loan. With prosperity based on firms that were well connected but inefficient, productivity inevitably declined.

This created an unstable situation since political connections can suddenly snap. In Malaysia, for example, in the initial stages of the financial crisis, the politically connected firms were among the hardest hit – though when capital controls were instituted following the crisis, the position of these firms recovered, corresponding to an increase in the expected value of their political capital.<sup>36</sup>

Across the region, as the crisis continued, corruption also weakened governments’ capacity to respond and to protect the poor. This was partly because money for social benefit programmes was stolen from public funds but also because social safety net programmes provided opportunities for corruption among local governments and officials and also allowed them to curry favour with local interest groups who were given priority over more deserving households. Local politicians were also able to sell relief goods at rates above the subsidized prices, and keep the remaining funds. Corruption can therefore not only make countries more vulnerable to crises but also reduce their capacity to handle such crises.

### **Corroding Tax Administration**

One of the most important ways in which corruption distorts both the national economy and public investment is through the tax system. Some of the factors likely to influence the extent of corruption in the tax system are:<sup>37</sup>

*Complexity.* If the rules are complex and the laws unclear, with multiple regulations and procedures, then the taxpayers are likely to have to interact with the system – and officials will have more opportunities to extort bribes.

*Rates.* As tax rates increase, the motivation for tax evasion also increases.

*Corruption can therefore not only make countries more vulnerable to crises but also reduce their capacity to handle such crises*

*There exists a simultaneous occurrence of low control over corruption and low tax revenues for several Asia-Pacific countries*

*Discretionary power of officials.* The greater the discretionary and monopoly power of tax officials, the greater their scope for interpreting rules and regulations to their advantage. Without inadequate monitoring and reporting, the result is likely to be more corruption.

*Appeals system.* If it is costly and time-consuming to file an appeal, taxpayers may be motivated to 'beat the system'. Indeed, some people may do so simply to signal how smart they are, though the empirical evidence for this is weak.

*Enforcement.* If taxpayers and officials believe that there is little risk of being caught or punished they are more likely to engage in corrupt behaviour.

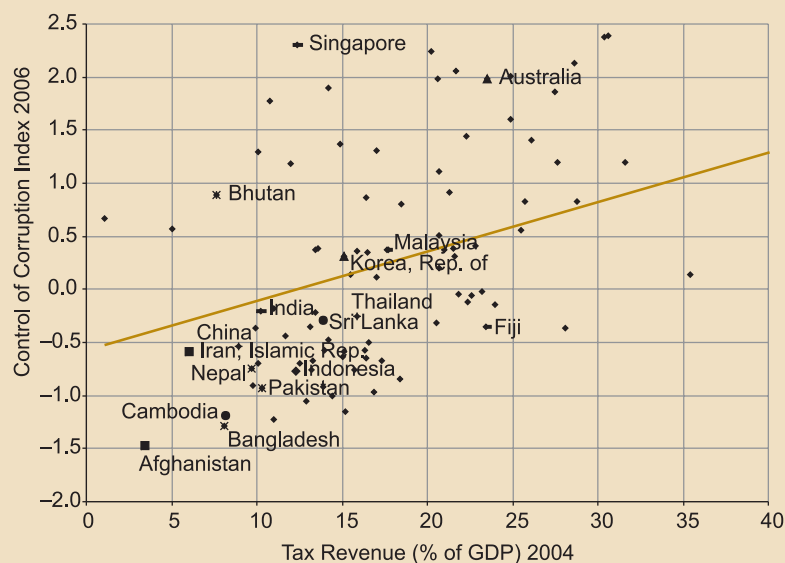
*Level of remuneration.* If the wage levels of tax officials are low, they will be more tempted to supplement them through corruption.

*Overall governance environment.* The extent of corruption in a given tax administration generally parallels that in the administrative environment as a whole – if that is corrupt, the tax system will be corrupt too.

Most forms of taxation are susceptible to corruption, including value-added tax (VAT), which in many countries is now replacing other trade taxes. In Sri Lanka in 2006 the amount of VAT fraud has been estimated to be 3.57 billion rupees.<sup>38</sup> In VAT many of the opportunities arise in the credit and refund mechanisms which allow tax officials and businessmen to collude. There is also scope in the system of VAT for false invoicing of transactions. In addition, studies suggest that causes of corruption in VAT may arise due to credit claimed on purchases that are not creditable, bogus traders and under reported sales.<sup>39</sup>

The association between corruption and tax revenue is shown in Figure 1.8. If outliers are disregarded, the central message from this chart is that there is an association between the capacity to control corruption and tax revenue: lower values of the CCI – suggesting poor control of corruption – are associated with lower tax revenues as a share of GDP and vice versa.<sup>40</sup> The figure indicates that there exists a simultaneous occurrence of low control over corruption and low tax revenues for several Asia-Pacific countries.

Empirical evidence shows that countries in the Asia-Pacific region perceived to have high levels of corruption also tend to have high marginal tax rates, both individual and corporate. And the situation is worse if they also have multiple, burdensome procedures. One effect of this is that raising tax rates can lead to a fall in net revenue, partly because of corruption or because high rates drive businesses into the underground economy.<sup>41</sup> The result is that enforcement costs also go up and net tax revenue goes down.



**Figure 1.8: Control of Corruption and Tax Revenue**

*Note:* Produced by the World Bank, the scores for the control of corruption index (CCI) range from -2.5 to 2.5; higher values indicate higher control of corruption; conversely, lower values indicate lower control over corruption.

*Source:* Gampat, Sarangi and Wickramaratne 2007.

## Corruption and Human Development

While there has been fairly intensive study of the impact of corruption on economic growth, there has been less systematic research on its impact on human development. There are various channels through which corruption could cause damage. It is likely, for example, to corrode ideals of public service, so administrations mired in corruption will also be those less interested in investing in health and education. But even if corrupt governments want to increase investment in social services, they will find that corruption has lowered economic growth and weakened tax collection, leaving them with less to spend on welfare programmes.

Corruption is also likely to determine the character of public investment. Corrupt officials are generally less attracted to small-scale projects which involve a large number of actors, and instead prefer to invest in large infrastructure projects that offer greater opportunities for collecting rents. This leads to imbalances in the pattern of public expenditure – away from key public goods such as health, education and environmental protection, and towards new roads or airports or military hardware.<sup>42</sup> For example, they will prefer large infrastructure projects that are difficult to monitor and the purchase of military and high technology goods rather than ongoing expenditure on health and education.

To get a better insight into the impact of corruption on the allocation of public expenditure, one study conducted a cross-country regression for around 100 developing countries for the period 1996–2001.<sup>43</sup> This confirmed that corruption reduced expenditure especially on education, health and social protection and affected the quality of services.

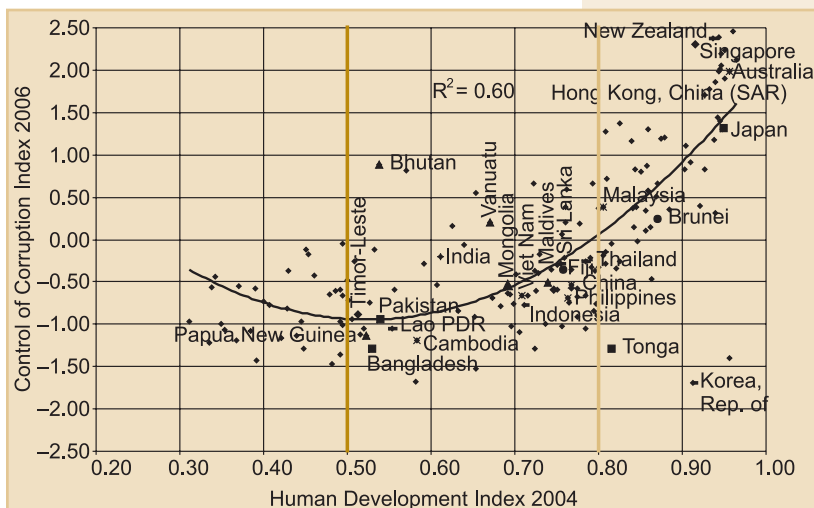
Other studies attempted to demonstrate a more direct link with human development. One, using the transparency international

corruption perception index and the human development index, concluded that corruption does indeed lower human development.<sup>44</sup> Others have looked at components of human development such as health care and education and demonstrated that corruption both raises the costs and reduces the quality of service and thus raises infant mortality and school drop-out rates.<sup>45</sup> Further studies have similarly concluded that corruption reduces life expectancy and literacy.<sup>46</sup>

The overall picture is illustrated in Figure 1.9 which shows, as might be expected, that the countries in the region with higher levels of human development also demonstrate low perceived levels of corruption, as measured by the control of corruption index.

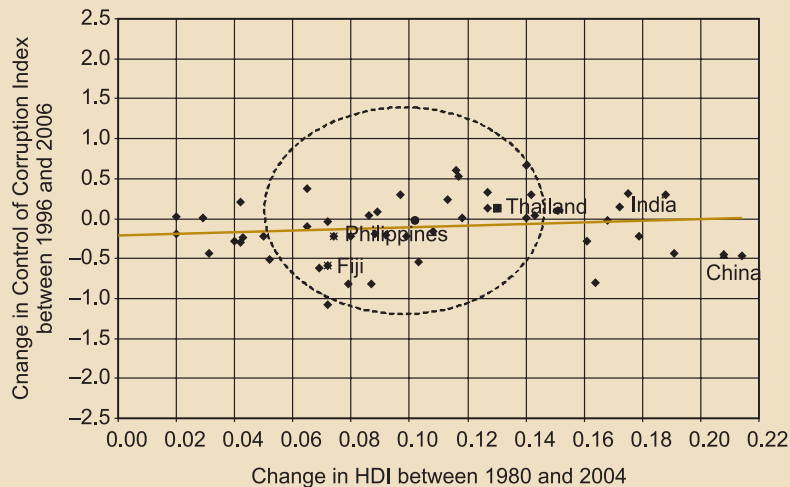
A closer look also shows that both scores tend to move in the same direction over time, as illustrated in Figure 1.10 which plots the changes in human development over the period 1980 and 2004 against the changes in the CCI over the period 1996 to 2006, showing that an improvement in human development is associated with a significant boost in the control of corruption.

*Countries in the region with higher levels of human development also demonstrate low perceived levels of corruption*



**Figure 1.9: Human Development Index and Perceived Level of Corruption**

Sources: UNDP 2006; World Bank 2007b.

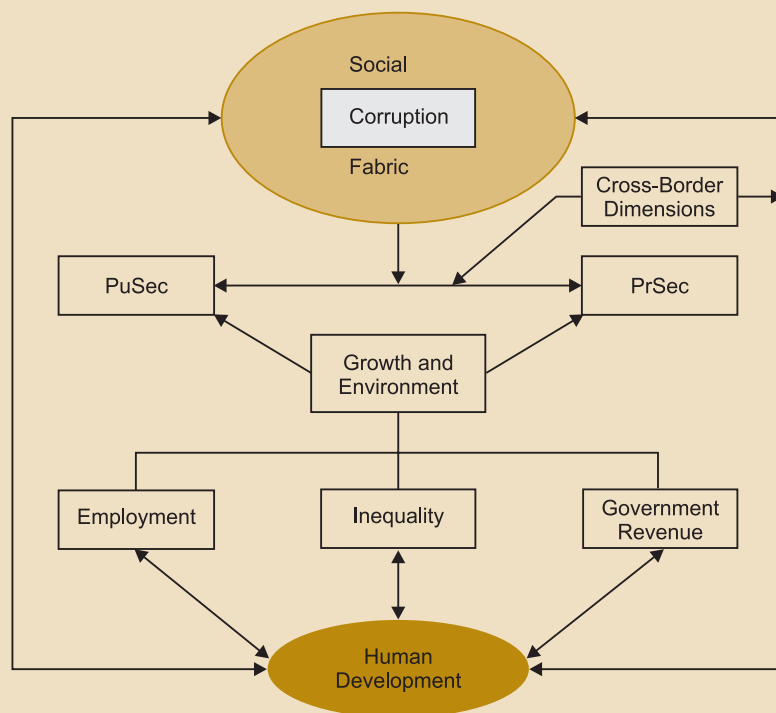


**Figure 1.10: Change in Human Development Index and the Control of Corruption Index Among the Low- and Medium-HDI Countries**

Sources: UNDP 2006; World Bank 2007b.

Again, however, this does not indicate causality. It could just as well be that higher levels of human development help combat corruption. The potential feedback links are illustrated in Figure 1.11.

The most obvious channel through which higher levels of human development would reduce corruption is through better standards of education. Education empowers people to demand their rights and access to the services to which they are entitled, and also strengthens their capacity to detect corrupt practices and speak out against them. The correlation between perceived corruption and secondary education is illustrated in Figure 1.12.



**Figure 1.11: The Two-Way Relationship Between Corruption and Human Development**

Notes: Corruption is embedded in the very fabric of society, a direct consequence of human living in groups, communities and societies. Present in both public and private

sectors of the economy, corruption also has cross-border dimensions, which has become an issue with accelerating globalization. However, various international and regional conventions and agreements could mitigate the impact of cross-border factors that drive corruption.

All three forms of corruption can be found in the public sector – petty, grand, and state capture. Petty corruption is widespread in poor countries where a large fraction of public services is delivered by the government – shortages, real or contrived, numerous gatekeepers and complex procedures create an incentive for corruption. The private sector, on the other hand, provides the space for grand and petty corruption. Depending upon the circumstance, cross-border dimensions of corruption can be linked to both sectors but the effect is the same: corruption becomes more entrenched.

The most telling and direct effect is on growth via investment. While there might be some short-term benefit from grease-the-wheel corruption, the long-term effect on growth is negative. Growth, in turn, affects employment, inequality and government revenue. Constrained government revenue presents serious problems for the delivery of public services (health, education, water, electricity). Employment, inequality and delivery of public services are then linked to human development, which can also have an independent and direct effect on corruption.

Source: Gampat 2007a.



## The Effects on Poverty

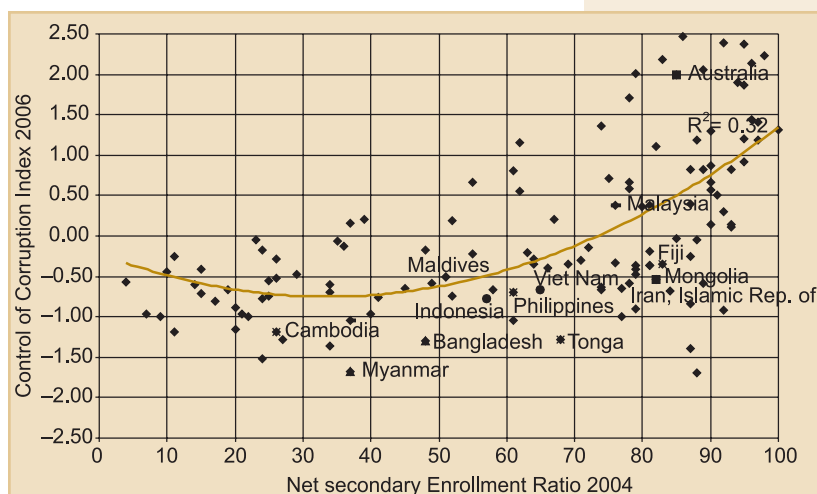
Corruption in its various forms is also likely to affect poverty. This has been confirmed, for example, in a global study which shows that corruption tends to slow the income growth for the bottom 20 per cent of the population.<sup>47</sup> As with human development, corruption slows down poverty reduction by lowering growth rates and reducing the effectiveness of social programmes. There is not much systematic evidence but it is well known that many of the goods and services targeted for the poor do not actually reach them – instead finishing up in the hands of well-off and connected households who can afford to bribe the officials.

The poor also lose out since they have less bargaining power when there is a general shortage of services, public or private. The rich and the powerful can get the best deals out of the existing stock either through bribery, good connections or access to the open-market. Thus while the poor are already excluded from various opportunities such as credit and insurance because of market imperfections, corruption erects a further barrier. In addition the poor also lose out when they pay bribes. Even if they do so less frequently than the better off, the amounts they pay generally represent a higher proportion of their income.<sup>48</sup>

## Contours of the Report

The aim of this Report is primarily to consider ways of countering corruption. The following chapters therefore give a brief summary of the nature and extent of corruption in some of the most important sectors, along with examples of anti-corruption measures.

*Chapter Two.* In the Asia-Pacific region



**Figure 1.12: Perceived Level of Corruption and Secondary Enrolment**

Sources: UNDP 2006; World Bank 2007b.

corruption is seen to be highest in the police and judiciary. This chapter considers how this can undermine the position of the poor, both by harassing them and by denying them any means of redress. It also indicates ways in which the judicial system can be made more responsive and accountable.

*Chapter Three.* Poor people encounter corruption in a wide range of services. This chapter looks at health, education, water supply and electricity, showing how both grand and petty corruption reduce the funds available for investment in human development.

*Chapter Four.* When money, food, or other materials change hands there is always the danger of 'leakage'. This chapter looks at the potential for tighter control during 'special development situations' and when providing social safety nets for the poor.

*Chapter Five.* Some of the largest bribes concern the exploitation of precious natural resources – from oil to minerals to forestry. In this case the influence of the corruptors can even amount to 'state capture'.

*The poor also lose out since they have less bargaining power when there is a general shortage of services, public or private*

*Chapter Six.* Tackling corruption means working simultaneously from the top down and from the bottom up. This chapter starts at the top looking at what governments need to achieve in terms of legislation, creating anticorruption agencies, fulfilling the right to information and reforming their civil services, as well as in cooperating with other countries.

*Chapter Seven.* This chapter looks from the bottom up at what citizens can do to counter corruption when supported by the media and civil society organizations.

*Chapter Eight.* This chapter distils from the analysis of the Report, a 7-point agenda for change.



# 2



BANGLA *Khushi kora* making happy

LAO *Kin sin bon* taking bribe money

CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law

SINHALA *Santhosama* money given as a gratification

URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection

THAI *Ka-numron-numcha* cost for hot water and tea

TAGALOG *Buaya* corrupt people, literally crocodile

PERSIAN *Baksheesh* gift, tip

DHIVEHI *Naajaaiz faidhaa* illegal benefits

MALAY *Duit kopi* coffee money

INDONESIAN *Pembinaan wartawan* cultivating journalists

FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox

HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly

CHINESE *Yang-lien* money to nourish honesty, an ancient term

*There are no transcripts in Indonesian courts.  
And without a full transcript . . . how do you  
investigate court decisions properly?*

AMIEN SUNARYADI, VICE-CHAIRMAN OF THE CORRUPTION ERADICATION  
COMMISSION (KPK), INDONESIA

# Justice for Sale

## 2 Chapter

In the Asia-Pacific region corruption is often at its worst in justice systems. Police, public prosecutors, court officials, lawyers, judges – all can demand payments, sometimes not just for doing their job but also for diverting justice from its true course.

Many people see the police and the judiciary not as guarantors of their rights but as sources of harassment and bribery, distrust and fear. The officials who should be protecting people from abuse are themselves often the worst offenders. Small wonder that the police and the courts are often held in low esteem. This is evident in Table 2.1, showing comparative ratings in the Transparency International Global Corruption Barometer – which asks people for their assessment of the extent of corruption in various sectors of government, on a rating of 1 (not corrupt) to 5 (highly corrupt). The answers were disturbing. In Asia-Pacific as a whole the most corrupt group were the politicians, but the police came in a close second and the judiciary not far behind. The situation appears, however to be worse in Asia than in the Pacific where the judiciary is not considered that corrupt and is effectively independent of government. Compared with other regions the police are perceived as somewhat more corrupt than those in Western Europe and in North America, though less than those in Africa and Latin America.

### Police Corruption

The most common daily interaction with the justice system is through the police. Each country organizes its forces in different ways. In some cases, in more remote and lawless areas, for example, police-like tasks may be carried out by the army, though the police

**TABLE 2.1**  
**PERCEPTIONS OF CORRUPTION IN JUSTICE SYSTEM,**  
**BY GLOBAL REGION**

	<i>Political parties</i>	<i>Police</i>	<i>Legal system judiciary</i>	<i>Educational system</i>
Asia-Pacific	4.0	3.8	3.3	3.1
Africa	4.2	4.6	4.0	3.8
South-East Europe	4.0	3.9	4.1	3.8
EU and other Western Europe	3.7	2.7	2.9	2.3
Latin America	4.2	4.2	4.1	3.0
North America	4.2	3.1	3.5	2.9
Former socialist states	3.9	4.1	3.9	3.8

*Note:* Transparency International's Global Corruption Barometer measures people's perceptions of corruption in different sectors/public institutions on a scale of 1 to 5. 1 = Not at all corrupt; 5 = Extremely corrupt.

*Source:* Transparency International 2006a.

themselves may also have paramilitary divisions, so the lines can be blurred. Nevertheless the police in all countries have the same core task: to protect citizens and provide them with security of life and personal property against potential threats from others. The police also serve as guarantors of state power, defending the state against potential, large-scale violent action or challenges – as is evident in their presence at political demonstrations.

Many of the officers carrying out these and other tasks are honest and conscientious – trying to enforce the law fairly and to protect citizens. But there are also others, who for at least part of the time, have a different agenda. In the rural areas, they may, for example, be in the pockets of rich landowners

*Officials who should be protecting people from abuse are themselves often the worst offenders*

*While corruption in the police forces in many respects is similar to that in other public services, in this case it is often accompanied by violence*

who can use the police to control their workforce or their tenants. In the cities, the police can be in the pay of large corporations, colluding with politicians and business interests, and may be used, for example, to force poor people off their land to make way for new developments. And the poorly paid lower constabulary, often living in slum-like conditions, with inadequate resources to carry out main responsibilities or satisfy demands of supervisions, may feel pressured to seek 'extra curricular' income.

In some instances police officers may simply be working for themselves, extracting as much income as they can from their position of power. While corruption in the police forces in many respects is similar to that in other public services, in this case it is often accompanied by violence. The police can legitimately use physical force in the pursuit of their normal duties and even direct the same force against the innocent. Members of the public on the other hand have no such rights; they are not permitted to resist even an unjustified arrest using physical force.

The most common forms of police corruption are:

*Extortion.* Police may, for example, apprehend suspects whom they believe to be guilty of a crime, but rather than executing a formal arrest they may instead beat them up and force them to pay for their freedom. Police can also seize people they know to be innocent, and threaten them with arrest and demand payment for release – which for women can often mean submitting to sexual exploitation. This type of extortion is most common when the police have great freedom to arrest suspects and temporarily jail them, independently of the courts. The police may also act as local gangsters, threatening to inflict harm against establishments or individuals who are unwilling to pay for 'protection'.

*Mixed fraud and extortion.* If the courts have to be involved, as they normally are in larger cases, police extortion is often combined with fraud – as in the classic case when the police plant drugs in the pocket of the suspect. As the case proceeds through the judicial process the price of freedom to be paid to the police or the judicial system steadily rises.

*Corrupt transactions.* The police may illegally sell decisions such as not to report a traffic violation, or not to register a crime. Or they may offer to falsify reports by, for example, reducing the amount of drugs a dealer is recorded to have been carrying when arrested, in order to reduce his punishment. Generally, the simplest and most lucrative option for a corrupt officer is not to arrest people who are known to be guilty. For example, when prostitution is illegal, the police can charge sex workers a regular fee for not arresting them, or perhaps in exchange for submitting to sexual exploitation. In some cases, however, it may well be the guilty party who initiates the process by offering a bribe. Another type of corrupt police transaction is to sell information, such as a warning to illegal establishments about impending inspections.

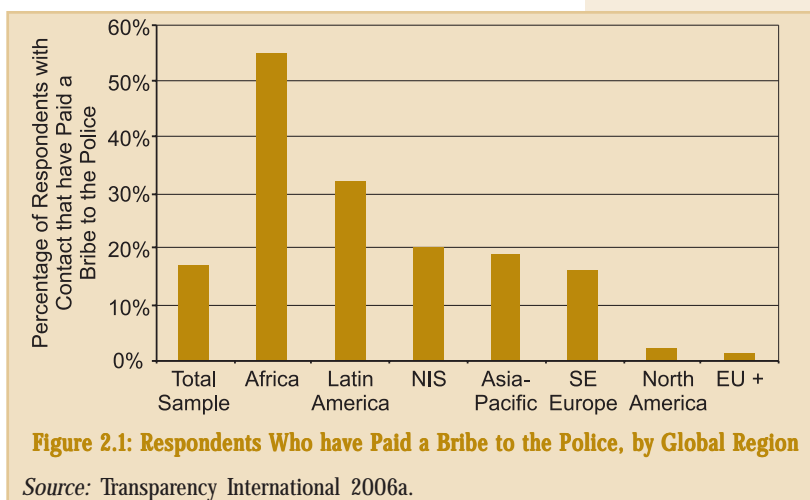
Whenever police corruption is extensive, however, it tends to be linked with other corruption networks. Some of these are within the police service itself which may have developed a hierarchical system for distributing the proceeds of extortion upwards through higher ranks of the force. On the other hand, much of the corruption actually starts at the top when senior officers demand bribes for appointments or promotions or for the most profitable postings. Senior officers also tend to be part of wider networks of corruption within the justice system, with connections with politicians, judges, lawyers, and prison guards, as well as with criminal gangs.

## The Extent of the Problem

Some indication of the extent of corruption in the Asia-Pacific region can be gathered from surveys of public perception, as shown in Table 2.1. But it is also possible to get more direct indications from surveys of people's actual experience. The Global Corruption Barometer also asks respondents about their interactions with the police. In the Asia-Pacific region this survey found that 18 per cent of the respondents claimed to have paid a bribe to the police over the previous year, though this was a smaller proportion than found in Latin America or Africa (Figure 2.1).

Another more indirect indication comes from crime reporting and from crime victim surveys. In most countries, victims tend to report only a fraction of crimes. In Oceania, the proportion is relatively high, at 52 per cent, close to that in North America, but in Asia it drops to 26 per cent.<sup>1</sup> The victim's decision on whether or not to report a crime will depend on a number of factors – an assessment of the likelihood of catching the perpetrator, for example, or the options offered by local systems of justice, or the requirements of insurance companies. But one key factor will be the victim's views on the efficiency and honesty of the police. When victims in various countries in the Asia-Pacific region were asked why they did not report a crime, between one-third and three-quarters cited lack of trust in the police.<sup>2</sup>

Among different branches of the police some of the most frequent corrupt interactions are with the traffic police. In Cambodia, for example, one survey found that 89 per cent of encounters with the traffic police resulted in a bribe. Typically the payments tended to be smaller amounts than those to other branches of the police. The average bribe from a household was around \$9. Bribes from businesses were about fifteen times greater.<sup>3</sup>



Similarly, in Sri Lanka, a survey conducted in 2007 by the Centre for Policy Alternatives, found that 45 per cent of people who had interacted with the police due to traffic violations had to rely on 'alternative processes' (paying more than what was prescribed, paying someone for assistance, or using influence). Of those who gave more money, three-quarters did so in response to a demand, while the remainder did so voluntarily.<sup>4</sup> One typical case occurred in 2004. The police stopped a citizen for driving a vehicle with tinted windows, revoked his licence and ordered him to go to the police station to pay a fine. Here a *grama-rakshaka* (home guard of the village security personnel) told him his driver's licence would be returned if he paid a bribe of around \$10. When the driver reported this to the Traffic Section, instead of disciplining the *grama-rakshaka*, the sergeant said that his licence would be returned only if he paid his grocery bill of \$54.<sup>5</sup>

Police also often demand bribes from long-distance truck drivers. One study, in Indonesia, involved accompanying truckers in long inter-provincial journeys that encountered multiple police checkpoints. Bribe expenses at these checkpoints constituted around 13 per cent of the transportation cost which, though less than the fuel cost, is a

*When victims in various countries in the Asia-Pacific region were asked why they did not report a crime, between one-third and three-quarters cited lack of trust in the police*

little more than the wage cost.<sup>6</sup> Similarly a report in Bangladesh found that a cattle trader had to pay extortion money at eight different places along the way to the market, both to the police personnel and organized criminals – which added 15 per cent to 20 per cent to the selling price.<sup>7</sup>

### Impact on the Poor

The poor are the most vulnerable to police corruption because they lack the influence needed to defend themselves when they get into difficulties. Although the sums extorted by the police are relatively small they constitute a significant proportion of the income of poor people – as well as creating an atmosphere of fear and apprehension. Most analyses of corruption do not, however, include the impact on the poor. This may be because it involves relatively small amounts, and is difficult to measure, and also because the victims have little power to complain.

One example in Cambodia, for example, involved a rural family who owned a small boat but not the land where their house was located. The wife reported that sometimes the police came when her husband was out fishing and although they did explain why they were visiting her, she at times felt forced to give them money, out of fear of losing the boat.<sup>8</sup> The police will generally monitor the rural space for which they are responsible and use this information to identifying the most vulnerable families they can extort.

Among those greatly exposed to harassment by the police are street vendors. Many people working on the streets do so without official recognition and even when they have protection from appropriate legislation this is not always implemented. As a result, across the region street vendors are frequently harassed by the police. If they do not pay up, they are likely to see their goods confiscated or destroyed.<sup>9</sup> One well publicized case

occurred in 1996 in Delhi, India. A fruit vendor belonging to a minority community was beaten to death by two policemen mainly because he had failed to pay the *hafta* – a weekly collection made by the police to permit petty vendors to carry on their activities. The incident attracted a lot of attention and action was taken by the department to prosecute the guilty police officers after pressure from the public. The National Human Rights Commission asked the government to pay a compensation of INR Rs 2.5 lakh<sup>10</sup> to the next of kin and to take measures to curb the menace so that ‘this vulnerable section of society can live in peace’. The Commission subsequently received a report from the Government of the National Capital Territory of Delhi indicating compliance with the directions of the Commission.<sup>11</sup>

Police can also harass whole neighbourhoods. In a riverside slum settlement in Northern India poor families described to reporters how police were fleecing them: ‘They have made our lives miserable. We do not know when we will be thrown out of our homes. They land up any time and demand money. They threaten us that if we do not pay, they would throw us out of our homes. . . . Last week my clothes were torn apart after my husband could not pay the money demanded. We were allowed to go free only after we sold our rickshaw and paid the money’.<sup>12</sup>

On the other hand, poor people are less likely to receive any attention if they want to register a complaint. For poor and disadvantaged people in many countries in the Asia-Pacific region, non-registration of their complaints is one of the most common and widespread grievances. While this may simply be due to indifference to the needs of the complainants it can also be the outcome of corruption if those accused can pay the police to ignore their crimes.



By R.K. Raghavan

India has won global praise for its robust economy and its wider media coverage of the ways in which public servants function. 'Sting' operations to expose corruption are the order of the day. But amid these very positive developments, not only are visible signs of increased ethical standards few, but an attitude of resignation to entrenched graft also prevails.

Nowhere is this more evident than in the Indian criminal justice system, where the police and judiciary are crucial points of public contact. The police, as the first point, constitute the cutting edge in offering needed relief to a person in distress. Yet it is here that there have been the most vociferous complaints of corruption for decades. Without the offer of a bribe, few victims of crime get their cases registered as a 'First Information Report', the starting point of investigation under the law. Misdeeds may even be suppressed by corrupt officials, often with a view of circulating the false impression that crime is under control, when it is not.

There are, however, successful ways to deal with this. Increasing manpower at police stations, the fundamental unit of policing, will help, but it is not enough. Simultaneously, police staff should also be relieved of responsibility for public order maintenance, specifically for the protection of dignitaries, popularly known as 'VIP security'. Several reform bodies, including the National Police Commission itself, have long recommended that such work be assigned to specialized units, an arrangement under which a police station will then become purely a service centre for the average citizen. The separation of law and order police and crime investigation units was ordered by a Supreme Court judgement in September 2006, however, this has been only partially implemented in many Indian states and must be further strengthened.

Suppression of crime through the manipulation of figures also decrease if a qualitative evaluation replaces a

statistical approach in assessing police performance. But this calls for political will and no political party likes to admit a rise in crime when it is in office.

A major factor behind police corruption in India is the falling level of integrity, especially at the level of elite officers drawn from bright university graduates. While a module in ethics is now part of the curriculum at the National Police Academy in Hyderabad, this seems not to have yet brought about the desired improvement in values. Deterrence in the form of criminal action under the Prevention of Corruption Act 1988 is one response that has been tried, with modest success. In a recent case, a former Commissioner of Police was arrested and prosecuted on charges of involvement in a nationwide fraud scheme. This officer has since been acquitted but the fact he was suspected of malfeasance at all is one index of the perception of declining levels of integrity in the Indian police.

The frequent transfer of criminal cases from the state police to the Central Bureau of Investigation (CBI), India's highest investigating organization, on complaints of lack of police integrity offers another index of the challenges facing police credibility in the states. CBI has limited resources and cannot handle too many cases, but this method of judicial intervention can ensure straightforward criminal investigation in sensitive cases. Likewise, the Supreme Court has ordered the creation of a Police Complaints Authority. Although this is intended primarily to oversee cases involving alleged police brutality, this body also could look into charges of corruption and must be implemented in more states.

At the same time, it is widely believed by the public – and has been admitted by a few Chief Justices themselves – that the judiciary is not free from corruption. Fortunately, this malaise is almost wholly confined to the lower judiciary, which hears the less grave cases of crime. There is, however,

a growing feeling that the canker is spreading upward to the higher courts of the states. The major factor that promotes judicial corruption is the mind-boggling volume of work, which results in the pending of cases for years, sometimes for more than a decade. Judicial discretion to prolong trials is wide, through adjournments sought by defendants for the flimsiest of reasons, which is conducive to corruption. The appointment of unqualified judicial officials, purely on political and non-legal considerations, to prosecute cases on behalf of the State marks another negative feature of the scene.

A provision in the Constitution seeks to ensure judicial integrity, but enforcement has been at times futile, reinforcing a sense of public resignation. In one case, a Chief Justice was tried for impeachment in the national Parliament on charges of grave impropriety. The motion failed because the issue became mired in controversy, with the judge in question being supported by one political group on partisan grounds. Creation of a National Judicial Council to look into complaints against judges, in addition to other matters like appointments, is another non-starter because of differences of opinion between the central Government and the judiciary.

To counter all this, in some instances High Court Chief Justices and judges have been transferred from one state to another in a device tried by the Supreme Court to neutralize partisan judges against whom complaints of corruption have been levelled. Still, this remains a stopgap measure. Ultimately, it is only the appointment of people of unimpeachable integrity that will at least partially ensure judicial and police uprightness.

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*With overwhelming support, constant media attention and intense pressure from all quarters, reforms ultimately proved a success*

Police corruption can also have significant gender implications. According to a 2007 survey in Sri Lanka 78 per cent of the female respondents said that if they had to go to the police station for any reason they would like someone to accompany them, while only 32 per cent male respondents said that they would ask a friend to accompany them.<sup>13</sup> Typical cases in South Asia involve victims of rape. Such cases do not often get reported. One case that made it to the press in Pakistan, for example, involved a rape victim whose father tried to file a case at the nearby police station, to no avail. Almost ten weeks had passed, but no action had been taken. She alleged: 'Some influential people are threatening us with severe consequences'.<sup>14</sup>

### **Tackling Police Corruption**

Police corruption is difficult to address since the police can easily discover that they are under investigation and may be in a position to intimidate witnesses and destroy documents. They can also usually rely on the support of powerful political patrons. One of the most important steps therefore is to ensure that complaints against the police are dealt with by a truly independent and accountable body.

Independence is a necessary condition but it is not sufficient. In fact, in Hong Kong (SAR), China the Commission's headquarters was in its early days surrounded and stormed by outraged police, forcing the Commission to reach a compromise on prosecutions of many officers, and in 1977 its investigations provoked a mass police walk-out. In different circumstances, such incidents might have killed off the fledgling agency. However, the critical element was public determination: the people of Hong Kong (SAR), China were not prepared to go back to the old days. They would no longer accept that policing had to be corrupt and

contrary to their interests. With overwhelming support, constant media attention and intense pressure from all quarters, reforms ultimately proved a success; today Hong Kong (SAR), China has one of the most efficient and law-abiding police forces in Asia.

Similar efforts have been made in other countries. In Malaysia, for instance, the Royal Commission to Enhance the Operation and Management of the Royal Malaysia Police submitted its report to the Prime Minister in April 2004. One of its key recommendations was to establish an Independent Police Complaints and Misconduct Commission, though by the first half of 2007 this had yet to be established.<sup>15</sup>

Other solutions involve changing the structure of police forces to make them more efficient and responsive – applying rigid recruitment criteria, reallocating individuals across tasks, modifying transfer patterns, carrying out an ethical evaluation of those who are up for promotion, and attempting changes in policing styles. The overall intention should be to create more professional and effective police forces that allow individual officers to take greater pride in their work – so that they think primarily about fulfilling their responsibilities.

Corruption may also be reduced by investing more in the police forces. In Karachi, Pakistan, for example, the Citizen-Police Liaison Committee (CPLC) has served as a bridge between the community and the police and has helped increase awareness of the financial constraints and to raise resources to improve working conditions in police stations. The CPLC has contributed to improved performance, including providing access to justice for the poor, offering poor people an alternative mechanism for registering criminal complaints, as well as acting as a forum for dispute resolution for those who cannot afford costly judicial processes.<sup>16</sup>

Another option, depending on the country context, is to decriminalize and regulate activities that commonly serve as sources of income for the police – in some countries it may be possible to look again at legislation that prohibits widely practiced social activities, such as the consumption of alcohol.

It should also be possible to reduce the impact of police corruption by strengthening the rights of suspects. This would include the right to call relatives about arrests or police confinement, which is becoming more practical with the increasing number of mobile phones.

People should also be better informed generally of their rights and responsibilities. In 2005, Pact Cambodia, an international NGO in cooperation with local NGOs, tried to raise awareness among citizens on how to reduce corruption in the traffic system. They emphasized that fighting corruption was the responsibility of every citizen and explained what citizens could do to reduce corruption. They listed, for example, the documents that people had to carry while driving – which differ for family cars, trucks and buses and motorcycles – and detailed the fines that people driving each type of vehicles were officially required to pay for any traffic violation.

In addition to responding more appropriately to gender-related crimes, it is important that women should be able to count on special protection. In the Philippines, for example, police stations now have a ‘women and children concerns desks’ which have helped provide services and protection to the victims of abuse and violence while also helping to improve police-community relations.<sup>17</sup>

### Judicial Corruption

Most people have fewer contacts with the courts than with the police, but these can prove just as difficult and even more expen-

sive. Ideally, courts should be the place where all kinds of disputes can be settled fairly and dispassionately, where judges operate free from any political or commercial pressures, settling cases only on the basis of evidence. Indeed there are many examples where, against considerable odds, courageous and principled judges particularly the higher judiciary do uphold the laws and constitutions of their countries, delivering judgements that correspond with national legislation and the provisions of the constitution.

This is not always so. Even judges who want to uphold ethical principles may find themselves subject to heavy pressure. Often this comes from the top, as judicial proceedings are distorted by political intervention. Judges can be leaned on by powerful politicians to rule in their favour, requiring the courts to provide legal cover for various types of illegal activity – from land grabbing, to nepotism to a range of other dubious commercial transactions such as privatization programmes designed to benefit political or business cronies.

Judges typically come under the heaviest pressure when handling cases that are politically sensitive: for example, the prosecution of former political leaders for corruption or other crimes, or of other high-profile figures who have a wide popular following, when they will be expected to make a politically acceptable ruling.

Most people, however, encounter corruption in the judicial system at lower levels. A number of studies across Asia have found that two-thirds or more of the population consider the routine court system to be corrupt, and admit that they themselves will pay bribes, regardless of whether they are guilty or innocent. A household survey conducted by Transparency International Bangladesh in 2005 found that two-thirds of the respondents who had used the lower tiers

*Even judges who want to uphold ethical principles may find themselves subject to heavy pressure*

*Recognizing this issue, in Pakistan in 2007, the National Judicial Policy Making Committee (NJPMC) called for zero tolerance towards corruption in the lower courts*

of courts in the preceding year paid average bribes of around \$108 per case. This amounts to about a quarter of the average annual income in one of the world's poorest countries.<sup>18</sup> Once people feel that the law is suspect, and that the outcome will turn on who pays the most, even innocent parties believe they will have to bribe to achieve a 'fair' result. Recognizing this issue, in Pakistan in 2007, the National Judicial Policy Making Committee (NJPMC) called for zero tolerance towards corruption in the lower courts. The committee, which has been established to coordinate and harmonize judicial policy within the court system and to ensure its implementation, in September 2007 asked the high court authorities to make frequent surprise checks on lower courts.<sup>19</sup>

### **Forms of Judicial Corruption**

Corruption can emerge at all stages of the judicial process from the initial arrest to the final sentencing to the assessment of the period of imprisonment. Indeed, running parallel with the more formal judicial process there can be an ongoing negotiation between lawyers, judges and others on the size of the required payment – which tends to increase steadily as the case proceeds.

*Police discretion.* Initially the decision to arrest will depend largely on the police who in many cases are open to bribery. The police may also decide on whether complaints that are brought to them should be investigated, often requiring payment just to register cases.

*Prosecution decisions.* In some countries the decision whether or not to bring a case will rely on a public prosecutor. This post does not usually carry a very high salary, but is very powerful and much sought after.

*Trial dates and timing.* Court officials may be bribed to get favourable dates for the hearing. Judges may be bribed to ensure that cases are heard promptly rather than subjected to endless adjournments.

*Evidence.* The police may tamper with the evidence, court officials can be bribed to 'lose' files, and judges may admit or exclude evidence according to which party has paid the most.

*Verdicts.* Once a judge has been 'bought' there is little hope of a fair trial. A bribed judge will often simply distort the testimony of witnesses in their summaries and give the corresponding judgement. Even if the verdict is inevitable the subsequent sentencing may bear little relation to the severity of the crime.

### **What Makes a System Corrupt**

Judicial corruption in many respects is just another aspect of a weakly functioning state. In many countries politically motivated bodies appoint or promote judges according to their own requirements, so that the judicial system becomes just another arm of the executive. Such judges are more inclined to bend to the wishes of their political masters than to guarantee justice or protect the rights of citizens.

Weak judges may also yield to other pressures. Some may, for example, consider it more important to support a relative or associate than to uphold the rule of law. They may also fear retribution – sometimes in the form of violence. In addition to lack of economic security, judges may in countries such as Afghanistan, suffer from a lack of physical security.<sup>20</sup> But they may also be concerned about reactions from other branches of government, which can bring bogus charges or force 'awkward' judges into early retirement.

A further issue is low salaries. Explaining why Singapore's judges are paid high salaries, the former President, Lee Kuan Yu said: 'you pay peanuts, you get monkeys'.<sup>21</sup> Although there are many courageous and honest judges on low salaries, low pay may contribute to corrupt behaviour. In many countries salaries of judges, particularly those who work in rural areas, are so low that they frequently earn much less than the people they are giving judgment on, and often less than practicing lawyers. While on duty, judges may get housing and transport giving them a higher standard of living than that affordable on retirement – tempting them to acquire some funds for the future.

Unquestioned power of the judiciary can also be a source of potential corruption, even as it protects its independence. In most countries where judicial independence is institutionalized contempt of court laws not only insulate the judiciary from the legislature and the executive, they also keep it from media scrutiny.<sup>22</sup> Such laws prevent anyone – elected representatives, officials, media, citizens – from doing or saying anything that is seen to lower court authority. As a result, even when a judgment is suspected of being based on extraneous considerations, it cannot be adversely commented upon openly. Few would risk undergoing a criminal trial, including the possibility of a prison sentence, for commenting on a judicial decision. This ends up gagging the media. In India, for example, where contempt of court is taken seriously, until last year even truth was not considered a valid defense. A few instances of alleged high level judicial corruption have resulted in a debate on the matter.

### **Impact on the Poor**

The poor will suffer from a corrupt legal system primarily because they cannot rely on it for protection. A 2003 UNDP study of

rural justice in Pakistan, for example, found that people in poor villages were reluctant to engage with the formal legal system because they viewed the police and courts as luxuries for the rich. Rather than getting involved with the formal legal system they would prefer to use more informal systems of dispute resolution. Though quicker and cheaper such systems may not necessarily be fairer.<sup>23</sup>

Second, the poor suffer because without being able to afford to defend themselves they are subject to arbitrary judgements that can cause them to lose their land, homes, or livelihoods.

A study in Bangladesh of 3,000 households shows that 97 per cent of households that bought land had to pay bribes for land registration, 88 per cent of the households who mutated their land ownership had to pay bribes for it, 85 per cent households who collected land related documents had to pay bribes, 83 per cent households had to pay bribes for land survey, and 40 per cent households who received land had to pay bribes.<sup>24</sup>

Corruption tends to compound the other factors that prevent the poor from getting access to justice. Often the poorest people live in rural areas far from the courts and have little knowledge of how they work. In addition they are unlikely to have the funds to pay for an experienced lawyer. In Bangladesh, one woman narrated to Transparency International her experience about a murder conviction of her seven-year old boy. While playing he threw a ball which hit the chest of another boy who subsequently died. The court sentenced him to several years in prison. His mother lacked the funds to bribe court officials or to engage good lawyers, and relations of the dead boy evicted her from her home. Although poor families should be able to rely on the support of bar councils and government funds, she was unable to enlist any such help. Fortunately at a later date she received the backing of a human rights group.<sup>25</sup>

*Although there are many courageous and honest judges on low salaries, low pay may contribute to corrupt behaviour*

### *Uprooting Judicial Corruption*

Much of the responsibility for reducing judicial corruption lies with the judges themselves. Judges in many countries have found a powerful voice by joining an association of judges to represent the interests of all judges – particularly lower court and district judges, whose opinions are rarely heard. This can provide a potential for setting norms and standards and abiding by them.

The general principles that judges should follow have been codified in the 'Bangalore Principles'. In 2000 a group of senior judges from Africa and Asia met in Bangalore and listed six core principles: independence, impartiality, integrity, equality, propriety and competence and diligence.<sup>26</sup> These have since been endorsed by a number of international bodies – the UN Commission on Human Rights in 2003, the UN Commission on Crime Prevention and Criminal Justice in

#### **SPECIAL CONTRIBUTION – PROSECUTING CORRUPTION: A PACIFIC PERSPECTIVE**

*By Hon. Madam Justice Shameem*

The abuse of entrusted power for private gain is a habit. It is found in all countries, rich and poor, developed and underdeveloped. It is found in all societies and ethnic groups. All that differs is the degree and type of corruption. In a democratic society it is easier to spot, but corruption exists in democracies and dictatorships alike. Wherever there is power, there exists the potential for power to be abused.

For 16 years before I became a judge, I was a prosecutor, and for five of those years I was Fiji's Director of Public Prosecutions. My experiences taught me that to deal with corruption effectively, you need good laws, a strong and independent judiciary, an independent and well-resourced prosecutors' office, as well as a determined police force.

But that is not all. The prosecutor himself or herself needs to develop immense resolve, a thick skin, excellent research and advocacy skills, along with the ability to look dishonesty and corruption in the face and say, 'This is dishonesty and corruption'. Corruption cases need prosecutors who will carry on even when they lose and lose again, and who will recognize that victory is in trying.

A story I have often told is of the collapse of the National Bank of Fiji. Fiji had its first military coup in 1987, said to be conducted to protect indigenous Fijian interests. In the aftermath, Government procedures, bank

regulations and legal rules broke down or were compromised. The National Bank was asked to process 'soft' loans to indigenous Fijians as a form of affirmative action. For six years, millions of dollars were advanced with no or inadequate security. Law firms created shelf companies to siphon off funds and channel them abroad to unseen, unknown recipients.

The National Bank's board said it did not know what was happening. The Reserve Bank did not know. The Cabinet did not know. The Minister of Finance did not know. Eventually, the media informed the public that the National Bank was owed \$200 million, which it would probably never recover. Police investigations revealed that recipients were neither all indigenous nor financially disadvantaged, uncovering cronyism, dishonesty, fraud and corruption. Cabinet Ministers, lawyers, accountants, civil servants and business interests all benefited.

We started to issue charges. The accused were all prominent members of the establishment. The effects were immediate: first, the hostility of the judiciary. When lawyers are challenged, members of the bench are not always able to consider their cases impartially. The principle of equality before the law, so intrinsic to the rule of law, is most severely tested when we try one of our own.

Second, the inadequacy of our laws

in countries where no political will exists to fight corruption. There will be no political will where charges are likely made against people who are powerful and part of, or supporters of, the Government.

Third, is cultural practices. Fiji has societies that are traditional, authoritarian and patriarchal. Some of the accused were traditional leaders as well as Government officeholders. Charges challenged the traditional practice of gift giving, and of traditional favours expected and received. This was seen as challenging a whole community's cultural identity. Prosecutors were accused of cultural insensitivity, but this obscured the real issue: whether the accused had acted corruptly.

Fourth, is delay. Delay is destructive to prosecution. Witnesses, in any event, reluctant to testify against those in power, renege or disappear. Often, they forget evidence. Delay leads to applications made by the accused to travel abroad, to appeals from interim rulings and to applications for a permanent stay of the prosecution. This happened in a number of fraud and corruption trials in Fiji, including several of the National Bank cases. The result was a failure to air the substance of the charge of corruption.

Fifth, is personal attacks. Members of the bench threatened several prosecutors with contempt proceedings. Two were cited, and one was detained in the cell

*Contd...*



Contd...

after feelings had run particularly high in court. Those were the direct attacks. The indirect attacks were those within the civil service machinery, the lack of cooperation, the abusive memoranda, the ostracism. Only those who live in a small community will understand the effectiveness of the social cold shoulder. When prosecutors take on the rich and influential, their children will be abused at school, threatening letters will be thrown over their gates, old friends will cross the street to avoid talking to them. I suffered all of these, as did other prosecutors. We developed the art of the sphinx-like stare.

Lastly, is the opposition of the executive. An independent prosecutor is a potential challenge to a government that does not believe in accountability. Attempts will be made to subdue that independence, ensuring some executive control. The Government of Fiji tried to force me to agree to report to the Permanent Secretary for Justice. I refused, but the pressure was immense. Together with the personal attacks, the judicial battles, the legal challenges and the political apathy, these pressures defeated the prosecutions.

I see the solutions very clearly, having failed to obtain a single conviction in relation to the National Bank

corruption case. A country determined to fight corruption must have the political will to change laws, to change the structure of government institutions, to not tolerate corrupt conduct and to allocate resources to investigate and prosecute corruption.

How do we persuade governments to develop political will? First is through increasing media consciousness about what is corrupt conduct and how the criminal justice system should be strengthened. Second is through the involvement of civil society, which uses democratic means to pressure governments to pass anti-corruption laws and code-of-conduct legislation. The other advantage of a greater civil society voice is that it creates public consensus about the need to resist corruption, which in turn persuades witnesses that testifying against corruption is an act of courage and a social responsibility. In a democracy – indeed, in any country – there can be no greater voice than that of the people.

Furthermore, all state institutions in a democratic government must be strengthened. These institutions, when weak and corrupt in themselves, undermine democracy. They undermine the rule of law. They perpetuate the false belief that all is acceptable. Corruption

must be prosecuted by strong, well-resourced and independent law enforcement bodies. These institutions are too easy to manipulate and subvert, often in the name of freedom and democracy.

Lastly, anti-corruption agencies must have an educative role. Cases must be fought in an open court, under the glare of public scrutiny. One glimpse of a cultural or government leader in the dock teaches society more about the rule of law than a series of law lectures at the university. In such cases, the media must inform, monitor and report without losing objectivity.

Prosecuting corruption is difficult but the solutions are apparent to those who have been at the front lines and survived. A failure to achieve those solutions, or to work towards them, will result in the failure of the rule of law.

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April 2006, and by the Economic and Social Council of the UN in July 2006.<sup>27</sup> The importance of the Bangalore Principles has also been recognized at the national level. In 2004 the Philippines introduced a new code of judicial conduct for the Philippine Judiciary patterned after the Bangalore Principles.

Lawyers too can contribute, especially through bar associations. One important role of a national bar association is to defend the independence of judges and to lobby governments to provide the support necessary to ensure their effectiveness. Bar associations can also impose sanctions on members who engage in corruption and bring the profession into disrepute.

In Malaysia, for example, in September 2007 the Malaysian Bar Association organized a peace march to express concern about the state of the judiciary and to demand investigation into the authenticity of a video clip featuring what appears to be a well-connected senior lawyer purportedly discussing promotions and factionalism among senior judges over the phone with the number three judge in the country at the time. The clip was recorded on a mobile phone in 2002. The marchers also handed over a memorandum to the Prime Minister's office calling for the setting up of a Royal Commission of inquiry into the controversial video clip, as well as a Judicial Appointment Commission.



The Government was responsive to their request and announced the setting up of an independent panel to investigate the video clip. While welcoming this first step, the Bar Council continued to ask for a broader intervention, namely for a Royal Commission to look into the state of the judiciary and the need for a Judicial Appointment Commission.<sup>28</sup>

Journalists also have a role to play as they can report cases of public interest. Allowing public access to courtroom proceedings can improve journalists' often shaky grasp on the legal ramifications of a case, improving public perceptions of the judiciary. In many jurisdictions the problem is not sensationalist reporting by journalists, but rather the obstacles that make it difficult for the media to report allegations of corruption. Some recent efforts undertaken by the media, such as a hit and run case and a media analysis comparing the lifestyle of judges to the size of their salaries (thereby exposing the accountability gap) have attempted to improve the administration of the judiciary.<sup>29</sup>

Judicial reform programmes involve a wide range of measures that can help reduce corruption. These include:

*Budgeting.* To protect judicial independence, for instance, budgets for the courts could be a charged item to minimize political interference. Independent judicial councils could also present budget proposals directly to parliament. Specifics would depend upon the local context.

*Contempt of court laws.* In most jurisdictions disobedience of a court order constitutes contempt of court. But who will judge the judges or check their power? A possible way could be to codify laws on contempt or drop them altogether. Alternatively, a body could be set up for self-regulation by judges guided by bar associations, senior lawyers and former judges.<sup>30</sup>

*Appointments.* Judicial appointments should be made by independent bodies with representatives from the legal system as well as from civil society. In the Philippines, for example, under the Action Programme for Judicial Reform launched in 2000, several citizen watch groups were formed to monitor the selection of the chief justice, ombudsman and election commissioners.

*Salary and working conditions.* Judges should have salaries that match their experience and qualifications and they should be offered all necessary protection for their security. To deal with case overload and provide better access at the lower level, the number of benches could be increased.

*Security of tenure.* Judges should serve fixed terms, for ten or more years, and should not be removed for reasons other than professional misconduct.

*Promotion.* Systems of promotion should be merit-based, rewarding those who have upheld the integrity of the law.

*Education and training.* This should allow judges to gain an understanding not just of the law but also of ethical standards and of ways to resist external influences. This would help reform the organizational culture within the judiciary.

*Random case assignment.* Cases should be assigned on objective criteria and judges should not work in courts where they have ties with local politicians.

*Transparent procedures.* Cases should generally be heard in public and judges should be required to give written reasons for their judgements. Courts can also be subject to independent monitoring. In Cambodia, for

example, since 2003 the Center for Social Development has been monitoring court proceedings through its the Court Watch Project. Similarly, in the Philippines, under the Action Programme for Judicial Reform, the NGO Bantay Katarungan has been monitoring court proceedings and the screening of applicants for positions in the regional trial courts and courts of appeals. As a result, between 1998 and 2001, the Supreme Court took disciplinary action against judges for graft and corruption.<sup>31</sup>

*Use of information technology.* Transparency can also be enhanced by making much greater use of information technology. The Malaysian Government, for example, has decided to expand a pilot e-judiciary project that provides the judiciary and government agencies such as the police with easier access to court documents. In addition to enhancing transparency and accountability, computerization of the courts should help in providing speedy, high quality and cost-effective justice, while also reducing corruption and harassment. In India the introduction in 1998 of ICT in court management has reduced the huge backlog in the Supreme Court. Encouraged by this the Government now has a five-year plan to computerize the national justice delivery system. This will include computer rooms in all 2,500 court complexes, and official laptops and training for 15,000 judicial functionaries.<sup>32</sup> Viet Nam too has been making greater use of ICT. In 2001 the Office of the National Assembly (ONA) compiled a database covering 12 legal areas, more than 250 legal documents and more than 1,300 questions into a CD-ROM called 'Your Lawyer'. This has been distributed to delegates to the National Assembly in all 61 provinces, offices of people's councils, and media organizations, as well as

being available on the internet. In addition, the ONA has developed 'Lawdata', a comprehensive database collecting legal documents in Vietnamese and containing more than 11,000 documents which are updated frequently.

But ultimately, governments need to demonstrate the political will to root out corrupt judges. In China in 2006, for example, one case involved three top judges from Fuyang Intermediate People's Court in East China's Anhui Province, who were arrested for taking bribes. Two were sentenced to 9 and 10 years imprisonment respectively, with the other one still on trial. Another case involved five senior judges from Shenzhen's Intermediate People's Court in South China, three of whom were sentenced to jail terms ranging from 3 to 11 years.<sup>33</sup>

### **Not for Sale**

Across the region, corruption is clearly widespread in justice systems, with serious implications for the poorest people who are least able to pay bribes or engage effective lawyers.

Cleaning up the justice section is thus an urgent priority. Unless countries are determined to ensure that their systems of justice are clean and fair, they are unlikely to be able to uproot corruption from other sectors – since there will be much less prospect of successfully prosecuting offenders.

Much of this will require intensive institutional reform – to ensure that police forces and the judiciary operate efficiently, with adequate salaries, and systems of checks and balances, both official and unofficial, to ensure that justice is delivered in an open and transparent fashion. This is likely to require significant investment. Justice does not come cheap. But on the other hand it should not be for sale.

*In India the introduction in 1998 of ICT in court management has reduced the huge backlog in the Supreme Court*

# 3



## Keeping Public Services Honest



BANGLA *Khushi kora* making happy

LAO *Kin sin bon* taking bribe money

CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law

SINHALA *Santhosama* money given as a gratification

URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection

THAI *Ka-numron-numcha* cost for hot water and tea

TAGALOG *Buaya* corrupt people, literally crocodile

PERSIAN *Baksheesh* gift, tip

DHIVEHI *Naajaaiz faidhaa* illegal benefits

MALAY *Duit kopi* coffee money

INDONESIAN *Pembinaan wartawan* cultivating journalists

FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox

HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly

CHINESE *Yang-lien* money to nourish honesty, an ancient term

*But if you do not have the Tao yourself,  
what business have you spending your time  
in vain efforts to bring corrupt politicians  
onto the right path?*

CONFUCIUS

# Keeping Public Services Honest

Corruption is widespread in social services such as health and education, as well as in public utilities that provide electricity and water. As a result poor people find themselves excluded from schools or hospitals that they cannot afford, or asked to pay extra simply to gain access to services to which they already have a right. Communities are however now keeping a closer check on services and finding ways to monitor and control them.

In rich and poor countries alike, governments assume the major responsibility for ensuring the availability of key services. In some cases, they will do so by regulating provision by the private sector, but in many developing countries governments take responsibility for delivering the services themselves through government departments or public corporations. As a result they employ large numbers of people as teachers or doctors or nurses, for example, directly as civil servants or indirectly as workers in public corporations that supply electricity, water or sanitation services. Most of these employees do their jobs conscientiously, often in very difficult circumstances, but others exploit their position to their own advantage – to extract ‘rent’ from their privileged positions.

## Health Services

Developing countries in the Asia-Pacific region have been expanding health services, though the region as a whole still spends less as a percentage of GDP than other parts of the world. Worse still, much of this expenditure is being dissipated by corruption. As a result even basic preventive measures such as vaccination programmes can be undermined, while families already in distress as a result of illness face the added anxiety of unpredict-

able extra costs or are driven towards the private sector.

Corruption can occur within health services at all levels, from grand corruption as funds are siphoned off during the construction of new hospitals or health centres, to petty corruption as health workers or administrators demand bribes just to perform their routine duties. Some of the most common forms of corruption within health services are summarized in Table 3.1.

*Developing countries in the Asia-Pacific region have been expanding health services, though the region as a whole still spends less as a percentage of GDP than other parts of the world*

**TABLE 3.1**

### CORRUPTION IN THE HEALTH SECTOR

<i>Patient–Doctor</i>	<i>Payer–Hospital</i>	<i>Hospital–Supplier</i>	<i>Within hospital/Ministry</i>
Bribes for treatment	Fraudulent billing for fictional treatment	Kickbacks for purchase orders for drugs, equipment, supplies, meals and cleaning services	Sale of jobs and promotions and transfers
Induced demand for unnecessary procedures (e.g. caesarean deliveries)	Patients with coverage get procedure and prescription	Bribes for approval of drugs	Theft of funds
Diluted vaccines		Doctors bribed by drug companies for prescribing their drugs	Theft of supplies

Source: Azfar and Azfar 2007.

*Another outcome of corruption in drugs supply is the provision of low-quality drugs*

### **Grand Corruption and Procurement**

Health funds can disappear at the highest level of government. In some countries 10 per cent of the health budget can disappear en route from the Ministry of Finance to the Ministry of Health, and more subsequently leaks out through various side channels, as the funds flow from national governments to provinces and to local hospitals and clinics.<sup>1</sup>

Much of this corruption is linked with procurement as companies pay bribes for public contracts for major construction projects. There can also be kickbacks from suppliers of equipment or of ongoing services, such as meals or cleaning. Health ministry officials and hospital administrators can inflate the cost many times, colluding with private suppliers to share the difference.

In any health service the largest expenditure after personnel costs is for drugs. Asia is one of the world's fastest-growing markets

for pharmaceutical products and many multinational drug companies are planning to expand their investments and operations in the region. Corruption can occur at all stages of drug development and supply from approval and registration, to selection and distribution. For the drug companies one of the main priorities is to ensure that their products are prescribed, so they are profligate with their 'perks' for doctors that could be seen as forms of corruption. They might, for example, sponsor doctors at conferences, underwrite symposia, or pay expenses for doctors and their spouses to attend drug launches abroad. They may also give free drug samples and offer expensive gifts such as watches, air-conditioners, laptops or even down-payments for new cars.

Another outcome of corruption in drugs supply is the provision of low-quality drugs. In some countries around one-third of drugs are expired or counterfeit (Box 3.1). These

#### **BOX 3.1**

##### **COUNTERFEIT DRUGS IN ASIA**

According to the World Health Organization, a counterfeit drug is 'a medicine, which has been deliberately and fraudulently mislabelled with respect to identity and/or source. Counterfeiting can apply to both branded and generic products and counterfeit products may include products with the correct ingredients or with the wrong ingredients, without active ingredients, with insufficient active ingredients or with fake packaging.'

The counterfeit drug trade is of particular concern in Asia and the Pacific because of the volume of drugs produced in the region and high levels of corruption at many stages along the pharmaceuticals supply chain. Corruption can occur, for example, when regulatory bodies are bribed to approve new drugs without meeting standards. It can also happen at the point of manufacture, when corrupt employees siphon off active pharmaceutical ingredients and substitute substances that may have insufficient amounts of active ingredients or actually be toxic. It can also happen at the point of sale, where drugs can be repackaged or adulterated.

The extent of the problem in Asia is troubling. In Indonesia, the International Pharmaceutical Manufacturers Group estimates that counterfeit drugs make up 25 per cent of the \$25-billion pharmaceutical market. In India, estimates show that about one in five strips of medicine sold are fake and

that counterfeit drugs have grown from 10 per cent to 20 per cent of the total market. In the Philippines, 30 per cent of drug outlets carry fake drugs. A 2004 survey in Southeast Asia showed that among 188 tablets presented as the anti-malarial drug artesunate, more than 50 per cent were found to be counterfeit. International health officials are also concerned that fake antibiotics and anti-retrovirals will soon be leaking into the market.

In the case of anti-malarials insufficient quantities of active ingredients, besides failing to heal unsuspecting patients, can also lead to drug resistance. Concern about the rising counterfeit drug trade is such that the World Health Organization last year established the International Medical Products Anti-counterfeiting Taskforce. One of its key objectives is to encourage countries to recognize counterfeiting drugs as a crime against human security and to introduce legislation that deals specifically with the issue. The Agency has also set up the 'Rapid Alert System' (RAS) – the world's first web-based system for tracking the activities of drug cheats, which transmits reports on the distribution of counterfeit medicine to National Health Authorities in the region.

*Sources:* WHO. n.d. (a).; Centres for Disease Control and Prevention. n.d. WHO. n.d. (b).



may be sold fraudulently through the private sector, or through public health services as a result of corruption on the part of those procuring drugs.

### Bribery

Users of health services are more likely to encounter corruption as a demand for a bribe. Health workers frequently ask for 'extra payments' to speed up admission to hospital or to provide a particular drug or treatment. Bribery is common throughout the region, but particularly high in South Asia, as is evident from Figure 3.1.

One survey of Bangladesh, India, Nepal, Pakistan and Sri Lanka found that health workers often demanded bribes for admission to hospital, to provide a bed, or to give subsidized medications.<sup>2</sup> In one Indian city, a social audit in the form of citizen report cards revealed that more than half of the respondents had paid bribes in government hospitals. Among people using hospitals in small cities the proportion paying bribes rose to almost 90 per cent. In maternity hospitals mothers even had to bribe the nurses in order to see their babies.<sup>3</sup> Within some countries in South-East Asia, the proportion of people paying bribes tends to be lower perhaps because more people get their treatment in the private sector.<sup>4</sup>

These extra payments have now become so institutionalized that many people have come to accept them and even regard them as useful. In countries where the quality of public sector care is weak, they can see these informal fees as a form, albeit unreliable, of quality assurance. They regard health as so important that it is worth almost any price to get the best outcome. This is particularly the case for in-patient treatment, for which they have fewer choices: concerned about greater risk from invasive or intensive procedures

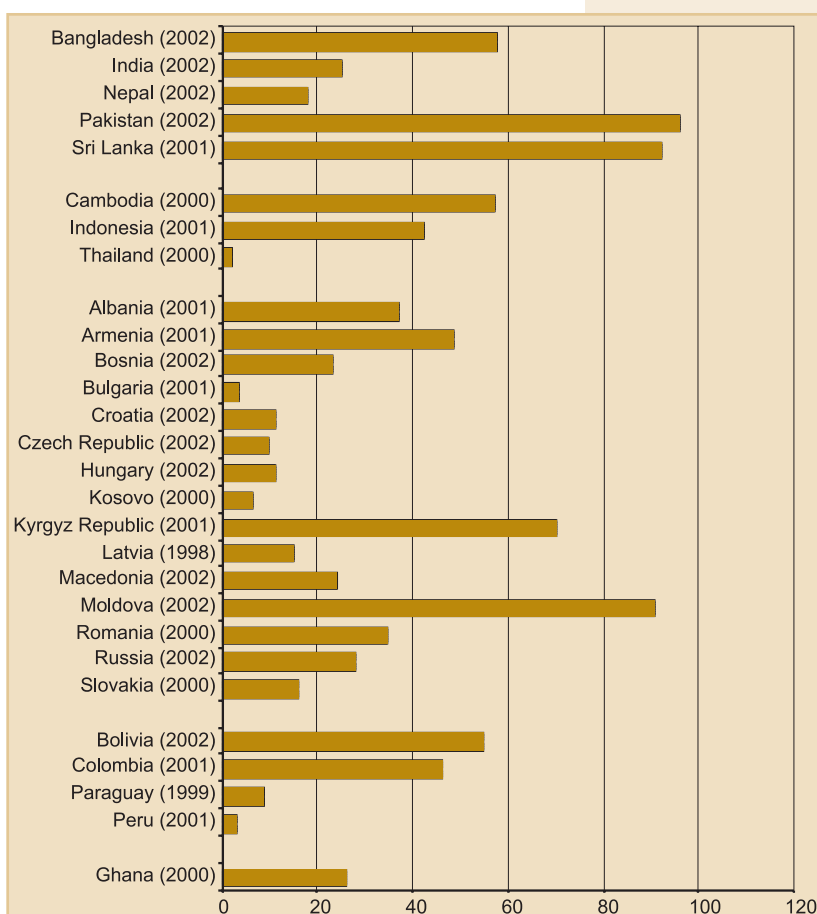


Figure 3.1: Proportion of Users of Health Services Who Make Informal Payments, Selected Countries

Source: Lewis 2006.

they might welcome the opportunity to influence the outcome.

### Staffing and Absenteeism

Corruption can also take various forms within health service staffing. This may involve, for example, buying positions at the time of hiring, along with nepotism or political or military influence for postings. In one South-East Asian country it has been reported that a post of director at the provincial or national offices of the health ministry can be obtained at a going rate of up to \$100,000, while a job as a low-level public

*Health workers frequently ask for 'extra payments' to speed up admission to hospital or to provide a particular drug or treatment*

*The most extreme absenteeism takes the form of 'ghost workers'*

servant in the health sector will cost \$3,000. In countries where government salaries are generally only around \$40 per month these are huge sums which are paid on the assumption that they can be more than recouped through corruption.<sup>5</sup>

Corruption in staffing can also take the form of absenteeism. At a low level this is common in most working environments and is usually more an issue of management failure. But at higher levels, and in more systematic forms, this can be considered corruption, since health workers are abusing their position by taking salaries while not showing up for work. Across the region reported absenteeism rates cluster around 35 per cent to 40 per cent and tend to be higher for doctors and nurses than for other health workers. In one survey from Rajasthan in India nurses were to be found in their posts in villages only 12 per cent of the time.<sup>6</sup> Rates of absenteeism are also typically higher in rural areas, not only because of the lack of

supervision but also because staff find it more difficult to get to work or are discouraged by the prospect of using clinics that lack equipment or drugs or are in a poor state of repair.

The most extreme absenteeism takes the form of 'ghost workers'. These are fictitious staff whose salaries are paid into the accounts of public officials.

Grand corruption and many forms of petty corruption, as in other parts of public service, are often a reflection less of need than of greed. But there are other contributing factors. One is that health services are generally underfunded, so hospitals and health centres may feel the need to make charges just to cover the costs that are not being met by central government (Box 3.2). Since these payments are unofficial, however, they are unlikely to be accounted for fully and in institutions where management is weak will sustain an atmosphere where unofficial payments and corruption seem normal.

## BOX 3.2

### DRUG EXPERIMENTATION

Transnational pharmaceutical companies are providing much wanted capital investments but also challenging the region to improve its systems of regulation. In most countries the pharmaceutical regulatory bodies are understaffed and unable to cope with the new industry of drug testing. This has created much room for corruption. In India, for example, clinical tests have to be authorized by the ethical committee of the hospital that will carry out the trial and by the Drugs Controller General, which is a part of the Indian health ministry. This is, however, mainly a paperwork check. Random inquiries have found that some patients are not even aware that they are being experimented on.

Hospitals are often in dire need of funds and for the sums offered by the pharmaceutical companies are willing to cut corners. In most cases the companies refer to written consent from patients or relatives, however interviews have shown that many people just accept what the doctor recommends, without understanding the implications. Additionally, even when these test drugs prove to be efficient most of the patients they are being tested on have to revert to their old drugs after the test period is over, because they cannot afford the new ones.

What can be done to curb this activity? First, steps will have to be taken to reduce the vulnerability of the drug-controlling agencies. Checks and balances should be enforced to ensure their integrity and neutrality, as well as making sure that these offices are adequately staffed. Additionally, ethical committees in hospitals should be streamlined and mechanisms should be in place to ensure that they implement the rules on conflict of interest.

Secondly, the only training many doctors have on conducting trials comes from the company in question or a contracted research organization, which may include trips abroad and other benefits. Some misconduct could be reduced by neutral training, including lessons on how to identify and act on ethical issues. Overall there needs to be more thorough monitoring of the entire process of drug testing, right from approval by the national drugs controller to the actual tests on patients.

Sources: BBC News 2006; CancerPage.com 2001; De Ron 2006; Radakrishnan n.d.

### *Impact on the Poor*

One might expect corruption to result in poorer standards of health. Some cross-national studies have indeed suggested that in countries where levels of corruption are higher some health inputs such as immunization are lower. This could be because vaccines or other supplies are being stolen or because the health workers are absent from their posts. Immunization rates may also be lower because corrupt officials have an interest in directing investment towards expensive curative care which offers greater opportunities for rent-seeking – diverting funds from immunization programmes or other forms of primary health care.

These cross-national comparisons have been supported by national studies.<sup>7</sup> One study from a country in South-East Asia estimated that a 10 per cent increase in corruption, as measured by the perceptions of public officials as well as of service users, reduced the immunization rate by 10 per cent to 20 per cent and also the odds of completing vaccination by four times. The same increase in corruption increased the waiting time in public health clinics by as much as 30 per cent and decreased user satisfaction by 30 per cent. This study also highlighted an interesting difference between urban and rural areas. In the urban areas, as corruption increased, households were more likely to be deflected to private providers. But in the rural areas where they had fewer alternatives to public health clinics, they simply had to wait longer.<sup>8</sup>

Some studies have also looked at the relationship between corruption and health outcomes. A global study of 89 countries found that a two-point change in the corruption rating, as measured by the World Bank control of corruption index, was associated with a halving of child mortality.<sup>9</sup> Indeed even

controlling for many other factors that would also reduce the death rate, such as per capita income, the level of female education, public health spending, the dependency ratio and the extent of urbanization, corruption still had a significant impact on child mortality. Of course not all of this corruption will be in health services. Child mortality, for example, will be affected by the availability of clean water and good sanitation, so corruption in these services too is likely to damage children's health.

Hospitals often run short of supplies as a result of mismanagement, lack of funds and negligence, but this is exacerbated by corruption. Some users may provide their own linen or food as a cultural preference, but they can also find themselves buying bandages, syringes and medicines – a significant burden for the poor.

Bribery and the need to make up for missing supplies inevitably discriminate against the poor. This is not because they have to pay more. Indeed in absolute terms it seems that compared with 'richer customers' they pay around 40 per cent less.<sup>10</sup> However, these lower payments still represent a far higher share of household income, and if the poor pay less they may also get a lower quality service; those who can pay more will be able to jump queues and get preferential treatment in public hospitals. And when public health services are undermined by corruption the richer households have the option of paying for private care.

### *Uprooting Corruption in Health Services*

Reducing corruption in health and other government services will require action from above and below. From above, governments will need to ensure more transparent and better managed services; from below, users can work together to resist demands for

*Bribery and the need to make up for missing supplies inevitably discriminate against the poor*

Unlike other social services, corruption in education can also affect behaviour and perceptions of future generations

bribes. Examples from action around the region include:

*Reducing Informal Payments in Cambodia.* In Takeo Provincial Hospital in Cambodia in 1996, the monthly revenue from informal payments was estimated at \$13,750 – about five times the monthly hospital payroll and about 45 per cent of the total budget. Since then the hospital has reformed the way it works. It has, for example, replaced informal payments with formal user fees and directs the revenue from these to pay bonuses for staff. Even so, patients are now paying less in official fees than they did in informal charges, and know too that the fees will be consistent and predictable. This has transformed the operation of the hospital, which treats many more people at a lower cost.<sup>11</sup>

*Radio power in India.* The radio programme ‘To be Alive’ is broadcast on state radio in the poor rural region of Kutch in Gujarat province. This is made by semi-literate rural people trained by a human rights organization to be amateur radio reporters. Often a whole team of reporters will carry out ‘radio raids’. They directed one, for example, at a doctor who was charging women for delivering babies at a community health centre – a service which was supposed to be free for the poor. This sparked a government inquiry into illegal charging at primary health centres across the country.<sup>12</sup>

*Removing fake drugs in Mekong countries.* In 2003 in the Mekong subregion – Cambodia, Lao PDR, Thailand, Viet Nam, and Yunnan Province of China – it was found that all countries were using substandard or fake antimalarials. With the combined support of the US Pharmacopeia Drug Quality and Information Programme, USAID, WHO, and national and local governments, the regula-

tory authorities in all these countries have been improving communications and cooperation across borders, so they have been able to notify each other of the circulation of fake drugs and remove them more quickly from all outlets.<sup>13</sup>

*New prescriptions in China.* In June 2006, China’s legislature adopted the sixth Amendment to the Criminal Law, stipulating that staff members of schools and hospitals will face criminal penalties if they seek bribes or receive kickbacks or commissions. The former Commissioner of China’s State Food and Drug Administration (SFDA) was subsequently convicted for accepting more than \$850,000 in bribes. The government has launched a large-scale investigation among the SFDA staff who are possibly involved in this case. All drug licences will be re-issued. The Ministry of Public Health now requires hospitals to separate the procurement of drugs from the writing of prescriptions so that neither hospitals nor doctors benefit from prescribing particular drugs.<sup>14</sup>

## Education Services

Throughout the Asia-Pacific region, education typically forms a large part of the public sector, consuming about 20–30 per cent of the national budget and employing a substantial proportion of each country’s civil servants.<sup>15</sup> Since most of these have direct contact with the general public, it is not surprising that education services are vulnerable to corruption. Moreover, with so many people involved there are often strong vested interests that will resist attempts at reform.

Unlike other social services, corruption in education can also affect behaviour and perceptions of future generations. Children who see their parents pay bribes for school admissions and to get books and better grades, learn

from a young age that things can be achieved by violating rules. Some of the types of corruption prevalent in education systems in Asia and the Pacific are summarized in Table 3.2.

### Procurement

Corruption in the procurement of material and labour for school construction can increase costs between two and eight times, as funds for school buildings are siphoned off by corrupt officials.<sup>16</sup> It also reduces the quality of construction since contractors who pay bribes to get contracts try to offset some of the costs by using sub-standard materials. This can have tragic outcomes. Many countries in the region are vulnerable to earthquakes which have often laid waste to hundreds of schools, burying children within them. Although schools are not usually designed to be earthquake-proof they should provide at least some level of security, rather than instantly crumbling at the onset of an earthquake.

Corruption can exist in the purchase of textbooks, desks, blackboards, and other supplies, as well as in contracts for cleaning services and meals. Supplies and funds are frequently misappropriated. In one province in Pakistan a social audit estimated that only 16 per cent of textbooks procured by the government reached the intended children.<sup>17</sup> In Bangladesh in 2001, 25 million secondary level children started the school year without textbooks and when the books were finally delivered they were found to be full of errors.<sup>18</sup>

### Ghosts and Absentees

In many countries corruption is widespread in the hiring of teachers, which in the most extreme form, results in the recruitment of

**TABLE 3.2**

#### CORRUPTION IN THE EDUCATION SECTOR

<i>Student-Teacher</i>	<i>Payer-School</i>	<i>School-Supplier</i>	<i>Within school or Ministry</i>
Bribes for admission and grades	Ghost schools and ghost teachers	Kickbacks for construction	Sale of jobs and promotions and transfers
Sale of exam papers	Inflating number of students to get reimbursements	Kickbacks for construction or for purchase orders for equipment, meals and cleaning services	Fraudulent billing for expenses
Absenteeism and induced demand for private tuition	Loan officers bribed to give loans to rich students or non-students	Bribes for approval of textbooks	Prioritising expenditures where the rent seeking potential is high.
<i>Source: Azfar and Azfar 2007.</i>			

'ghost teachers' or even in creation of entire 'ghost institutions' – with the allocated salaries and other expenses going into the pockets of corrupt officials.

A related problem is teacher absenteeism. Surveys across the region show this to range from 16 per cent to 25 per cent in primary schools.<sup>19</sup> Even so, teachers are almost never fired. Indeed since they are rarely disciplined even for repeated absence, it is impressive that there are so many dedicated teachers who work conscientiously.

### Bribes and Unauthorized Fees

Just as families may need to pay bribes to get into hospitals, they may also have to pay bribes to get their children admitted to schools. In China, in 2003 audits of nearly 3,000 primary and 1,500 secondary schools in Jiangxi found 125 cases of illegally collected fees worth \$2 million. Nationwide the government uncovered over \$20 million in illegally collected school fees. In 2004 the authorities disciplined 2,488 people in the education service and dismissed 359 school

*In many countries corruption results in the recruitment of 'ghost teachers' or even in creation of entire 'ghost institutions'*



*Many see education as one of the few possible ways out of poverty and go out of their way to secure the necessary funds to put their children through school*

principals. At the higher education level the national government audited 18 institutions in 2003 and found that 15 per cent of all charges were illegal.<sup>20</sup> While similar examples can be provided from other countries, it seemed that the main causes of corruption were the lack of accountability, low salaries and the monopoly of power, compounded by the shortage of specific guidelines or auditing systems.

This problem is also common in South Asia where students are often required to make unofficial payments for admission to schools, for books, sporting or religious events, examinations, or promotion to higher classes.

Bribes for tuition or a better grade may also be extorted in the form of sexual exploitation. Educators abusing their positions in this way betray the trust of the community, exposing children to illegal and unethical practices. This can affect boys, particularly at an early age, but girls may be more vulnerable since they are less able to challenge such abuse.

### **BOX 3.3**

#### **CORRUPTION IN PRIVATE SCHOOLS IN BANGLADESH**

Bangladesh has a large number of private schools which receive Government support. Their interactions with the Government have provided numerous opportunities for corruption. First, in order to receive financial assistance to pay the salary of school teachers, a private school has to renew its registration each year which means bribing the concerned officials. They might pay for this by requesting a contribution from teachers or by paying them less or by registering a non-existent teacher and passing the corresponding sum back to the official. A school that fails to make the payment is likely to find that their application will be lost or misplaced. Throughout the school year, the schools are also made to pay bribes to inspection officers and to get students registered for exams.

The teachers themselves will also have to pay to get a job in a private school. First they need to 'manage' the school's managing committee and make a contribution to the district education officer. They will also need to pay to get enrolled in the monthly pay roll or if they want a promotion. The students are also drawn into the corruption cycle. Since teachers have to cover the costs of these payments they will often enrol their pupils for compulsory extra coaching.

*Sources:* Ahmad et al. n.d., Ahmed 2006.

### **Impact on the Poor**

Corruption reduces the funds available for education and lowers the quality.<sup>21</sup> Siphoning off funds robs schools and pupils of equipment and facilities. The quality of teaching also suffers if there is corruption in recruitment or promotion or if teachers are frequently absent or make less effort in schools because they want to work as private tutors teaching some of the same pupils (Box 3.3). Studies have shown that higher levels of corruption are correlated with lower school enrolment and higher rates of repetition and dropout and illiteracy.<sup>22</sup>

Poor families also suffer if they have to pay bribes. Many see education as one of the few possible ways out of poverty and go out of their way to secure the necessary funds to put their children through school, often working at several jobs. If they cannot raise the funds their children are less likely to enrol or may subsequently drop-out.

There are also long-term social costs. If richer people can buy admission to higher education, better exam results, or degrees, this blocks key routes of social mobility. At the same time, entire generations of youth are being mis-educated – to believe that personal success comes not through merit and hard work, but through favouritism, bribery and fraud.

### **Uprooting Corruption in Education Services**

Governments urgently need to address corruption in education. Otherwise schools will continue to transmit a culture of corruption to succeeding generations, undermining all other anti-corruption initiatives. Thus far, however, few countries in the region have been able to approach the issue in a comprehensive and effective manner. A number of initiatives



have been implemented, some of them more successful than others. Practice shows that governments can tackle corruption in education through much closer supervision and by allowing communities more control over schools, through parent–teacher associations and other local organizations (Box 3.4). Some successful initiatives include:

*Counting books in the Philippines.* Textbook procurement and delivery in the Philippines has long been plagued by theft, patronage and favouritism. To tackle this, one of the country’s best-known anti-corruption advocacy groups, Transparent Accountable Governance (TAG), in 2004 organized Book Count 2, bringing together a range of civil society groups, from NGOs to churches to Girl and Boy Scout groups, to monitor the delivery of books all over the Philippines. TAG is a joint project of the Makati Business Club, the Philippines Center for Investigative Journalism, the Philippines Center for Policy Studies, and Social Weather Stations, with funding provided by USAID, through a partnership with the Asia Foundation.<sup>23</sup>

*Digital attendance in India.* Most rural schools in Rajasthan have only one teacher, so when the teacher is absent, children miss an entire day of school. Because the villages are often remote it is difficult to monitor attendance and the absentee rate has been over 40 per cent. The NGO Seva Mandir came up with a novel solution – requiring teachers to take a photo of themselves with the students at the beginning and end of each school day using cameras with tamper-proof date and time functions. They randomly selected 60 to serve as treatment schools and another 60 as a control group. Teachers received a salary of about \$22 if they were present for at least 21 days in a month and a bonus of \$1 for each additional day but were penalized \$1 for each

#### BOX 3.4

##### EDUCATION AS A SOLUTION

Education is frequently a site of corruption but can also offer solutions. A number of countries in the region, from Mongolia to Papua New Guinea, have introduced some form of anti-corruption education providing children with the information and knowledge to take a stand on corruption for the future; this also partly contains the seeds of how corruption can be countered.

Public education is an important part of Hong Kong’s Independent Commission Against Corruption (ICAC). The Community Relations Department aims to change public attitudes towards corruption. The main targets, however, are young people who are reached through schools. From an early age children are being exposed to anti-corruption and morality lessons. ICAC also organizes a number of social events such as concerts and sports targeting youth. Effective moral education programmes can help young people internalize the conviction that corruption is wrong and unacceptable. Ultimately fighting corruption should rely less on external controls and deterrents and more on self-motivation and self-discipline.

Source: <http://www.icac.org.hk/eng/main/index.html>

day they were absent. In the control schools, teachers simply received a monthly salary of \$22 but were reminded that they could be fired for poor attendance and warned that each month there would be unannounced school visits. The results were striking. The schools with cameras made dramatic improvements and increased the number of child-days taught per month by one-third. The experiment was also cost-effective: average salaries in both groups were similar though this did not include the costs of cameras and programme administration – annually around \$6 per child.<sup>24</sup>

*Community management in Indonesia.* In some schools in Indonesia corruption in the management of funds has been minimized by the involvement of parent’s associations which decide on the use of these funds and monitor them to ensure that they reach their intended destination. At the beginning of the school year, school officials meet with representatives of the parent’s association to agree on an annual plan, then during the year provide them with a detailed accounting of

*Practice shows that governments can tackle corruption in education through much closer supervision and by allowing communities more control over schools*

*Each year millions of children die as a result of diarrhoea and other diseases caused by unclean water and poor sanitation, compounded by erratic power supplies to health facilities*

expenditures. The system works because the use of these funds is highly structured, expenditures are transparent and the community attaches considerable importance to the system and takes pride in its success.<sup>25</sup>

*Mobilizing support in Pakistan.* Following the devastating earthquake in 2005, most primary schools in the Manshera district of Pakistan were totally destroyed. Some of the teachers were displaced, but others also used the earthquake as an excuse for absenteeism. A local NGO managed, however, to get a number of schools functioning again by mobilizing local opinion. The NGO contacted leaders such as *imams* and elected representatives and encouraged them to put pressure on teachers. The NGO also organized workshops with teachers, local counsellors and clerics where they emphasized social and religious responsibilities for education and children's rights. Almost all the teachers participated in the workshops, and within two months of the earthquake most primary schools in the district were functioning again.<sup>26</sup>

Such examples should however only be considered as an indication of what is possible. What works in one context may not work in another. Some countries have, for example, had good experiences with decentralization but in others this has merely shifted corruption from one level of administration to another. No single intervention will be sufficient in itself, rather the more successful approaches have combined a comprehensive understanding of the problem with incentives, supervision, sanctions and participation.<sup>27</sup>

### **Public Utilities**

Many countries in the Asia-Pacific region have made progress in delivering essential services, particularly water; around 80 per cent of the

population now have access to improved water supplies. Progress in sanitation has been slower: indeed South Asia's sanitation coverage, at only 37 per cent, is among the lowest in the world. As this implies, even for water many millions of people are still unserved. In 2004, more than 650 million people lacked access to safe water supplies, and almost two billion to safe sanitation.<sup>28</sup> The situation is worse in the rural areas, and for the poorest families. Electricity supplies too can be erratic: many parts of the region suffer from low voltage operations or frequent power outages.

Even these data overestimate access to services since the quality is often low. Water supplies, for example, can be intermittent and polluted by faeces from leaking septic tanks. This has serious implications. Each year millions of children die as a result of diarrhoea and other diseases caused by unclean water and poor sanitation, compounded by erratic power supplies to health facilities. For businesses and households that rely on public grids, inadequate power supplies severely limit the technology they can use and their range and duration of economic activities.

### **Grand Corruption in Infrastructure**

One of the main causes of low coverage and poor quality services is underinvestment. Extending water, sanitation and electricity coverage is expensive, requiring large-scale upfront investment for basic infrastructure. Much of this is being dissipated through corruption.<sup>29</sup> Across the region the standard kickback for infrastructure projects is often quoted as 10 per cent of the value of the contract though in some countries it is thought to be 20 per cent to 40 per cent. Corruption can emerge through the whole cycle from project selection to subsequent repairs (Box 3.5).

**BOX 3.5****OPPORTUNITIES FOR CORRUPTION THROUGHOUT THE PROJECT CYCLE****Project selection**

Corruption can negatively affect the selection of projects. For example, corruption can divert resources away from social sectors toward defence and major infrastructure projects

Corruption may also encourage the selection of uneconomical projects because of opportunities for financial kickbacks and political patronage

**Planning stages**

Projects can be used as vote winners or opportunities for personal gain rather than on the basis of priority or availability of financial resources

Planning in favour of high value infrastructure (white elephant projects) and against the interest of the poor

Project requirements may be overstated or tailored to fit one specific bidder

When firms bidding for contracts offer 'training' or 'entertainment' to officials

**Inspection stages**

Weak oversight and supervision mechanisms that prevent the detection of fraud and corruption

Kickbacks can be given to persuade inspectors to turn a blind eye to slow implementation of projects, unfulfilled contract requirements, and other instances of malpractice

Mutually corrupt relations among construction companies, inspection teams and government authorities continued, with inspectors overlooking the improper construction

**Design**

Project design or timing of the project might be manipulated to benefit particular suppliers, consultants, contractors and other private parties

Bribes for favourable environmental impact assessment/planning proposal/approval

Over designed and overpriced projects can increase potential corrupt earnings during implementation

Kickbacks to government officials for rapid privatizations of utilities

**Bid and contract signing stage**

Political parties levy large rents on international businesses in return for government contracts

Kickbacks for construction and supply contracts

Officials receive excessive 'hospitality' from contractors and benefits in kind

Inadequate advertising of tender

Excessively short bidding time

**Construction**

Provision of equipment or goods of lower than specified

quality (typical examples include less cement or steel reinforcements)

Corrupt contract amendments to a contract's scope of work and costs

Outright theft of materials, equipment or services with collusion

Corrupt diversion of allocated project funding

Duplication of payments, alteration of invoices, lack of supporting records, ineligible payments, over billing, misuse of funds, unauthorised payments, etc.

Concealing substandard work

Bribing the relevant official to certify that the work was done according to specification

**Service delivery**

Superiors in the public service charge 'rents' from their subordinates

Siphoning off supplies to market

Ghost/absent workers – accepting a salary and not being at the job

Use of contacts or money to get better or faster service or to prevent delays

**Maintenance and management stages**

Corruption in procurement of equipment and spare parts

Withholding needed approval or signatures for gifts/favours

Bribes to win O&M contracts or personnel appointments

Lower standard of construction to create the need for expensive repair and maintenance

**Subscription process**

Extra-legal payments for new connections

Consumers paying money in order to speed up the process

Officials being paid to turn a blind eye to unauthorized connections

**Billing system**

Opaque system of billing

Irregularities in the ledger of paid bills

**Disconnection**

Disconnecting customers in good standing

Extorting money to reconnect customers

Extorting money to prevent disconnection

**Fault redress**

Extorting money for repairs that are meant to be free

Gift giving in return for favours in fault redress

Source: Sohail and Cavill 2007.

*Once the systems are in place corruption continues in day-to-day operations*

One contractor in South Asia described the process. Contractors, he said, have to pay at every stage. This starts with basic information. Public authorities have been known to publish advertisements for new tenders in obscure newspapers, particularly during festival times, so that potential bidders are unlikely to see them. Instead officials expect contractors to pay to be informed. Having discovered the project and made a bid, the contractor will then have to bribe the executive engineer to ensure that the bid is successful. When work has been completed the contractor will need to pay the inspecting engineer for a good report. After completing the work some companies put *khushi kora* money into the budget as incidental costs (bribes are known as *khushi kora* or 'making happy'. The term comes from the promise 'do the work we will make you happy later'). The need to pay bribes to the authorities and *mastans* means that the contractors are obliged to engage in *dui numbari kaj* (illegal activities).<sup>30</sup>

Nevertheless, much of the blame lies with construction companies themselves which participate actively in all these activities, indeed frequently taking the initiative. They are well versed in the ways of colluding with other bidders or with officials in executing agencies, governments and financing agencies. Even before there is a proposal a contractor with insider connections can influence a contract's identification and creation as well as its specification, tender conditions, preparation and design.

Contractors also collude in tendering and bidding. A group of contractors will often put in coordinated bids in such a manner that their preferred candidate will win – on the understanding that the others will be designated as sub-contractors or as winners for future projects. In many cases, officials are aware of the bid rigging. When this happens, the project costs include the 'grease money' to

be paid by the pre-agreed winner, and a certain percentage goes to the agency's personnel. Not all the payments need be in cash. Private companies can also offer lavish hospitality inviting municipal staff to visit their headquarters with tickets and all expenses paid in the expectation of being awarded the contract.

Once the project is underway there are many other opportunities for fraud in billing, for example, in the acquisition of rights of way, and in degrading construction quality. Companies can make 'ghost' or substandard deliveries, or submit supplemental billings for cost over-runs, or they can pad delivery receipts or payrolls – all with the knowledge of project engineers, auditors, examiners, and supervisors. Then when all this corruption results in substandard work, new opportunities arise to prepare inflated bills for repairs and maintenance.

### **Grand Corruption in Public Networks**

Once the systems are in place corruption continues in day-to-day operations. The ensuing losses can be huge. It has been estimated that if the water sector operated in a transparent fashion, and corruption were eliminated, 20 per cent to 70 per cent of resources could be saved. The World Bank suggests that 20 per cent to 40 per cent of water sector finances are lost to dishonest and corrupt practices.<sup>31</sup> For example, research in India into a Water and Sewerage Board found corruption in the following aspects of service delivery:

*Bulk water supply.* The quantity of water to be supplied to residential, commercial or industrial units is under the control of a 'key-man' or 'line-man' who regulates the valves. For a suitable payment he can open these for longer than scheduled or favour some areas over others. A handsome bribe can ensure an

additional connection to a particular housing, industrial or commercial unit. Local officials can also collude with owners of water lorries to supply water through lorries rather than through municipal pipes, enriching both vehicle owners and themselves in the process. Another technique is to bribe the water and sewerage board to tap directly into the main line and then supply water by donkey cart to villages and settlements.

*Accounts and recoveries.* Officials may intentionally issue incorrect high bills to consumers in order to receive a bribe to correct the bill – blatant blackmail that can only be bypassed by influential people. Officials may also do the reverse – under-bill in return for a bribe or favour.

*Purchases.* Staff commonly accept commission payments or kickbacks for purchases of everything – from heavy machinery to minor fixtures. Officials can, for example, raise a fake request for a purchase, then forge an entry in the stock register to say that the components have been supplied by colluding with a contractor who then issues a corresponding invoice, the proceeds of which he shares with the officials. This activity is also common in the maintenance of municipal vehicles, with officials paying fake bills for maintenance and fuel.

*New connections.* Getting a connection is often designed intentionally as a very complicated process, so consumers may find it quicker to apply through a middle man, who may be an approved contractor or someone from the department. As well as taking his own commission, this person knows who to pay and how much, they may also provide a higher-volume connection at the price of a lower-volume one.

One of the most high-profile cases of dubious provision of power supplies occurred

in 1990 in the state of Maharashtra in India. A TNC attempted to supply power to the state through a subsidiary. This was achieved through secret negotiations that violated India's Electricity Supply Act. The project faced corruption allegations from its early stages. During subsequent litigation, the High Court of the state of Maharashtra observed that the state committee involved in the renegotiation 'forgot all about competitive bidding and transparency'. The multi-billion dollar plant was mothballed in 2001 because its electricity was turning out to be prohibitively expensive, putting a lid on potential corruption<sup>32</sup> with the Maharashtra State Electricity Board deciding not to buy any more power from it. Although the plant continued to remain idle for some years it is currently being set up for reactivation.<sup>33</sup>

In the Philippines in 2005 an ADB study found that 'deeply-rooted' corruption was increasing costs of power projects, delaying their implementation and providing Filipino households and businesses with electricity services that were both unreliable and expensive; two to three times the prices in other countries.<sup>34</sup> It said corruption was involved in almost all phases of a project, from tendering and bidding to operation and maintenance as well as in privatization and the awarding of independent power-producing contracts (Box 3.6).

### **Petty Corruption**

Water supply, sanitation services, and electricity supply offer economies of scale that make it technically more efficient to have a single provider acting as a 'natural monopoly'. And, particularly when the investment is beyond the reach of private investors, the sole provider is likely to be a public corporation. Whether provision is public or private, utilities tend to be local monopolies. This puts

*Whether provision is public or private, utilities tend to be local monopolies*



## BOX 3.6

### PRIVATIZATION: MIXED RESULTS IN INDONESIA AND THE PHILIPPINES

In most cities in the Asia-Pacific region, utilities and services are considered the domain of government, but in some cases the utilities have been privatized. Faced with the deterioration of public services, some metropolitan authorities have argued that services should be priced and paid for according to their value. International financial institutions and aid agencies have supported this view and have advocated the use of privatization schemes.

Metropolitan infrastructure and services often require massive capital investments. These lumpy capital requirements can be met by public-private partnerships that may also increase managerial efficiency and allow the application of cutting-edge technological approaches.

In 1997, the ownership and management of the Jakarta Raya and Metro Manila waterworks and sewerage system were transferred to joint consortia made up of international and domestic concessionaires. In both cities, the privatization initially resulted in considerable improvements. In Metro Manila, the concessionaires installed 238,000 new water connections, 128,000 of which were in urban poor communities. New service connections that averaged only 17,040 per year between 1991 and 1995 tripled to 53,921 between 1997 and 2001. However, the 1997 Asian economic crisis hit those privatized schemes that were heavily dependent on international financing. In both countries, sudden drops in the value

of currencies greatly expanded the foreign debts of the concessionaires. In Indonesia, the ousting of the Suharto regime forced the withdrawal of one of the partners, including one of Suharto's sons, from the venture. In the Philippines, one of the domestic concessionaires declared bankruptcy and the government had to sustain the operations of the water system.

Public officials, in collusion with private companies, may also see 'prospects' in the privatization of infrastructure. For instance, an advisor for public sector management and reform at the Asian Development Bank cites one Asian country that lost around \$50 billion in ten years. This was a result of corruption through undervaluing assets that were sold to local and foreign investors in return for commissions.

On the other hand, officials at the lower levels may resist privatization if they fear a loss of illicit income. In July 2001 the then Prime Minister of Papua New Guinea, publicly described both his own party and his government as systematically corrupt for attempting to block the privatization of state assets on the grounds that this would reduce their opportunities for exploiting public resources.

Sources: Agro and Laquian 2007; Evans 1997; Forbes 2001; Inocencio et al. 2001.

staff working for operators in a powerful position which, combined with shortfalls in supply, creates fertile ground for corruption. Officials can take advantage of the fact that consumers have nowhere else to turn. Staff might, for example, supplement their salaries by colluding with clients to provide services

'informally' by selling them water supplies, carrying out repairs for side-payments, falsifying meter readings, or making illegal connections. This can often lead to 'needs-based' corruption; if poor people need supplies of water or electricity they have no choice but to collude. A survey in Bangladesh found that 60 per cent of urban households either paid money or exerted some form of influence to get water connections, and that nearly one-third of urban households had their water bills reduced through an arrangement with the meter readers.<sup>35</sup> Consumers are often willing to pay bribes just for convenience; even honest consumers will be discouraged by long queues to pay bills and be tempted to turn to 'middle men'. For the simplest routine – legal or necessary functions such as obtaining a connection – they may have no choice but to make 'grease payments' or pay 'tea money' or 'speed money' (Box 3.7).

## BOX 3.7

### DIRECT ACTION IN DELHI

Parivartan is an NGO that has helped people use *satyagraha*, a form of non-violent resistance, as a mechanism to fight corruption. When a customer of Delhi Vidyut Board got an inflated electricity bill, a Parivartan volunteer accompanied him to the offices, but each time the officer would politely apologise for the delay and seek more time. On his final visit, the volunteer replied, 'Sir, I am not in a hurry. I have told my people at home that I will not be back for a week.' The officer replied, 'But I have to go now for a meeting with my Chief Engineer that will last till late in the evening.' The volunteer said, 'Sir, please don't worry. I will keep sitting here. When you come to the office tomorrow, you will find me sitting here. You may go ahead with your meeting without worrying about me.' Unsurprisingly, he immediately got the revised bill issued and then went for the meeting.

Source: <http://www.parivartan.com/satyagraha.asp>



The transition from corrupt to clean institutions can often be difficult. Bangladesh offers a recent example. The current Interim Government says that one of the primary objectives of its administration is to tackle corruption. It has implemented far reaching and effective measures to prevent, identify and punish corrupt acts. However this has inadvertently worsened the situation of the poor since businesses are finally paying taxes on their products and passing these price increases to consumers. As a result there have been dramatic increases in the price of fish and rice, which are staples of the Bangladeshi diet. Many business leaders report that procedures that used to require merely a bribe or a quick call to the right contact, now demand paperwork in triplicate with multiple rounds of approvals. Thus although citizens have welcomed the tough stance on corruption this support could be eroded by rising prices.<sup>36</sup>

For electricity supplies, much of the corruption is linked to illegal connections

from the main line. Since this can be detected quite easily, a middleman is needed to encourage the electricity department inspector to turn a blind eye. In some areas almost all these inspectors are corrupt. They may take small payments but these can soon add up. In some countries around half the power disappears in the form of 'system losses'. One survey of power supplies in India found that in the previous year 12 per cent of households had paid bribes to obtain services; of these, more than one-third had paid money to a line-man, while one-quarter had paid money to an agent or middleman<sup>37</sup> (Box 3.8).

Problems of corruption can also occur when the utilities are privately run though the contract may be obtained with a certain amount of 'generosity'. The utilities company may, for example, invite municipal staff to visit its headquarters, paying for both the ticket and stay. Nevertheless overall corruption tends to be lower. The cities of Kolkata and Mumbai in India, for example, have had

*Although citizens have welcomed the tough stance on corruption this support could be eroded by rising prices*

### BOX 3.8

#### THE TORTUOUS PROCESS FOR GETTING AN ELECTRICITY CONNECTION

In South Asia, the process of obtaining a permanent electricity connection for a new building or complex can involve a long and expensive series of steps:

1. The customer submits an application to the electric supply corporation through an approved contractor. She or he must also submit to the planning department copies of the site plan of the plot, the approved plan of the building, the National Identity Card of the plot owner, the lease of the plot and sale deed for the plot along with an agreement to pay for the connection.
2. The planning department issues a load regularization agreement (LRA) in favour of the land owner.
3. The customer sends an LRA to the chief engineer of the electric supply corporation for approval. This requires a bribe.
4. The approved LRA is then sent back to the planning department.
5. The planning department prepares a supplementary estimate requirement, which requires another bribe.
6. The estimate is given to the approved contractor to pay official charges.
7. The payment is sent through an approved bank.

8. The customer submits the payment receipt to the planning department which, after payment of a bribe, transfers the application along with other documents to the underground department.
9. The underground department prepares a list of the material needed. This requires the largest bribe of all.
10. The contractor approved by the electric supply corporation charges an official fee for installation of material at the site.
11. The underground department prepares a final estimate.
12. The customer pays a security deposit through an approved bank, which is the official fee.
13. The government electric inspector issues a test form, for which there is a charge.
14. When the contractor has completed the work and all meters have been installed the operations department energizes the line after payment of a bribe.

In total, getting a permanent electricity connection for a medium-sized complex requires over \$4,000 – a significant proportion of which is bribes.

Source: Sohail (ed.) 2007.

private utilities for decades and their commercial procedures tend to be better than those of state-owned corporations. They also have stronger accounting systems that discourage theft. As a result their 'commercial losses', including those from theft, are usually around only 15 per cent – half of those incurred by the state-owned utilities, which are typically in the range of 30 per cent to 35 per cent.<sup>38</sup> Also in India, the state of Orissa privatized the distribution of electricity several decades ago and has benefited from significant improvements in billing and collection. Even so, a review of the performance of the utilities conducted by the Orissa Electricity Regulatory Commission in 2005 showed that the company was still losing some \$240 million per year as a result of corruption, mainly from stolen electricity and also from inadequate metering, billing and collection.<sup>39</sup>

### ***The Costs for Water and Electricity Supplies***

Corruption thus costs the water and electricity sectors millions of dollars every year, diminishing a country's prospects for providing services for all. Globally it is estimated that corruption in the water sector absorbs 20 per cent to 40 per cent of all funds,<sup>40</sup> while corruption and theft in the electricity sector each year costs another \$40 billion.<sup>41</sup> Losses on this scale cause significant damage:

*Inefficiency.* Corruption seriously undermines the performance and effectiveness of both public and private sectors, discouraging the investment urgently needed to improve supplies. In one major city in the region it has been alleged that the public utility held back on improving water supplies in the areas supplied through kiosks or hydrants, for fear of losing the side payments that the hydrant

operators paid to utility officials.<sup>42</sup> The operators of water tankers are often controlled by powerful mafias that capitalize on inept water distribution systems and have effectively privatized the supply: after paying corrupt officials to turn a blind eye, they sell the water to hotels and other businesses.<sup>43</sup>

*Warped distribution.* Corruption skews decisions on who is likely to get services. Residential suburbs, for example, can be left without water because the supply has been siphoned off to service the farm of a prominent politician.

*Capital-intensive investment.* Corruption also biases investment towards large new infrastructure projects and away from smaller scale but less lucrative investment in the rehabilitation of systems or in improving operation and maintenance.

*Weak finances.* Corruption undermines the long-term financial stability of utilities and thus their ability to offer reliable services to a wider population, while also diverting government revenues that could be used to improve water supply and other services.<sup>44</sup>

*Environmental damage.* Corruption constrains overall water-resource management by encouraging inefficient use of freshwater or over-extraction of ground and surface water.

*Public health.* Reducing supplies of drinking water directly undermines public health, and more so for the poor. Corruption in utility services can also undermine standards of health. In the Republic of Korea, for example, in order to avoid paying the costs of reconstruction of underground water sites, water quality testers were bribed to provide fake test results. Subsequently 1,753 water sites were found to have contaminated water, with high

levels of nitrates, which can cause a condition known as methemoglobinemia or 'blue baby' disease.<sup>45</sup> Erratic electricity supplies to health centres and public hospitals also undermine basic and emergency care.

*Lower income potential.* Opportunities for small and micro-enterprises are restricted when electricity is expensive, erratic or unavailable, particularly for the poor in semi-urban and rural areas and in urban slums.

*Hardship for households.* Erratic and expensive electricity make it difficult to get sufficient heating and lighting. Children will thus find it difficult to study in the evenings.

### **Effects on Poor People**

The most damaging effect is on the lives of poor people through high prices. As one consumer said to a researcher for this report: 'It is really tough for a day labourer to pay a high price for electricity and water. You know it is not possible to get electricity and water connections without bribes or extra money. So our budget is strained and we cannot afford to meet our needs. We cannot save anything for our future either.' Others said that they had been deprived of basic foodstuffs, medical facilities, incurred business losses and interrupted children's education because they had to spend money on bribes. In these circumstances many poor people feel powerless and helpless.<sup>46</sup>

Although corruption affects both sexes, it can present particular difficulties for women-headed households. Service providers may, for example, be more inclined to demand a bribe from women whom they consider to be more susceptible to coercion, violence or threats. Women are also at risk of sexual harassment, women-headed and other poorer households are likely to be less aware of where to file a complaint.

For the poorest people, even low-quality services tainted by corruption are, of course, better than nothing. So any sudden enthusiasm for clamping down on corruption at the consumer end – by cutting off illegal connections in slum areas, for example – would leave them with no services at all.

### **Uprooting Corruption in Utilities**

Many of the strategies for uprooting corruption involve greater investment in services to minimize the shortages that encourage people to pay bribes. Public corporations need to improve standards of management and operate in a more transparent fashion. But consumers too can take direct action to get better services. Some examples from around the region including in sanitation (Box 3.9):

*A single window cell in India.* At the end of the 1990s the Hyderabad Metropolitan Water Supply and Sewerage Board introduced a number of customer-focused service delivery reforms. This included a process of consolidated applications for new connections – previously a major source of corruption. Rather than filing an application in their local district office, customers now go to the Board's headquarters to a 'Single Window Cell' (SWC) which manages all the related activities, such as obtaining a road-cutting permit or land surveying. The Board publishes the fee schedule for various plot and connection sizes in its office and in the press, thus reducing the opportunities for staff to levy excess charges. The process has been designed as a one-visit operation so the customer rarely leaves the SWC without an 'application token number', the equivalent of a receipt for acceptance of the application.

*Grass root monitoring – in Pakistan.* For many decades, institutional decay and corruption in Pakistan resulted in poor public water,

*Women-headed and other poorer households are likely to be less aware of where to file a complaint*

### BOX 3.9

#### UPROOTING CORRUPTION IN SANITATION

Corruption in the sanitation sector is generally less well documented and understood than in water supplies. This is partly because most sanitation systems, in rural areas in particular, are likely to be based on individual septic tanks or pit latrines that are installed or purchased by each household.

Corruption is most likely to occur, however, in the installation of capital-intensive sewerage networks in cities generally to serve high-income neighbourhoods. Even in household sanitation projects, there are opportunities for corruption when the government offers subsidies for latrine construction. Corrupt officials can direct these subsidies to relatively less poor families. Contractors brought in to do the work can over charge for construction, or use cement that contains too much sand. It is estimated that 20 per cent to 30 per cent of funds and materials are diverted from sanitation programmes due to corruption and dishonesty.

One example of efforts to reduce this type of corruption comes from Kerala in India. In 2003, the Socio-Economic Units

Foundation (SEUF), a non-profit organization, worked together with local governments to carry out a subsidized sanitation programme, serving poor families. This ensured that local people understood the system which could then be monitored by different groups such as water and sanitation committees, women's groups and youth groups as well as households and local government. The programme used different ways to control spending such as public and open selection and multiple tenders, independent audits which required double signatures on receipts and surprise spot-checks of suppliers. Monitoring and mapping exercises were carried out with cross-checking to ensure validity and stop the flow of subsidies to ineligible households. This experience showed that triangulation is essential in ensuring the honest allocation of subsidies. Overall, up to 20 per cent could be saved on construction costs while improving the quality of sanitation facilities.

*Source:* Water Integrity Network 2006.

*Staff are not seen as a source of the problem but as a major part of the solution*

sanitation and electricity services. This process in turn fuelled citizens' mistrust of Government and politics. In response, the Government in 1999 embarked on a massive national reconstruction process which included devolving powers to the grass roots, restructuring federal and provincial administrations and reforming the civil service. As part of this the Government also introduced, along with direct involvement of the beneficiaries, a system of social audits to evaluate the outcomes. The government hoped that these audits would increase transparency and help reduce some of the mistrust while also monitoring the delivery of services. Donors too were attracted by these audits which would help measure the impact of their support programmes.<sup>47</sup>

*Cleaner water supplies in Cambodia.* The Phnom Penh Water Supply Authority has improved hugely over the last decade with the coverage in the city increasing from 25 per cent to 90 per cent. Between 1999 and 2006, the number of household connections

for the poorest people in the city has risen from 100 to over 13,000.<sup>48</sup> This has been achieved by creating an autonomous and transparently-run authority in which the staff are given greater responsibility and are paid according to financial performance. Although the tariffs were increased, these were used to subsidize connections and bills for the poorest people. Automated billing and collection systems have replaced the often corrupt bill collectors. Inspection teams penalize those with illegal connections, which encourages people to report them. Customer service has also been improved with a free phone number and a 24-hour repair team for water leakages. Any staff associated with illegal connections are removed or punished immediately. More importantly, staff are not seen as a source of the problem but as a major part of the solution.

*Clean energy in Bangladesh.* The Rural Electrification Board and its rural electric cooperatives (Pally Bidyut Samities, or PBS) are expanding electricity services in rural

areas. They have protected themselves from corrupt practices through a number of innovative arrangements. First the Board of each PBS is selected by consumers. Then the meter readers are hired on one-year contracts that can be extended to three years with good performance, after which the meter reader has to seek a different career, which is not difficult if they have a good record. Every year the management of each PBS negotiates an agreement that includes targets for system loss, collection efficiency, revenue and cost of supply per kilometre of line and debt repayment. The PBSs use independent consulting firms to survey rural areas, identify potential consumers and design the electricity distribution network. They also display on a notice board the list of lines to be installed, to reduce the risk of corruption and nepotism in investment decisions and help to avoid constructing uneconomical lines.

*Reducing collusion in Pakistan.* The Local Government and Rural Development Department (LGRDD) in Azad and Jammu Kashmir, Pakistan works in remote areas of the state, but keeps a tight rein on activities through field visits and biannual meetings. It has eliminated private contractors for all but the most technically complex of the 1,260 schemes; instead, its technical staff work with community members who provide the required labour and organize the purchase of supplies. In sum, it has limited the opportunities for ‘cream skimming’ and collusion. Moreover, the staff take great pride in their work and in reducing corruption. Most technical staff were not told at the time of their hiring that they would have to do so much

community work. ‘I thought I was hired as an engineer,’ one employee recalled. ‘Then I found out I was going to be an engineer, a community organizer, a policeman, and a labourer.’ Over time, technical staff have formed close bonds with the communities to which they are assigned.<sup>49</sup>

### The Right to Services

Corruption is undermining a whole range of public services, siphoning off much needed funds that could be used to invest in better standards of health and education and more efficient and cheaper public utilities. Much of this corruption is tied up with procurement, as companies pay bribes for public contracts for major construction projects. People across the region often have to pay bribes just to obtain services which should be theirs by right.

Many of the problems are linked to low investment which creates shortages that public workers can exploit – allocating scarce resources to those who are prepared to pay. Reducing corruption in health, education and other government services will require action from above and below. From above, governments will need to ensure more transparent and better managed services; from below, users can work together to resist demands for bribes.

So far few countries in the region have been able to approach the issue in a comprehensive and consistent fashion. There are, however, many cases in which governments have been able to introduce more efficient and transparent systems and citizens have united to demand their rights.

*Technical staff work with community members who provide the required labour and organize the purchase of supplies*



# 4



## Stopping Leakages in Financial and Material Aid



- BANGLA *Khushi kora* making happy  
LAO *Kin sin bon* taking bribe money  
CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law  
SINHALA *Santhosama* money given as a gratification  
URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection  
THAI *Ka-numron-numcha* cost for hot water and tea  
TAGALOG *Buaya* corrupt people, literally crocodile  
PERSIAN *Baksheesh* gift, tip  
DHIVEHI *Naajaaiz faidhaa* illegal benefits  
MALAY *Duit kopi* Coffee money  
INDONESIAN *Pembinaan wartawan* cultivating journalists  
FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox  
HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly  
CHINESE *Yang-lien* money to nourish honesty, an ancient term



*A tilted load won't reach its destination.*

AFGHAN PROVERB

# Stopping Leakages in Financial and Material Aid

Governments and international agencies frequently have to respond with large-scale programmes, disbursing funds or materials to help people in difficulties. This may be the result of emergencies, arising from conflict or natural disaster, for example, and referred to as 'special development situations'. Or they may be giving longer-term assistance in the form of 'social safety nets'. In either case, resources destined for the poor risk being diverted by corruption.

Financial and material aid in emergency responses, longer term development situations, and social safety net programmes are of particular relevance for the most disadvantaged. Emergencies such as conflict, natural disasters or sudden changes in political configuration – sometimes referred to as 'special development situations' – often bring out the best and the worst of human beings. Unarmed resisters in conflicts bravely confront their tormentors. Many people in natural disasters risk their lives to save others. Public servants will frequently remain at their posts, serving their communities while foregoing easy opportunities to reap material rewards for themselves. Nevertheless, there are also people who take advantage of opportunities to enrich themselves when large amounts of cash and goods have to be transferred, sometimes very rapidly and with few administrative controls. Corruption can aggravate the impact of crises and undermine social safety net schemes. In turn, the availability of no-cost or low-cost aid can create conditions for corruption.

Over the past decade, most special development situations in the Asia-Pacific region have been linked to conflict – and have generally occurred in countries with the lowest levels of human development. As Table 4.1 shows, these also tend to be territories

with the lowest rankings in the World Bank's control of corruption index (CCI). It seems likely therefore that many of these conflicts are linked to poverty and to the capacity and integrity of governance. Countries with low levels of corruption tend to have more coherent states with stronger social fabrics. Struggles between competing interests, therefore, are less likely to degenerate into destructive or violent conflict.

Corruption, on the other hand, tends to break the trust between the governing and the governed as well as sow dissension among communities. Indeed much of the momentum for political transitions often derives from public outrage at perceived corruption or abuse of authority. This has been evident in the mass protests that lead to some of the region's major political transitions, as in the Philippines (1986 and 2001), in Indonesia (1998) and in Thailand (2006).

It can also be argued that corruption contributes not just to political instability but also to the impact of natural disasters. While the forces of nature such as earthquakes and volcanic eruptions are largely unpredictable their likely effects are well understood and can be anticipated. Stronger states can therefore mitigate the damage by enforcing controls, closing certain areas to development and enforcing building controls. Corruption

*Much of the momentum for political transitions often derives from public outrage at perceived corruption*

**TABLE 4.1****ASIA-PACIFIC COUNTRIES, BY CCI RANKING AND  
EXPERIENCE OF CRISIS SITUATIONS**

	<i>CCI rank (2006)</i>	<i>HDI rank (2005)</i>	<i>Special development situation</i>
High CCI ranking			
New Zealand	4	19	None
Singapore	5	25	None
Australia	11	3	None
Hong Kong (SAR), China	16	21	Stable political transition through return to China
Japan	21	8	None
Macao (SAR), China	64	–	Stable political transition through return to China
Taiwan, Province of China	62	–	None
Republic of Korea	74	26	None
Malaysia	67	63	None
Low CCI ranking			
Timor-Leste	166	150	Conflict followed by transition to sovereign independence
Viet Nam	147	105	None
Nepal	155	142	Political transition linked with political insurrection
Philippines	151	90	Separatist/sectarian conflict
Indonesia	159	107	Political transition, separatist/sectarian conflict, major natural disaster
Papua New Guinea	188	145	Separatist conflict
Pakistan	170	136	Political transition, regional conflict and large scale disaster
Cambodia	192	131	Post-conflict consolidation
Bangladesh	197	140	Political transition commencing
Myanmar	205	132	Sectarian conflict

Sources: Evans 2007; UNDP 2007a; World Bank 2007b.

undermines these efforts by allowing uncontrolled development and compromising building inspection practices. Perceived levels of corruption were found related to the earthquake death toll in a review of the impact of 344 large-scale earthquakes in 42 countries over a 28-year period, worldwide.<sup>1</sup> The links between corruption and disasters are even clearer with localized disasters, such as landslides that result from illegal logging or the destruction of fishing resources as a result of pollution from industrial zones upstream.

### Emergency Responses

Despite their significant differences, most special development situations have a number of similarities. The most obvious is an extraordinary event, which leads to a breakdown of regular social, economic and or political interactions and the assumptions that underpin them.

In the case of short-term emergencies this breakdown is further complicated by the arrival of international agencies typically under pressure to spend fast. The multiplicity of newly arrived international agencies (UN, donors, IFIs, NGOs, contractors, etc.) can also be highly aggressive in seeking to establish their programmes and disburse their resources. They can also be eager to position themselves against the ‘competition’ and move quickly with flagship projects or face the risk of losing funds. This reduces the time available for substantive programme planning and risk analysis – problems compounded by high rates of staff turnover. The diversity of administrative systems among agencies makes it difficult to keep track of funds and supplies.

This is most evident in procurement. Usually organizations operate with standard market principles of predictability of price, quality and availability. They are expected to make purchases at the lowest price with highest quality and anticipate subsequently being

audited. These regulations may be relaxed or even set aside during an emergency as many more resources arrived from many different directions and often travelling through unfamiliar channels. Combined with the imperative to spend fast, this produces an environment which is susceptible to corruption.

International agencies may also have the disadvantage when they are unfamiliar with existing networks of patronage and de facto local business models. They may end up selecting staff and partners who have questionable local reputations. At the same time the agencies may try to curry favour with local administrators by offering salary top-ups, special training or international travel. Local people, on the other hand, are more familiar with the terrain but they can have the disadvantage of not knowing how recovery programmes operate. This asymmetry of knowledge can easily degenerate into mutual mistrust, including mutual perceptions of corrupt behaviour.

Does this matter? Many people argue that anti-corruption efforts regarding emergencies are second-order priority compared with building up functioning institutions. International actors typically overwhelm local absorptive capacity by trying to do too many things at once. Shouldn't they try to create the basic institutions first and clean them up later, dispensing international funds quickly rather than carefully?<sup>2</sup> Others see this perspective as naïve, if not downright irresponsible, arguing that international agencies and NGOs should never immerse themselves in quick and dirty deals that disregard the longer-term damage in terms of community practice and expectation (Box 4.1).

### **Longer-Term Special Development Situations**

Longer-term processes, linked either to ongoing conflicts, post-conflict situations or sud-

den changes of political configuration, raise many of the same issues. For instance, there is a usually multiplicity of agencies who try to apply normal controls in an abnormal environment.

Governments and international agencies have to consider how the misuse of resources relates to efforts to achieve reconciliation and build peaceful societies. In this case there is a temptation to be more tolerant of corruption, allowing antagonistic groups to share the spoils as part of buying a kind of temporary peace. The pragmatic argument in favour of this practice is that it demonstrates that 'all have a stake in the system' and leads to some sense of immediate commitment to the initial peace process which, is hoped to deepen in time.

But this is counterproductive: such 'peace agreements', in fact, usually contain the seeds of future corruption. Practices such as dividing up ministries among differing conflict protagonists can often lead to a kind of 'balkanisation' of the civil service, subverting any commitment to a merit-based administrative system by institutionalizing patron-client relationships. Ultimately, it is likely to replicate the fault lines of the earlier conflict. At times, war veterans and returning exiles may see reconstruction as a 'payback' scheme, using wartime sacrifices to 'justify' misuse of public offices and positions.<sup>3</sup>

Evidence from a number of countries shows that neglecting the corruption problem from the outset is a dangerous strategy, allowing corrupt elites to entrench themselves in politics and set up predatory schemes that are extremely difficult to eliminate later on. As in post-conflict environments, there can also be a major shift in patterns of economic ownership which opens up opportunities for corruption. For example, Indonesia in the wake of the Asian financial crisis, nationalized most of the large private banks

*In post-conflict environments, there can also be a major shift in patterns of economic ownership which opens up opportunities for corruption*

*When corruption is seen as common, even 'normal', it becomes difficult and complex to reduce*

along with some of the businesses that had taken loans from them. The subsequent processes of asset consolidation, restructuring and (re)-privatization challenges were fraught with problems related to integrity and corruption.

Along with the regime change, there is also the danger of shifting from one form of corruption to another. Corruption occurs in many centralized authoritarian regimes, because they lack the safeguards to curb abuses and exploitation of state assets by military officers or politicians and their cronies.<sup>4</sup> In a more democratic environment,

the new government may on the other hand choose to privatize state assets – public utilities such as water, electricity, telephony and transportation – only to see these captured by local, corrupt elites.<sup>5</sup>

Whatever the type of government, in some ways when it comes to corruption the perception is arguably even more important than actual prevalence, since it can become a self-fulfilling prophecy. When corruption is seen as common, even 'normal', it becomes difficult and complex to reduce. Another common feature of a corrupted environment is a growth of cynicism in response to the gulf

#### BOX 4.1

##### CONFRONTING THE DOUBLE WHAMMY IN ACEH

The earthquake and tsunami which struck Aceh and the islands of Nias on 26 December 2004 claimed the lives of 30 per cent of the provincial capital and similar losses in at least two other districts. Overall 170,000 of the region's 4.7 million people were lost. In Aceh, this natural disaster also took place against a backdrop of long-term violent and separatist conflict with all the usual breakdowns in social trust and systems that such conflicts cause. Collectively this represented a real double dose of human misery for the people of Aceh. Each of these disasters, namely natural calamity or conflict, can normally be expected to give rise to special concerns about the potential for reconstruction activities to be subverted by corruption. Together these dynamics amplify the threats of corruption.

Indeed evidence of a pre-existing corruption problem prior to the tsunami was seen through the prosecution of the then Governor of Aceh. This clearly demonstrated that corruption represented a real and serious threat to the post-tsunami reconstruction programme.

To pre-empt this potential threat, the Government designed the dedicated post-tsunami reconstruction executing agency, known by the Indonesian acronym of BRR, with an eye for ways to avoid some of the usual traps. Among these, was the establishment of a special and dedicated Treasury Office of the Ministry of Finance to manage all BRR payments. This has significantly reduced the costs and time delays that encourage people to cut corners to manage funding issues.

Substantive oversight is a key ingredient to any effective integrity system. To this end, the establishment of a dedicated BRR Oversight Council as well as a BRR Steering Council provides institutional mechanisms to ensure financial and policy compliance from the BRR Executing Agency. The National Parliament has also established an active committee to monitor BRR activities.

Elsewhere at the institutional level, the Supreme Audit Agency has now established a permanent office in Aceh. To demonstrate further seriousness on countering corruption, the Corruption Eradication Commission has also established a presence in Aceh.

Within the BRR Executing Agency, we radically adjusted the remuneration system for staff, scrapping numerous discretionary stipends and top-ups to provide a single income. This reform has allowed us to both retain staff and also to establish integrity controls and initiate staff productivity contracting.

To assist in the maintenance of systems of integrity, we established an Anti Corruption Unit first. It operates on the basis of preventing potential deviations including offering suggestions on correcting system weaknesses. The Unit also provides education on corruption-related issues to staff as well as to the wider public and passes information on possible cases of corruption directly to the Corruption Eradication Commission.

We in BRR see the fight against corruption in Aceh and Nias as advancing Indonesia's wider struggle against corruption. We recognize that this task is very difficult, particularly in a post-conflict situation where there is a need to build not just physical infrastructure but also the social fabric of the community and their government. We believe firmly that corruption both robs disaster victims of the support they need and also undermines ongoing and future support from generous external supporters. In this regard, corruption is both morally wrong and also undermines programme success. Corruption does not grease the wheels; it is a spanner in the works.

Kuntoro Mangkusubroto  
Director, Executing Agency, BRR

Source: Evans 2007.

between how the system should operate and how it actually does.

### *The Culture of Silence*

Corruption during a special development situation is often sustained by a culture of silence (Box 4.2). Many local people or aid workers may be reluctant to report cases of corruption. They may, for example, fear retribution from political forces or be nervous that donors or parliaments back home will consider their programmes to be failing.<sup>6</sup> Or they may simply not see the point of protesting if the legal system is weak and lacks an easily identifiable mechanism for lodging complaints.

On the other hand, international agencies can also be vulnerable to false accusations against the non-corrupt in order to intimidate them or extort favours in the form of jobs or programme resources. Sorting genuine complaints from the fake ones is particularly difficult when an ill-informed, gullible or unethical media are quick to broadcast slanders.

### *Recommendations for Special Development Situations*

How can corruption be minimized during special development situations? As with corruption in other sectors, greater transparency in governance and closer monitoring would apply some needed discipline. But there are also steps that can be taken to minimize the opportunities for corruption. A programme that does not deliver a certain percentage of allocated resources need not be considered a failure when compared to a programme that is expended fully, but badly.

*Extending deadlines.* One of the most important steps towards reducing the pressure to

#### **BOX 4.2**

##### **SEX FOR FOOD SCANDALS**

Corruption does not involve money alone. During and after conflicts, peacekeeping forces and aid workers who find themselves in a position of authority and control have exploited vulnerable women and children by demanding sex in exchange for food or other resources. Refugees and other displaced people who commonly lack the documentation needed to prove their entitlement to food, health services or shelter may be obliged to exchange sex for survival. This is partly a reflection of the breakdown of social norms and prohibitions that would normally be a constraining force in a society.

The organizations need to replace these missing managerial and personal controls and build effective processes for complaints, including protection for whistle-blowers.

spend 'fast and furious' is by extending deadlines. This would need some kind of international agreement – between bilateral and multilateral agencies and NGOs as well as representatives of the governments likely to be recipients of international emergency assistance. UNDP or the Development Assistance Committee of the OECD might take the initiative.

*Paying for controls.* All programmes have legitimate management costs so donors should be made aware of the need to pay for fiduciary controls. Cutting costs to claim that every cent goes to hungry children is self-defeating if resources end up being stolen or misdirected. Indeed recent studies suggest that auditing ensures that more money goes to those in need.<sup>7</sup>

*Active communications.* Communicating with beneficiaries and other stakeholders, including local and national authorities is important. Apart from computer based systems, publication through print media, use of broadcast media, local information boards, public meetings with local communities providing information, etc. are means to limit corruption. Setting realistic expectations is an important factor in building trust. This argues strongly for public education to

*Corruption during a special development situation is often sustained by a culture of silence*



### BOX 4.3

#### AID WATCH IN SRI LANKA

One of the challenges of delivering recovery in crisis situations is that the needs and interests of the affected themselves are not reflected in the planning and implementation of projects, resulting in a severe disconnect between their delivery and the corresponding needs on the ground. This not only contributes to delays, wastage and higher incidences of corruption but also feeds into existing feelings of isolation and disillusionment among the affected.

Recognizing the need for including the voices of those affected in the tsunami recovery process and for empowering the communities to be agents of their own recovery, UNDP Sri Lanka launched the AIDWATCH initiative in 2005. The objective of this initiative was to strengthen capacities of beneficiaries to monitor the implementation of projects undertaken on their behalf and to ensure their accountability and transparency. Under this initiative, a representative sample of beneficiaries was selected and provided with basic awareness on their claims vis-à-vis development activities alongside basic advocacy and negotiations skills. These groups were also brought into contact with relevant project staff in the field and in Colombo, as well as with local government authorities and local Human Rights Commission representatives. Equipped with new awareness, skills and networks, these beneficiary collectives were empowered to play an active role in monitoring the progress of the project. They had greater access to local authorities in securing their public service needs and had strengthened access to grievance-redress mechanisms, for example, through the Human Rights Commission, in the event that their needs were not been met. Initially five pilot AIDWATCH initiatives were set-up in Galle, Moratuwa, Trincomalee, Jaffna and Batticaloa, although many of them had to be scaled-down due to the worsening conflict situation.

*People need to know how to lodge a complaint, what to expect and what future obligations may emerge*

represent one core component of the complaints management approach (Box 4.3).

*Engage in long-term procurement.* Responding to natural disasters involving large-scale international business can be based on long-term contracts with prime contractors, who should be required to engage and build the capacity of local businesses.

*Establish principles of 'reasonableness'.* Rather than aiming at fiduciary standards, agencies should instead aim to ensure that their activities and the prices they pay are 'reasonable' under the circumstances. The term is necessarily vague but does at least correspond to the normal situation. This can be based on real-time evaluations that provide simultaneous recommendations to staff.

*Work with established local NGOs.* During conflicts NGOs have often continued to deliver public services as substitutes for collapsed government. Their established networks, internal systems and procedures offer some hope of integrity control. Local authorities or agencies such as universities could be mobilized to identify reasonableness of input prices.

*Supreme audit agencies.* At the formal level, there may be great value in bringing together the supreme audit agencies of official donor nations to work with those of the affected society.

*Complaints management.* Key agencies, working with existing local or national entities should establish a joint and credible complaints system. People need to know how to lodge a complaint, what to expect and what future obligations may emerge. They also need to know the legal limits of investigative authorities.

#### Social Safety Net Programmes

A number of countries in the region have social safety net programmes. Some are temporary, having been created in response to emergencies, while others are ongoing to provide the poorest citizens with some very basic security. These interventions vary from supplementary feeding for undernourished children to pensions for the old and disabled. They can also range from support to farmers through subsidies for seeds, fertilizers and water to providing income through unskilled employment in public works programmes. In the last years, microfinance has also become a widespread approach to reach out to the poor (Box 4.4).

Although such programmes generally make a valuable contribution, they are also

## BOX 4.4

### CORRUPTION IN MICROFINANCE

One of the most popular tools for addressing poverty nowadays is microfinance – small loans to individuals and groups who would not normally qualify for direct, commercial bank loans. By 2006, across the Asia-Pacific region, such schemes were reaching 98 million people – who received 85 per cent of such loans globally. Evaluations of the social and economic impact of these schemes have shown them to be very successful – achieving better nutrition and improved health outcomes, helping the poor to send their children to schools and improving gender equity through the empowerment of women.

There have been fewer assessments of their vulnerability to corruption. This is partly because many do not work in a largely transparent fashion. However, two case studies, one from India and the other from Indonesia, have demonstrated the risks. In India, corruption prevails in some government-backed lending schemes. In some cases, collusion between government agents and bank officials results in leakages, for instance, demands of 10 per cent of loans amount as bribes. The borrowers do not usually complain because they consider it standard practice. Since the government guarantees the loans, the bank is assured of the return of its principal at least. A survey of 10 groups that had taken loans from banks found that all of them had reported bribery as a precondition. Similarly, a study from Indonesia found that 15 per cent of

respondents who had taken a microfinance loan may have bribed the provider.

Another form of corruption is inflating the prices of assets within in-kind loans. Instead of directly giving cash the bank provides an asset such as a buffalo – but at a much higher price than the market rate, with the lender or agent pocketing the difference. Not surprisingly, many of the borrowers struggle to repay such loans.

Addressing corruption in microfinance will require much better monitoring – which can now be helped with appropriate software. PRADAN, for example, an NGO microfinance institution in India, is significantly improving its group repayment performance in this way.

The strongest guarantee is to ensure that microfinance institutions operate in a transparent fashion. Recently a consortium of aid agencies and microfinance institutions of the Consultative Group to Assist the Poor (CGAP) and the members of the Small Enterprise Education and Promotion Network, have developed disclosure guidelines specifying the financial information that microfinance schemes should report. The CGAP recommends donor members make their support conditional on full compliance with these guidelines.

*Sources:* Azfar and Azfar 2007; Littlefield et al., 2003; Sarangi 2007.

vulnerable to corruption. This is primarily because they involve better off, better-connected and better-educated people organizing the distribution of public resources to people who are usually semi-literate and poor and therefore powerless and often unaware of their full entitlements. Moreover, as subsidies are involved, the beneficiaries, even when aware of their entitlements, do not always protest even when some diversion takes place – better to get something for free rather than nothing at all.<sup>8</sup> Not surprisingly, some of the resources ‘leak’ along the way or are directed towards some less deserving groups. Thus, both types of errors take place compounded by corruption through the exclusion of the eligible and inclusion of the ineligible.

This corruption can take many forms. It can, for example, appear at the outset when people have been asked for money to get their names registered or have to pay for their job

cards and photographs, which are supposed to be free. Those organizing the schemes may also enrol non-existent workers or falsify the number of hours worked, or underpay workers or give them less food than they are entitled to. In labour-intensive work, supervisors can cheat on the volume of work done and on the number of people employed. Very often, workers themselves are willing to give a percentage of their wages to project officials and local elites, because what they get from projects by way of wages is usually more than what they would get paid by local landlords and other employers.

Officials may also collude with contractors to issue bills for inflated quantities of materials or food distributed. Contractors ostensibly running outlets for subsidized grains for the poor, can sell much of this on the open market at inflated prices. But corruption is not limited to public officials and

*Officials may also collude with contractors to issue bills for inflated quantities of materials or food distributed*

*Often the targeting is based on the assessments of local officials who can classify their own less deserving friends or family as qualifying for assistance*

the private sector. In some Pacific Islands, for example, it is found even among civil society organizations.<sup>9</sup>

In the 1990s, in an effort to use resources more effectively, public transfer programmes moved from universal provisioning to highly targeted transfers. This, however, assumes an accurate and fair basis for targeting, which may not always be available. Often the targeting is based on the assessments of local officials who can classify their own less deserving friends or family as qualifying for assistance. In-kind targeting seems to be more corruption prone than simple cash transfers. It involves procurement and distribution of food grains involving private contractors who can short-change the poor by giving them substandard food supplies and under-weigh the quantities that they are supposed to supply. An ESCAP study, for example, concluded that in some countries in Asia resources lost through leakages range between 50 to 70 per cent.<sup>10</sup>

### ***Uprooting Corruption in Social Safety Net Programmes***

With such negative experience in targeting, a number of schemes are moving away from traditional methods. Instead, more are using forms of 'self-selection', for example, by offering work or wages that only the very poor will accept. Similarly, for food distribution, schemes can buy cheaper but nutritious staples such as sorghum rather than distributing expensive grains such as highly processed rice and wheat. A number of countries have also improved the efficiency of such schemes by ensuring greater community control and social audits. These include:

*Women's self-help groups in India.* In several parts of India, particularly in Orissa, women's self-help groups are being supported to procure local produce for mid-day meals

for school-going children. They not only purchase fresh supplies grown by local farmers, particularly women, but also cook and serve to children. This has considerably reduced leakages.<sup>11</sup>

*Integrated services in the Philippines.* In 1994 the Department of Social Welfare and Development launched the Comprehensive and Integrated Delivery of Social Service (CIDSS). This aimed at a convergence of services, with communities being organized and mobilized to take decisions, manage local funds and monitor and evaluate the system. Originally, this only involved the poorest municipalities, but since 1997 it has included all municipalities regardless of income class. Since then the programme has had some success in meeting minimum basic needs of local communities thanks to increased community participation.<sup>12</sup>

*Community development in Indonesia.* The Kecamatan (sub-district) Development Project covers 15,000 villages throughout Indonesia. Every year, each village in the sub-district makes a proposal for small-scale infrastructure projects and the provision of seed capital for microcredit cooperatives. Most villages propose an infrastructure project plus a small amount for savings and loans for women. An inter-village forum ranks all proposals according to a number of criteria, such as the number of beneficiaries and project cost, and projects are funded according to the rank list until all funds have been exhausted. If the project is funded, a meeting is held to plan construction, after which an elected implementation team procures materials, hires labour and carries out the project. The members of the implementation team receive an honorarium limited to a maximum of 3 per cent of the total cost of the project. No contractors are

used in construction.<sup>13</sup> This has limited the scope of collusion between officials and private agencies to the advantage of the intended beneficiaries.

*Social audits in India.* India's National Rural Employment Guarantee Act (NREGA), provides for 100 days of guaranteed employment to one member of every rural household, based on the principle of self-selection by focusing on unskilled, manual work. There are strong provisions for transparency and accountability at all levels. For instance, wages are to be paid in the presence of the community on pre-specified dates; all relevant documents are to be made available for public scrutiny; and regular social audit of all works has to be conducted, in tandem with India's Right to Information Act. This seems to be having an effect: corrupt officials are returning money they have taken from villagers and asking them not to complain to the social audit teams or at the public hearings.<sup>14</sup>

Community-based approaches are not, however, an answer on their own; there is always the danger of communities being co-opted by the local elite. Every effort should, therefore, be made to mobilize the local

community through the media, using popular culture and folk traditions to explain to people their rights and entitlements as well as their roles and responsibilities in any project. This has to be an ongoing process. To be sustainable, community-driven approaches have to be backed by a legal framework and strong bureaucratic support.

### Minimizing the Leaks

Any government programme that involves a transfer of resources to its poorest citizen has to anticipate the danger that the funds, materials or food may disappear en route to their intended destination. But there are ways to minimize the leakages. In the case of special development situations this may often involve setting more realistic standards, backed by effective auditing as well as programme design and speed. These should be driven more by the needs of recipients and less by those of donors or the glare of the international media. Social safety nets too can be better designed to avoid corruption, though because these run over longer periods, they offer many more opportunities for community participation and monitoring.

*Corrupt officials are returning money they have taken from villagers and asking them not to complain to the social audit teams or at the public hearings*

# 5



## Cleaning up Natural Resources



BANGLA *Khushi kora* making happy

LAO *Kin sin bon* taking bribe money

CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law

SINHALA *Santhosama* money given as a gratification

URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection

THAI *Ka-numron-numcha* cost for hot water and tea

TAGALOG *Buaya* corrupt people, literally crocodile

PERSIAN *Baksheesh* gift, tip

DHIVEHI *Naajaaiz faidhaa* illegal benefits

MALAY *Duit kopi* coffee money

INDONESIAN *Pembinaan wartawan* cultivating journalists

FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox

HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly

CHINESE *Yang-lien* money to nourish honesty, an ancient term

*The earth provides enough to satisfy every man's need, but not every man's greed.*

MAHATMA GANDHI



# Cleaning Up Natural Resources

## 5 Chapter

Many developing countries in the Asia-Pacific region are rich in natural resources – vast tropical forests, extensive mineral deposits and fertile agricultural land. These assets should serve as a firm basis for economic and human development, but too often their potential is drained away through corruption. Given the enormous potential profits, corruption too can be on a grand scale, reaching the highest levels of the state, indeed frequently amounting to ‘state capture’.

Millions of poor people rely on access to common-property natural resources – water and land, fisheries, forests and wildlife – which are crucial to their income and can provide safety nets in times of crisis. In India, for example, such resources are thought to provide about 12 per cent of household income among the poor.<sup>1</sup> But these same resources are also of great interest – often for other purposes – to the rich and powerful who have little compunction in seizing them to establish lucrative businesses. Natural resources are prone to corruption for a number of reasons like inadequate property rights, among the poor, unequal power, remote locations, etc. (Box 5.1). Not surprisingly, the exploitation of natural resources is also cursed with many, often overlapping, forms of corruption – bribes, fraud and embezzlement conflicts of interest, favouritism, and state capture.

***Bribery.*** Companies may bribe public officials to facilitate legal acts, to get permits for cutting and transporting timber, alternatively, they may pay to get away with illegal acts such as logging in protected areas. Payments to ‘look the other way’ are also evident in commercial fisheries: to sustain the fish stocks on one of South-East Asia’s largest lakes, for example, there is a ban on fishing from August to October, though this is

### BOX 5.1

#### WHAT MAKES NATURAL RESOURCES PARTICULARLY PRONE TO CORRUPTION?

- Lack of property rights, particularly for poor people
- Those who are most dependent on natural resources are the poor and powerless who are also less able to resist corruption
- Limited supply when the rate of use of renewable natural resources exceeds the natural replacement rate
- Remote locations make resources difficult to monitor
- Excessive state discretion over natural resources in cases where the state has a monopoly
- Elsewhere, excessive private discretion over natural resources – particularly in cases of state capture or in remote areas where the state is weak
- Commodities are often traded through complex chains, including smuggling
- Lack of market prices for some natural resources – primarily their ecosystem aspects services – means that corrupt behaviour is low cost

Source: Feld et al. 2007.

commonly ignored by commercial fishing companies who bribe officials to turn a blind eye to transgressions.<sup>2</sup> On a smaller scale, poor people will often have to pay bribes for permits to use resources such as land, water resources or forest products.

***Fraud and embezzlement.*** Public officials may, for example, run their own ‘off-the-book’ businesses using state-owned natural resource assets.

***Conflicts of interest and favouritism.*** Many politicians also have extensive investments in

*Payments to ‘look the other way’ are also evident in commercial fisheries*

the companies whose activities they are supposed to be regulating, or they can award concessions or favours to family members or political allies. Public officials also often blur the lines between their official responsibilities and their private interests. Many can be seen as using the 'revolving door', moving back and forth between public office and private companies, exploiting their period in a government department for the benefit of their future employers. An official in a forestry department, for instance, may support pro-timber policies and then join the board of directors of a major timber company.

*State capture.* In the extraction of natural resources, this is one of the most serious and pervasive forms of corruption, as private companies pay public officials to shape laws, policies and regulations to their advantage. This has been an issue in the Pacific Islands where international logging companies have been accused of trying to influence policy decisions by bribing members of governments.<sup>3</sup> State capture can, however, also be achieved through legal routes – by intense

political lobbying or by making donations to political parties. Given the nature of state capture, in some cases it can be difficult to distinguish this from pure mismanagement of natural resources.

These different types of corruption can create complex and seemingly impenetrable webs of influence (Table 5.1). It might be tempting to envisage a simple linear model of corruption with dishonest public officials at one end and state-capture at the other. In fact, these options are usually interwoven with many ambiguous networks or associations between state officials, political elites and private businessmen. One report on the mining industry in Mongolia found that political elites not only demanded kickbacks from mining companies but also entered into numerous deals and joint ventures with them: 'the line between public and private spheres is almost non-existent.'<sup>4</sup>

Similarly, complex relationships can occur at lower levels, indeed they may be deeply embedded in social structures. One report on a small community living next to a wildlife sanctuary in India found that local

**TABLE 5.1**

**SOME FORMS OF CORRUPTION IN NATURAL RESOURCES**

	<i>Land</i>	<i>Fisheries</i>	<i>Water resources</i>	<i>Wildlife</i>	<i>Forestry</i>	<i>Minerals</i>
<i>Grand corruption</i>	Bribes for major land transfers Nepotism-based concessions	Bribes for access to major fisheries Nepotism-based concessions	Deliberate non-investment in water structure maintenance and kickbacks for larger-scale water systems Nepotism-based concessions	Bribes for large scale illegal trade Nepotism-based concessions	Bribes for forestry concessions Nepotism-based concessions	Bribes and kickbacks for mining concessions Nepotism-based concessions
<i>Petty corruption</i>	Bribes for land transactions	Bribes for small-scale fishery access	Bribes for water access	Bribes for small-scale trade	Bribes for forest permits	Bribes for artisanal mining
<i>State capture</i>	Interference in land regulations	Interference in fishery regulations	Interference in public water investments	Interference in wildlife regulations	Interference in forestry regulations	Interference in mining regulations

Source: Steel et al. 2007.

people who wanted access to forest resources were bribing lower-level forest officers who duly passed a share upwards through the Forest Department bureaucracy. Forest officers loyal to 'the system' could expect promotion; others would usually be transferred. For both the bribers and the bribed, the system had developed into a type of 'protocol' for the use of the forest. This system generally excluded the poorest households who could not afford to pay and also marginalized women who had fewer chances to establish 'closeness' to the forest officers by eating or drinking with them.<sup>5</sup>

### The Extent of Corruption

State and private elite groups – often in collusion – are thus in a position to monopolize access to resources and exclude the poor. As a result, a small elite often accrue the benefits from natural resources – doing little to promote broad-based economic development – or lift people out of poverty. This is evident across most important natural resource sectors from land to water to minerals.

### Land

For the majority of poor people in Asia and the Pacific, land is a key resource in both rural and urban areas. In rural areas, the poorest do not own the land they live or farm on; they usually rent or share-crop or work as hired labour on the land of others. Even if they do own land, it will typically be the most marginal. In the urban areas, they often live in illegal settlements with little access to water, electricity and other urban services.

Corruption related to land is often concerned with administration. In many countries there are few systematic records or maps, while legislation and registration systems are frequently inadequate. The situation is further complicated when customary

law recognizes access to land based on kinship. This may respect the rights of traditional groups but can also create opportunities for nepotism, favouritism, and clientelism. A 2002 Transparency International survey conducted in five countries in South Asia – Bangladesh, India, Nepal, Pakistan, and Sri Lanka – found land administration to be one of the three main sectors prone to corruption.<sup>6</sup> Similarly, a study from the Pacific also identified land administration as one of the areas most vulnerable to corruption.<sup>7</sup> In Bangladesh, 97 per cent of households were found to have paid bribes for land registration, 88 per cent for land mutation, 85 per cent to obtain land-related documents, 83 per cent for land surveys and 40 per cent to receive land.<sup>8</sup>

In addition to smaller-scale corruption related to registration, there can also be much larger scale corruption related to land grabs. A number of countries in South-East Asia, for instance, have seen the land of poor and indigenous communities seized for government or private developments. Uncertainties in land ownership can compound the situation. Even when the ownership is clear, land may still be taken by force.<sup>9</sup> A recently approved law on anti-corruption in Viet Nam, which aims to heighten the responsibility of the heads of land management bodies and authorities at all levels in curbing corruption, may have a positive impact in this regard.

In Cambodia, corruption and lack of transparency connected with rising economic and military appropriation of communal lands have exacerbated land disputes and skewed land ownership patterns to the disadvantage of both rural and urban poor. The problem is difficult to address due to the absence of land records and maps, inadequate laws and land registration systems and the inability of the justice system to deal with land disputes.<sup>10</sup>

*Even when the ownership is clear, land may still be taken by force*

*Corruption often distorts the provision of water infrastructure and influences decisions on who should benefit from water flows*

## **Water Resources**

For the two and a half billion people living in low-income countries, agriculture is the most important sector by employment and by far the largest user of water.<sup>11</sup> Access to water is closely linked to land values and livelihood potential. Both surface and groundwater are important; for example, over half the population of Bangladesh, India and Pakistan has a livelihood-stake in groundwater irrigation.<sup>12</sup>

Corruption often distorts the provision of water infrastructure and influences decisions on who should benefit from water flows. This invariably works against the poor who are less able to exert political pressure or pay bribes. In some South Asian countries like Pakistan, irrigation officials routinely require bribes to ensure continuous supplies of water.<sup>13</sup> Corruption is also a major factor in shaping policy, steering investment away from efforts to improve the efficiency of existing water provision, which offers fewer opportunities for kickbacks, and towards the more lucrative construction of dams and large irrigation schemes.<sup>14</sup>

'In South Asia irrigation charges are typically very low by comparison with those in East Asia, both in absolute terms and as share of the value of production.'<sup>15</sup> Low charges are justified for sustaining food security and poverty reduction but hide equity problems since poor farmers tend to pay more for irrigation water than larger landowners. Unequal access and unreliability of irrigation schemes maximize the opportunities for corruption in South Asia. Although irrigation charges are higher in China and Viet Nam, water is more equitably and reliably distributed across the system, enabling poor producers to finance payments through higher productivity.<sup>16</sup>

## **Fisheries**

Fishing is an important source of income to island and coastal developing countries. Asia-Pacific accounts for 49 per cent of global capture fisheries production,<sup>17</sup> and fisheries contribute significantly to GDP in many low-income countries. In Bangladesh, fisheries provide over 5 per cent of the GDP and full time employment for more than 2 million people.<sup>18</sup>

Illegal, unreported and unregulated fishing is a serious global problem, particularly to some of the poorest parts of the world. This represents not just a major loss of revenue, but is also threatening food security; fish stocks in many coastal areas of the region are being severely threatened by overfishing. The main causes are institutional weaknesses and lack of capacity. Many countries in the region prohibit the use of dynamite or cyanide for fishing, but these methods persist and there are few arrests, with even fewer prosecutions.<sup>19</sup> In parts of South-East Asia, for example in Indonesia, the live fish trade could benefit many more fishing communities in the long term but instead is organized to ensure short-term gains for officials and entrepreneurs at the expense of fragile coral reef ecosystems and the local communities that depend on them.<sup>20</sup>

## **Forestry**

Forest products contribute to an average of 10 per cent of the GDP in some of the world's poorest countries.<sup>21</sup> While the forest area has increased slightly in industrial countries since 1980, it has declined by almost 10 per cent in developing countries.<sup>22</sup> Deforestation is also causing massive loss of biodiversity, flooding and soil erosion while exacerbating global climate change.

The global timber trade is plagued by high rates of illegal logging (Table 5.2) which often involves corrupt activities and can be used as a proxy for the incidence of corruption. With some species of timber reaching \$500 per cubic metre logging is a lucrative business. It involves extensive networks of corrupt officials within police forces, customs agencies and military forces – all colluding with powerful national and international syndicates. Corruption emerges at each link in the chain – from issuing permits and licenses for wood harvesting to inspecting and exporting the products. Governments in the region, such as Cambodia’s acknowledge the scale of corruption and illegal plunder but illegal activity has not been adequately addressed<sup>23</sup> and anti-corruption activists still face intimidation.<sup>24</sup> Similarly, the Indonesian Government is active in fighting illegal logging and has worked with a series of international programmes and initiatives.<sup>25</sup> However, these efforts are partly being undermined by the activities of neighbouring countries.<sup>26</sup>

In Indonesia, less than one-fourth of the total logging operations, estimated at \$6.6 billion, is legal. The value added of illegal log exports represented 3 per cent of Indonesia’s GDP in 2000, or 17 per cent of the value added of the agricultural sector output. The government also loses considerable revenue, because almost no taxes are collected on illegal logging. Informal payments and bribes in this sector are estimated to be more than \$1 billion a year.<sup>27</sup>

During the 1980s and 1990s, unregulated logging to meet the demand in Pakistan’s markets is thought to have destroyed over half of Afghanistan’s natural forests. The United Nations Environment Programme reports that the situation in the past few years has spiralled out of control, with 25 to 50 trucks containing illegal logs crossing the border every day.<sup>28</sup> The Pakistan

**TABLE 5.2**

**SOUTH-EAST ASIA, INDICATIVE ESTIMATES  
OF ILLEGAL LOGGING**

<i>Country (various years)</i>	<i>Proportion of illegal logging (%)</i>
Cambodia	90
Indonesia	70–80
Lao PDR	45
Malaysia	Up to 35
Myanmar	50
Papua New Guinea	70
Thailand	40
Viet Nam	20–40

*Source:* World Bank, 2006e.

Administrative Staff College in Lahore reports, ‘it is alleged that an association of powerful businessmen have formed something akin to a “timber mafia” with representation across government offices and state institutions.’<sup>29</sup>

The corrosive effects of illegal logging are not only confined to the forest sector. Forest products are bulky, making illegal lumber visible and easy to be intercepted by officials. In order for forestry corruption to thrive, a range of people including customs, police, local politicians and transport authorities need to collude, and as a result all these institutions lose their integrity.<sup>30</sup>

### **Wildlife**

Wildlife is a vital issue for poor people. Around 13 per cent of people living on less than a \$1 a day are thought to rely on wildlife as a source of livelihood.<sup>31</sup> South-East Asia is responsible for one quarter of the global trade in illegal wildlife,<sup>32</sup> thought to be worth around \$15 billion per year, or nearly \$160 billion with the inclusion of wild-sourced timber and fish products.<sup>33</sup> The problem is particularly acute in Asia, which hosts nine of the ten most endangered species. Much of the illegal trade is fuelled by the demand for

*South-East Asia is responsible for one quarter of the global trade in illegal wildlife*



*The mining of oil, gas and hard rock minerals is also susceptible to large-scale corruption*

traditional medicines. In 2003 one raid by the local police in Chatuchak market in Bangkok seized protected species worth \$1.25 million.<sup>34</sup> In Mongolia it is thought that the illegal and often corrupt trade in fur seriously endangers the population of protected species.<sup>35</sup>

### **Minerals**

Corruption affects the trade of many minerals across the region – from sand to metals, and oil to gas. The mining of sand is an environmentally damaging but highly lucrative operation; even in countries where it is governed by permits. In Sri Lanka much of this takes place illegally with police involvement or the use of permits procured through bribery.<sup>36</sup> The mining of oil, gas and hard rock minerals is also susceptible to large-scale corruption which among other things leads to environmental destruction; mines and exploration sites are usually in remote locations where governance structures often are weakest. The problems are compounded when political elites have personal stakes in mining ventures.<sup>37</sup> This is an issue in countries with mineral and oil deposits such as precious metals in Mongolia, phosphate and other minerals in Nauru and the Philippines. It also applies to oil, coal and gas industries that are established in Bangladesh, Indonesia and Pakistan, which are now being developed in Cambodia and Myanmar.

### **The Cross-Border Dimension**

Since many of the natural resources being exploited are destined for export, corruption in the natural resources sector generally seeps across national borders. Transparency International's bribe payers index finds that companies from China, India, Malaysia, Russia and Taiwan, Province of China frequently pay high levels

of bribes when conducting business overseas – often after their own natural resources have been exhausted.<sup>38</sup> Malaysia's forests were depleted years ago but the country is still one of Asia's top exporters of timber thanks to supplies from Indonesia.<sup>39</sup> This export consists of both legally and illegally harvested timber, but once a log has changed hands it is very difficult to identify its source. Following China's total logging ban in 1998, timber companies looked overseas to Cambodia, Indonesia, Lao PDR, Myanmar, Papua New Guinea and West Africa. One report on the smuggling of illegal wood from Myanmar to China by ethnic Kachin people found that \$125 per truck was paid to Burmese soldiers, \$83 to the forestry department and \$25 to the drug police. Then at the final stop before the border, the Kachin group collected a 'tax' from Chinese truckers before issuing documents that declared the shipments to be legitimate.<sup>40</sup>

In Lao PDR illegal logging and related cross-border trade is possible because of the collusion between importers, customs officers, the military and local party officials. 'Much of the border trade is conducted informally and illegally, largely in response to customs officials' demands for illicit payments.'<sup>41</sup> Quantities of goods are systematically under-reported, with the savings in tariffs shared between the importer and local party officials. Attempts to give more responsibility to the provinces for managing their revenues only aggravated the problem.<sup>42</sup>

The final consumers must also take responsibility. According to a 2005 report commissioned by the Australian Government, around AUS \$400 million-worth of illegally logged timber products are imported into Australia every year.<sup>43</sup> It is very difficult to actually trace the origin of a log once it is being processed, and major retailers in Europe and North America are selling furniture produced



in Asia to customers with little inkling of the wood's origin.<sup>44</sup> Nevertheless, the impact of informed consumers and consumer driven demand for fairly and sustainably managed resources should not be underestimated. Partly due to the 'fair trade' movement, there is an increasing trend among consumers in developed countries to question the origin of products as well as the ethical records of the companies behind.

### The Impact on the Poorest

While corruption in the management of natural resources creates significant obstacles for many aspects of national development, it is particularly damaging for the poorest communities:

*Loss of land.* Many farmers have been driven into poverty as a result of land expropriations that have been expedited through corruption. In countries where land is owned collectively officials may illegally approve the conversion of farmland for construction or mining.<sup>45</sup> This jeopardizes local food security, and may drive a mass of small farmers and peasants into poverty. The farmers who lose their land generally get little or no compensation because they have limited legal rights. Land cultivated, either by the state or by village cooperatives leaves individual farmers with little recourse in the case of expropriation. Farmers can also lose their land following the breakdown of traditional systems of regulation on the use of common property. This may be due to population pressures but can also occur when public resources are leased out to commercial operators through agreements that grant exclusive access. Corruption in land administration is not limited to countries where land is collectively owned. In countries like India, for instance, private land can be legally acquired by the state for public

purposes based on the Land Acquisition Act, but corruption sometimes takes place in land valuation, which can harm poor farmers.

*Loss of water rights.* The poor can also be deprived of rights to water. In Pakistan, wealthier farmers often pay bribes to gain access to irrigation water as well as to ensure investments in new irrigation systems that benefit their land. This has been documented as far back as the 1980s.<sup>46</sup>

*Overharvesting.* Corruption is accelerating the exhaustion of many natural resources, notably primary forests and inshore fishing grounds on which many communities rely upon for their livelihoods. Deforestation and land use change is currently the source of about 20 per cent of the world's greenhouse gas emissions. The 2007/2008 Global Human Development Report identifies reducing deforestation as one of the main priorities to ensure that CO<sub>2</sub> emissions can be sufficiently mitigated. In today's world the real climate change vulnerabilities linked to storms and floods are in poor rural communities such as in the great river deltas of the Ganges and the Mekong, as well as in sprawling urban slums.<sup>47</sup>

*Mismanagement of resources.* Corrupt officials who see opportunities for gain will generally resist or subvert reforms that might threaten their incomes, perpetuating inefficient ways of managing resources. In India the dominant model of irrigation infrastructure provision has aptly been described as 'build-neglect-rebuild' since maintenance is not a profitable business, but rehabilitation and new irrigation construction are.<sup>48</sup> Meanwhile systems controlled by corrupt engineers or managers typically exclude the poor who cannot afford bribes and also operate at very low levels of efficiency, reducing agricultural output and incomes.

*Major retailers in Europe and North America are selling furniture produced in Asia to customers with little inkling of the wood's origin*

*People who live in areas where mining and other industrial wastes are illegally dumped into rivers face serious health threats from the effects of toxic chemicals*

*Subjugation of indigenous peoples.* In many countries indigenous groups have traditionally occupied land that is now being exploited by commercial interests in collusion with governments. As a result, they are being denied rights to self-determination which would require that they regain their land or resources or receive compensation. This in stark contrast to Article 26 of the Declaration on the Rights of Indigenous People adopted by the General Assembly in 2007, which recognizes indigenous peoples' inalienable collective right to the ownership, development, use and control of lands, territories and resources.

*Threats to health.* People who live in areas where mining and other industrial wastes are illegally dumped into rivers face serious health threats from the effects of toxic chemicals. In Myanmar, gold-mining enterprises not only pay taxes to the Government but also follow a well-structured system of personal payments to officials who can protect them from any repercussions for contaminating the environment with mercury.<sup>49</sup>

*Loss of public revenue.* Poor people usually have a greater need for government services whose budget allocations are severely constrained by losses from corruption. The Government of Indonesia has estimated that lost forest revenue costs the nation up to \$4 billion a year or around five times the annual budget for the Department of Health.<sup>50</sup> Viewed in narrow commercial terms, deforestation only makes sense because markets currently attach no value to carbon repositories. Also, those profiting from overharvesting of forests often belong to powerful elites with little motivation to change the existing market structures. In Indonesia, for example, the market return of commercial logging represents less than one-tenth of the value of the carbon bank its forests constitute. This means that people

'depending on forests for their livelihoods are losing out to economic activities operating on the basis of a false economy'.<sup>51</sup> However, while corruption is linked to loss of revenue deriving from the exploitation of forests products, we do not know the magnitude of the loss caused by corruption.

*Sustaining authoritarian regimes.* People, especially the poor often suffer when authoritarian and highly corrupt governments gather wealth from the exploitation of resources. The Cambodian Khmer Rouge, for example, is thought to have received between \$220 and \$390 million a year from the sale of timber.<sup>52</sup>

### **Uprooting Corruption in Natural Resources**

Combating corruption in natural resources will rely on many of the same measures that can deal with corruption in general – greater openness, strengthening government institutions, improving enforcement and having media and civil society watchdogs ensure greater accountability. Given the highly cross-border nature of the problem, in addition to national remedies, international cooperation needs to be stressed. Overall the aim should be to empower citizens to have greater control over decision-making, while restricting the hidden power of corporations, concentrating less on efforts to improve efficiency or attract foreign investment and more on ensuring that policy making is not captured by the wealthy for their own self-interest. Experience across the region suggests a number of steps that can combat corruption:

### **Empower Poor People in Natural Resource Management**

In some cases problems have been solved by decentralizing natural resource management.

Thailand, for example, used to have a top-down system for forestry but is now taking a more participatory approach. The Phupan National Park, previously under the management of the Community Forestry Division of the RFD, was a site of constant conflict but is now managed by Udon Thani Forestry Region Office which works more closely with indigenous rights holders.<sup>53</sup> Similarly, in India, a system of 'joint forest management' which started in West Bengal, has enabled villagers to reap the benefits of the forests they help manage. It also encourages more transparency in the management of forests, which has not been exempt from corruption. By 2002, co-management of forests was underway in 27 states, covering 18 per cent of the total forested area and involving more than 62,000 forest protection committees. In Andhra Pradesh alone these include 1.2 million, mostly tribal people. Nevertheless, many challenges remain particularly on the marketing side since many forestry products are still marketed through uncompetitive channels that reduce the profits received by low-income household producers.<sup>54</sup>

Joint management can be more difficult in the case of extractive industries. This is due to the economics of large-scale extraction plus the activities of companies that are typically bound with complex laws and regulations. Even so, NGOs, CSOs and others can help local people master complexities and conduct training sessions along with public hearings to review laws, policies and licences from a rights-based angle. There may also be opportunities for local communities to work with companies to make 'integrity pacts', as in the Philippines' mining industry where such pacts grant companies the right to operate subject to binding commitments to uphold human rights and comply with

## BOX 5.2

### REVENUE WATCH

Revenue Watch International (RWI) is a multi-stakeholder initiative that works with civil society, media and policy makers in resource-dependent countries. The Institute works with key organizations such as the World Bank, Columbia University, the Democracy Center, Global Witness, Save the Children (UK), Transparency International and Oxfam.

The mission of RWI is to improve democratic accountability in natural resource-rich countries by equipping citizens and the media with the information, training, networks and funding they need to become more effective monitors of government revenues and expenditures as well as by advising governments and policy makers on best practices in resource revenue management. This also works with companies to encourage and support an accountable and transparent presence in resource-rich countries.

RWI helped initiate and works closely with, the international Publish What You Pay campaign to encourage oil, gas and mining companies to publicly report payments to governments in resource-dependent economies and to engage the IFIs in the resource revenue transparency campaign.

Source: [www.revenuwatch.org](http://www.revenuwatch.org)

environmental standards. Multi stakeholder initiatives to improve accountability by equipping citizens, media and private companies can also be of help (Box 5.2).

### Resistance by Poor People

On a number of occasions the poor themselves have taken direct action to resist natural resource corruption that denies them access to land, fisheries and forests. Early in 2007, for example, tribal fishers in 44 hamlets protested outside the office of the Satpura National Park (a tiger sanctuary) against the Madhya Pradesh State Government's decision not to renew their fishing lease for the man-made Tawa reservoir which falls within a protected area of the park, even though a Government task force on the issue had endorsed their fishing rights. Some alleged that the Government's decision to revoke the community's fishing rights was connected to their involvement in exposing government corruption.<sup>55</sup>

*On a number of occasions the poor themselves have taken direct action to resist natural resource corruption*

*Improvements in monitoring can be achieved directly by using new technologies*

### ***Improve Environmental and Social Impact Assessments***

Communities will be in a better position to offer free and informed consent for large-scale development projects in the extractive industries if they can rely on thorough environmental and social impact assessments (ESIAs), followed by open public hearings on the findings. Although ESIAs have been carried out in some countries in the region, these have either not been implemented or have been abused by the same, powerful interests that are the source of many of the problems. Such assessments are usually conducted by specialized consulting firms that rely on resource extraction companies for their income and in some cases the conclusions seem suspiciously favourable to their clients. There are however, examples where assessments have been conducted in a meaningful and unbiased manner, with the full involvement of local people and civil society organizations. Even when imperfect, ESIAs may be the best way to limit state capture.

### ***Increase the Supply of Natural Resources***

Corruption is often driven by scarcity; this is clearly demonstrated in natural resources which may be limited by their natural availability. Scarce resources such as wildlife, water, fish and minerals may generate high prices or demand that opens the way for bribes and kickbacks. One way of limiting the opportunities for corruption in natural resources is to expand the supply – by planting forests, establishing fish farms or harvesting rainwater for irrigation. It has been estimated that plantation forests managed exclusively for wood and fibre on just 4 per cent of existing forest lands could

meet 50 per cent to 60 per cent of world forestry demand by 2050.<sup>56</sup> With plunging natural fish stocks, fish farms already provide a major portion of global output. However, replenishing natural resources needs to be managed carefully, since planted forests compete for land with natural forests. Similarly, fish farms could be avenues for increased pollution into rivers if not managed properly. In other words, expanding supply can bring significant gains but it can also be controversial and has to be carefully designed to protect the environment and avoid penalizing the poor.

### ***Increase Monitoring and Transparency***

Increased monitoring and transparency can result from pressure on stakeholders both from within and outside a country. Corrupt exploitation of natural resources often takes place in remote regions, far from official concern and public scrutiny, and precisely in those areas inhabited by the poor.<sup>57</sup> Improvements in monitoring can be achieved directly by using new technologies. In Cambodia and Indonesia, for instance, remote sensing is being used to identify forest concessions that were awarded illegally. Monitoring and transparency can also be promoted by the use of independent monitors, which is now gaining ground in the forestry sector.

### ***Alert Stockmarket Investors***

Extraction processes are capital-intensive and often involve large multinational companies who can be susceptible to international pressure. Based on the recommendations of the Norwegian Government's Council on Ethics, the Norwegian Pension Fund – the largest pension fund in the world – has blacklisted 19 companies and subsequently sold all stocks and shares in these businesses.

Negative publicity caused by corruption, human rights abuses and damage to the environment have also led private pension funds to question certain companies.<sup>58</sup> Similarly, export credit agencies are developing more robust guidelines to combat bribery among the companies they support.<sup>59</sup>

### ***Put Pressure on Asian Multinationals***

Many of the multinationals engaged in corrupt activities have their home base in Asia. So far, however, countries in the Asia-Pacific region have shown little interest in policing their companies abroad. Malaysian logging companies are prominent in the timber industry throughout Asia and the Pacific. There is potential here for the Government to encourage these companies to commit to a corruption-free environment in their operations abroad. The same recommendation can be levelled at other countries in the region that have companies operating outside their national jurisdictions.

### ***Ensure Financial Transparency***

Companies involved in the extraction of natural resources would also be under more pressure to avoid corruption if all their financial transactions were exposed to public scrutiny. Based partly on the experience of Norway and Alaska, there has been a growing movement among international NGOs to put pressure on companies and governments to increase financial transparency. The NGO, Global Witness, heads a worldwide coalition of more than 190 civil society groups, which in 2002 launched a campaign called Publish What You Pay (PWYP) calling for not only greater transparency but also for protection for companies that decide to disclose their payments (Box 5.2).

Progress at an inter-governmental level is attributed to the Extractive Industries Transparency Initiative (EITI), also supported by the G8 summit in 2003. EITI took PWYP a step further by requiring financial disclosure by host governments. So far, 22 developing countries have signed up to EITI, although only two are from the Asia-Pacific region: Mongolia and Timor-Leste. Once a host government commits to the EITI all companies operating in its territory, including those that are state-owned, have to follow a set of principles and publish information on payments. EITI implementation is carried out with the active support and financial assistance of donor agencies, international financial institutions, corporations and civil society organizations.

Although transparency is important, it is only one step along the way. The financial deals can be immensely complex offering companies, and governments numerous ways of concealing corruption. In many cases the deals can only be fully understood in conjunction with contractual agreements which are often confidential. Even if the key information is published, it can be difficult to extract evidence of state capture from floods of extraneous data.

### ***Balance Roles of the State and Private Sector***

Corruption can be driven by failings of the state. This can be tackled both positively by improving state capacity and negatively by limiting the powers of the state. The positive response would take account of generic requirements to improve the state such as improved salaries, merit-based promotion, reduced politicization, better equipment and operational budgets. There are also some specific reforms that natural resource-based agencies can undertake. This would include



*Over 300  
companies in  
China now hold  
FSC certificates*

institutional reforms that separate production functions from monitoring and conservation functions. In many countries in the region, fishery and forestry departments are responsible both for maximizing fish and forest production, as well as monitoring and conserving the resource base. Not surprisingly, this creates a conflict of interest and fertile ground for corruption. Other institutional reforms include rewards and incentives for corruption prevention. As illustrated in Sri Lanka, a financial reward for detection of anything illegal has been used to motivate customs officers to identify illegal exports of ornamental fish and other rare plants and animals.

A negative response to state weakness and potential corruption is to limit the ways that the state can gain from corrupt natural resource management. Many natural resource rules allow significant state discretion which creates opportunities for corruption.

Discretionary powers of state officials can be limited by simplifying the rules and making greater use of new technology. In Karnataka in India, land registry has been a major source of corruption; village revenue officials often monopolize the revenue records which have frequently been tampered with. Now the Bhoomi programme has facilitated the computerization of the records and so limited the power of state officials to control land transactions.<sup>60</sup>

The most extreme way to limit state discretion is privatization, although the very process of privatizing state assets can generate corruption. In theory once a company is in the private sector, it will be less prone to state-led corruption. In practice privatization may sometimes only shift the power from one corruptor to another, increasing the power of private companies and the conditions of state capture. A first step is to ensure that open access to natural resources upon which the

poor depend are not privatized by elite groups in a defacto way. Such unwanted privatization may occur when traditional systems of regulation on common property use that worked in the past have broken down, partly due to population pressure combined with other factors. It can also happen when public resources such as forests are leased out to commercial-scale operators under concessions agreements which grant exclusive access, driving out the poor. The central issue here is for the government to establish a clear and transparent regulatory framework for resource access rights, whether or not they are publicly or privately held. In this regard, privatization may also have a positive impact as it can provide initiatives for managing resources appropriately and sustainably.

However, governments need to enforce laws that prevent private-sector natural resource corruption, imposing sufficient serious punishments to make corruption more costly than non-corrupt behaviour. Combating corruption will require judicial reform and the support of impartial, consistent criminal justice systems along with successful prosecution of the guilty. Fortunately, this is an area that is receiving increasing attention, though it is important to recognize some of the specific obstacles to litigation.

### **Certification**

One encouraging trend among private companies in the forestry and fishery sector across Asia has been the expansion of schemes of certification. The Forest Stewardship Council (FSC), for example, promotes a chain-of-custody and tracking system to ensure sustainable logging and timber manufacture. Over 300 companies in China now hold FSC certificates. In the fisheries sector, the Marine Stewardship



Council (MSC) is promoting a similar approach to achieve sustainable fisheries. There are also more generic international codes of conduct. The United Nations has been promoting the Global Compact which includes anti-corruption principles. While Amnesty International, Human Rights Watch and other NGOs initially welcomed the Global Compact initiative, some now question its effectiveness because the pact is voluntary, its standards are unclear and there is no process for monitoring or enforcement.

### **Tackling Cross-Border Natural Resource Corruption**

Many natural resources in the region are being depleted by corrupt, cross-border trade. More wildlife, for instance, is being traded illegally because an economic boom in the major client, China, has driven up the demand.<sup>61</sup> Several South-East Asian countries have emerged as willing sources of supply – particularly Cambodia, Indonesia, Lao PDR, Myanmar and Viet Nam – facilitated by high levels of poverty, lack of environmental awareness, institutionalized corruption, and the long and porous borders between South-East Asian nations. But protected wildlife is not just being smuggled by the poor. This is a very profitable activity and has attracted syndicates of organized criminal groups operating from Malaysia, Singapore, South China, Thailand and Viet Nam, who are also involved in drugs, illegal logging and human trafficking.

One way to tackle these issues is tougher cross-border controls and regional cooperation. Unfortunately, the main regional groupings – ASEAN and SAARC – have done relatively little to set regional standards for improved governance of natural resources. The prospects appeared to improve at the Thirteenth Meeting of the Conference of the

Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) held in Bangkok in October 2004. This is one of the few multilateral environmental agreements to which all ten ASEAN member states are party.

At the meeting, ASEAN announced an initiative to work together to address the region's rapidly growing illegal trade in CITES-protected species and ten ASEAN countries committed towards developing a Regional Action Plan for 2005–10. Subsequently there has been little action, however, and attempts to limit the trade in wildlife and protect the environment have largely failed. In any case, the announcement of a trans-boundary wildlife trade action plan between Lao PDR and Viet Nam is a positive sign.<sup>62</sup> China's support for these efforts is critical for success on controlling and limiting this trade.

The East Asia Ministerial Conference on Forest Law Enforcement and Governance, which took place in 2001, could play a role in promoting regional cooperation in regulating illegal logging. The conference adopted the Bali Declaration, whereby participating countries committed themselves to increase their efforts to regulate the forest sector and strengthen bilateral, regional and multilateral collaboration to address illegal logging and violations of forest law. The conference set up a regional task force to advance the Declaration's objectives, and the following discussions have led to bilateral agreements between the UK and Indonesia as well as Japan and Indonesia to combat illegal logging and the international trade in illegally logged timber.<sup>63</sup> The 2007/2008 Global Human Development report also emphasizes the need for strengthening international cooperation in creating incentives for conservation and sustainable management of rainforests and backs international finance transfer plans on

*The East Asia Ministerial Conference on Forest Law Enforcement and Governance, which took place in 2001, could play a role in promoting regional cooperation in regulating illegal logging*

*What is clear is that this has to be a combination of national and international action*

deforestation as advocated by among others Indonesia and Malaysia.

Another case of regional cooperation on natural resources is the Forum Fisheries Agency in the Pacific whose work includes attempts to limit corruption in one of the world's most valuable fisheries: the tuna industry of the Pacific.

### **Supporting the Environment**

Countries with weak systems of administration are inevitably vulnerable to corruption but the scale of loss is often greatest when it comes to the use of natural resources. Far from the centres of government, many of the

logging and extractive industries can shape their own laws, with little respect for the poor communities whose land they are exploiting. Confronting this power, especially when it is based on state capture, will always be difficult. But it is possible. What is clear is that this has to be a combination of national and international action. Most of the corrupt activity would be much less profitable without ready markets in richer countries for oil, metals or agricultural products. More effective monitoring and control by government and local communities will therefore need to be matched by international campaigns that reject goods produced by corrupt and exploitative individuals and companies.

# 6



## Crushing Corruption from the Top



BANGLA *Khushi kora* making happy

LAO *Kin sin bon* taking bribe money

CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law

SINHALA *Santhosama* money given as a gratification

URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection

THAI *Ka-numron-numcha* cost for hot water and tea

TAGALOG *Buaya* corrupt people, literally crocodile

PERSIAN *Baksheesh* gift, tip

DHIVEHI *Naajaaiz faidhaa* illegal benefits

MALAY *Duit kopi* coffee money

INDONESIAN *Pembinaan wartawan* cultivating journalists

FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox

HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly

CHINESE *Yang-lien* money to nourish honesty, an ancient term

*At a time when we are establishing  
parliamentary democracy in the country . . .  
it is imperative to establish the Office of  
the Anti-Corruption Commission.*

HIS MAJESTY KING JIGME SINGYE WANGCHUK, FOURTH KING OF BHUTAN

# Crushing Corruption from the Top

If countries are to tackle corruption, they will need to address the issue at all levels of government as well as in the private sector – reforming institutions and processes to reduce opportunities for corruption while creating effective systems for detecting malpractice and punishing offenders.

One of the most encouraging developments in the Asia-Pacific region has been the emergence of corruption as a major concern for national governments. On his election in 2004, the President of Indonesia said, ‘The eradication of corruption will be my priority over the next five years. We have to eradicate it structurally and culturally . . . This country will be destroyed if we do not stop the growth of corruption. There needs to be some shock therapy so that the people know that this government is serious about corruption.’<sup>1</sup>

India too has been showing increasing determination. Addressing a conference about rural roads in mid 2007, the Prime Minister said that corruption on construction projects had ‘spread like cancer to every corner of our vast country’ and was a major reason for poor quality roads. Addressing a Confederation of Indian Industry, he announced, ‘The cancer of corruption is eating into the vitals of our body politic,’ adding that ‘corruption need not be the grease that oils the wheels of progress.’<sup>2</sup>

The challenge posed by corruption is also acknowledged in Bhutan. In the Preface to the 2007 Annual Report of the Anti-Corruption Commission, His Majesty, the 5th Druk Gyalpo said, ‘The rise in corruption in Bhutan is a challenge we face. How big the challenge is will depend on how soon and how strongly we decide to oppose it. There is no room for corruption – it is as simple as that, not now and not in the future.’<sup>3</sup>

A government determined to fight corruption must not only enact legislation, promote civic values and establish institutions and agencies. It must also demonstrate formal political commitment to implement legislation comprehensively, impartially and sustainably.

However, corruption is not just an issue for the public sector. Much of the responsibilities rest with domestic firms, transnational corporations, banks and external development partners. Up to one-third of firms are thought to pay bribes for public procurement contracts in emerging economies.<sup>4</sup> In addition many businesses are imposing undue influence on national laws and institutions.

The UN Convention Against Corruption recognizes, that this is not simply a domestic issue. Corruption is a complex phenomenon involving many actors – givers, takers, legal facilitators, regulators – who can reside anywhere in the world. Effective action against corruption will therefore require extensive cross-border collaboration to control transnational businesses, address money laundering and prosecute corrupt leaders and officials who hide illegitimate fortunes in overseas banks.

## National Legislation and Anti-Corruption Agencies

One of the most basic anti-corruption measures is to ensure that various corrupt

*The UN Convention Against Corruption recognizes that this is not simply a domestic issue*

*Legislation can cover issues such as money laundering, public procurement and ethical codes. In addition, many countries in the region have established parliamentary committees on corruption*

acts are outlawed – either as part of general legislation, or as laws against specific forms of corruption. Legislation can also cover issues such as money laundering, public procurement and ethical codes. Of the 28 countries in the region that responded to a survey for this Report,<sup>5</sup> 22 countries report specific legislation on corruption. In addition, over the past five years many countries in the region have established parliamentary committees on corruption.

It is also important to protect ‘whistle-blowers’ – individuals who disclose information about wrongdoing. The survey shows 11 countries offer some protection to whistle-blowers though this may not be very strong. Of the countries in the region that were not a part of the survey, Hong Kong (SAR), China, Republic of Korea,<sup>6</sup> Australia, Japan and New Zealand have enacted laws or programmes for whistle-blower protection.

### **Anti-Corruption Agencies**

The results of the survey show that all 28 countries have established formal anti-corruption agencies (ACAs). These have taken various forms. In some cases, as in Singapore, the agency specializes in investigation. Elsewhere, the ACAs have broader functions, as in Hong Kong (SAR), China where the agency is also tasked with prevention and communications. ACAs can also vary in legal structure. While in some countries they have been established as autonomous agencies, in others with parliamentary systems, they can take the form of commissions that report to parliamentary committees. And rather than having just one organization there may actually be a cluster of them.

While institutional responses vary across the globe, and there is agreement that good practices are context specific, there has been an increasing tendency, over the years, to continue to promote the establishment of

the Hong Kong/Singapore-type single anti-corruption agency. Despite the limited number of success stories, policymakers and development agencies continue to invest scarce resources in agencies that have doubtful impacts, often operating in a political environment that shows little commitment to tackle the root causes of the problem.

According to the UNCAC, State Parties to the Convention have the option to choose whether to grant responsibilities to a single organization or to divide responsibilities between various prevention and law enforcement institutions. The single-agency approach places a number of key capabilities, responsibilities, and resources under one roof, thus creating a powerful centralized agency (ICAC style) to lead the anti-corruption drive. The multiple-agency approach aims to combine the efforts of various units or agencies with specific anti-corruption responsibilities that may be scattered among departments.

The first Asia-Pacific country to establish an independent ACA was Singapore which in October 1952 set up the Corrupt Practices Investigation Bureau (CPIB).<sup>7</sup> The most recent cases were in Bhutan, which in 2006 established the Office of the Anti-Corruption Commission and Mongolia which formed the Independent Authority Against Corruption the same year (Table 6.1). Some countries with notable ACAs include:

*Singapore.* To curb corruption during the colonial period, the British relied on the Singapore Police Force. This was a serious mistake, not least because of the prevalence of corruption within the police. In 1952 therefore the Government created the Corrupt Practices Investigation Bureau, giving it three main functions: to receive and investigate complaints; to investigate misconduct by public officers; and to examine public service procedures so as to minimize opportunities



for corrupt practices. In addition, the agency screens candidates for positions in the Singapore Civil Service and statutory boards.<sup>8</sup>

*Hong Kong (SAR), China.* The story was similar in Hong Kong (SAR), China where extensive police corruption led to the establishment in 1974 of a specialist Independent Commission Against Corruption (ICAC). Unlike the CPIB's investigative model, Hong Kong's (SAR), China. ICAC has been described as the 'universal model' because its strategy is three-pronged, focusing on investigation, community relations and prevention. Overall it aims to create 'a new public consciousness'.<sup>9</sup>

*India.* The country has two ACAs; the Central Bureau of Investigation (CBI) established in April 1963, and the Central Vigilance Commission (CVC) formed in February 1964. The former was initially set up as part of the Ministry of Home Affairs but later transferred to the Department of Personnel in the Cabinet Secretariat. As a police agency of the central government it cannot investigate corruption offences in the states without the consent of the state concerned. Unlike Singapore's CPIB and Hong Kong's ICAC, the CBI is not independent of the police and does not focus entirely on corruption. Indeed, as a police agency, the CBI has three major areas of operation: anti-corruption in the public sector; economic crimes; and special crimes including organized crime and terrorism.<sup>10</sup> The CVC, on the other hand, is free of control from any executive authority. It is considered the main anti-corruption agency in India, monitoring and advising central government agencies. However, it plays a mainly supervisory role.<sup>11</sup>

*Malaysia.* A series of anti-corruption efforts led in 1973 to the creation of the National Bureau of Investigation (NBI). In May 1982, the Anti-Corruption Agency Act was passed

**TABLE 6.1**

**MAIN ANTI-CORRUPTION AGENCIES IN ASIA-PACIFIC COUNTRIES**

	<i>Anti-corruption agency</i>	<i>Date established</i>
Singapore	Corrupt Practices Investigation Bureau	October 1952
India	Central Bureau of Investigation Central Vigilance Commission	April 1963 February 1964
Malaysia	Anti-Corruption Agency	October 1967
Hong Kong (SAR), China	Independent Commission Against Corruption	February 1974
Papua New Guinea	Ombudsman Commission	September 1975
Philippines	<i>Tanodbayan</i> (Ombudsman)	July 1979
Brunei Darussalam	Anti-Corruption Bureau	February 1982
Australia	New South Wales Independent Commission Against Corruption	March 1989
Nepal	Commission for the Investigation of Abuse of Authority	1990
Maldives	Anti-Corruption Board	1991
Sri Lanka	Commission to Investigate Allegations of Bribery or Corruption	November 1994
Pakistan	National Accountability Bureau	November 1999
Thailand	National Counter Corruption Commission	November 1999*
Macao (SAR), China	Commission Against Corruption	December 1999
Republic of Korea	Korea Independent Commission Against Corruption	January 2002
Indonesia	Corruption Eradication Commission	December 2003
Bangladesh	Anti-Corruption Commission	August 2004
Afghanistan	General Independent Administration Against Corruption	2004
Bhutan	Office of the Anti-Corruption Commission	January 2006
Mongolia	Independent Authority Against Corruption (IAAC)	December 2006

*Note:* \* In Thailand, the 1997 constitution mandated the Government to restructure the 1972 predecessor 'Commissions for Prevention and Counter Corruption in Civil Service' into the NCCC with a new structure and authority.

*Source:* Based on Quah 2007a.

and the NBI was renamed the Anti-Corruption Agency. The Anti-Corruption Act of 1997 amalgamated previous legislation and provided for new offences and additional

powers for the Public Prosecutor and the ACA.<sup>12</sup> The three functions of the ACA are: detection and investigation; communication and education of the population; and monitoring and consultative services to public agencies and the population.<sup>13</sup>

*Papua New Guinea.* When Papua New Guinea attained its independence in 1975, the Constitution provided the legal basis for the Ombudsman Commission (OC) – an independent agency with funding from the national budget. The OC's function is to guard against the abuse of power by public officials, helping them to do their jobs efficiently, while imposing accountability.<sup>14</sup> To deal with maladministration, the OC investigates many public agencies, responds to complaints, makes referrals, questions decisions and considers defects in the law.<sup>15</sup>

*Philippines.* In July 1979 a Presidential decree established the Tanodbayan, or Office of the Ombudsman, though this proved ineffective and in 1998 had to be 'rejuvenated'.<sup>16</sup> Other government agencies are also concerned with anti-corruption work, but the Tanodbayan is the main ACA. Its functions include investigation, prosecution, and disciplinary control over all elective and appointed officials, except for members of the Congress, the judiciary and impeachable officials. It also takes responsibility for prevention by analysing anti-corruption measures and increasing public awareness and cooperation, while requiring officials and employees to give assistance to the public.<sup>17</sup>

*Nepal.* The Commission for the Investigation of Abuse of Authority (CIAA) was established in 1990. It has five commissioners, appointed for six years by the King on the advice of the Constitutional Council. To ensure their independence, they can only be removed by

impeachment by a two-thirds majority vote in Parliament.<sup>18</sup> The CIAA's major function is to investigate improper conduct or corruption offences by those holding public office. It also performs a preventive function through its role as an ombudsman – by recommending corrective measures and educating the population.<sup>19</sup>

*Republic of Korea.* The Anti-Corruption Act was passed in 2001 and the Korea Independent Commission Against Corruption (KICAC) was formed in 2002. Its functions include policy making and coordination, monitoring corruption, protecting whistleblowers, encouraging civil society involvement, improving the legal framework and promoting ethical values in society.<sup>20</sup> Unlike the other ACAs, the KICAC cannot investigate corruption cases itself; it has to rely on the Board of Audit and Investigation and other agencies.<sup>21</sup>

A government committed to curbing corruption should demonstrate its political will by providing the ACA with adequate staff and funding and the ability to operate independently without political interference. In almost all countries in the region, the ACAs are dependent upon government funding and several face severe budgetary constraints. In most cases the heads of the ACAs are appointed by political leaders or by committees that include politicians and generally report to the legislature or the parliament.

*Independence.* One of the first issues is where the ACA is located in government. If the agency reports to the office of the Prime Minister, for example, it can be used as a weapon against political opponents. In the Asia-Pacific region, the experience has been mixed. Some governments, such as those in Singapore and Hong Kong (SAR), China, have resisted this temptation; others have not. Ideally the ACA

should be a completely independent body. Where the ACA is not structurally independent, its power is dependent on the strength of its bureaucratic and political patrons, who depending on the environment, can be very powerful or very weak. In some cases, a combination of outside accountability and strong political support from the press and the public can overcome the absence of formal guarantees of independence. The autonomy of the ACA can also be strengthened by ensuring that the selection and appointment of the executive(s) of the ACA is a shared responsibility of several institutions (Table 6.2).<sup>22</sup>

ACAs in most countries do not require any formal complaint to investigate corruption; some have the authority to both investigate and prosecute; others also have the power to investigate corruption in the private sector.

Another important issue is independence from the police. Some agencies do have this advantage, but others do not, so a corrupt police force may be free to investigate its own members. One can also examine the records of these agencies in pursuing the 'big fish' or senior officials. Again the record is mixed, with some agencies doing very little to address corruption by the powerful. Staffing and budgets too can vary considerably, Macao's CAC, for instance, spends over \$22 per capita of population<sup>23</sup> compared with only \$0.08 in Indonesia (Table 6.3).<sup>24</sup>

*Oversight, accountability and control.* The ability of the ACA to work in an unbiased way will depend on appropriate checks and balances as well as constant scrutiny through various oversight mechanisms. Hong Kong's ICAC, for example, has its activities examined by four independent committees which include representatives from civil society, in addition to an independent ICAC Complaints Committee which receives, monitors and

**TABLE 6.2**

**APPOINTMENT OF CHIEF EXECUTIVE OF SOME ACAs IN THE ASIA-PACIFIC REGION**

<i>Appointment head of the ACA</i>	
Hong Kong (SAR), China	The Commissioner is appointed by the chief executive. The Commissioner has the power to appoint, discipline and dismiss officers.
Indonesia	Indonesia's Commission for the Eradication of Corruption (KPK) is appointed by Parliament from a list of candidates provided by the President. The list of candidates is prepared by a selection committee appointed by the Government.
Malaysia	Director of ACA is appointed by the King on the advice of the Prime Minister from amongst members of the civil service.
Republic of Korea	In the Republic of Korea, the President appoints the chairman and the standing members of the Korea Independent Commission Against Corruption. The President designates three members, while the Parliament and the Chief Justice of the Supreme Court also recommend three members each.
Singapore	The Director of the CPIB is appointed by the President on the recommendation of the cabinet.

*Source:* Based on UNDP 2005.

**TABLE 6.3**

**STAFF AND BUDGETS OF ANTI-CORRUPTION AGENCIES, 2005**

	<i>Number of staff</i>	<i>Budget (\$m)</i>	<i>Per capita expenditure (\$)</i>
Australia	110	14	2.00
Hong Kong (SAR), China	1,194	85	12.32
India	4,711	30	0.28
Indonesia	305	18	0.08
Macao (SAR), China	112	11	21.72
Philippines	957	12	0.15
Republic of Korea	205	18	0.37
Singapore	82	8	1.71
Thailand	701 *	9	0.14

*Note:* \*2004 data as the 2005 data are not available.

*Sources:* Central Bureau of Investigation 2006; Commission Against Corruption 2006; Davidsen et al. 2006; Independent Commission Against Corruption (2006a; 2006b); Korean Independent Commission Against Corruption 2006; Office of the Ombudsman – Republic of the Philippines 2006; Office of the National Counter Corruption Commission 2006; Republic of Singapore 2007.

*Whether a country has chosen a single or multi-agency approach, success in the fight against corruption depends to a great extent on cooperative relationships with other elements of government*

reviews all complaints against the Commission.<sup>25</sup> Another way to enhance oversight is to make the ACA accountable to more than one authority. Some countries have decided to shift reporting lines from a single-person institution such as the Prime Minister to the parliament, allowing various political parties to scrutinize the activities of the ACA.<sup>26</sup>

*Focus.* The agency's mandate needs to be practical and carefully focused. Many countries propose the Hong Kong approach (prevention, investigation and education/awareness)

though their agencies have neither the resources nor capacity to emulate Hong Kong (SAR), China. The most successful agencies have a clear focus (Table 6.4).

*Coordination.* Whether a country has chosen a single or multi-agency approach, success in the fight against corruption depends to a great extent on cooperative relationships with other elements of government. Unfortunately, this is rarely the case, and it probably breaks down often even in cases where it has been achieved. As a result, agencies are regularly frustrated by their inability to secure information, cooperation and prosecutions. In Indonesia, however, the KPK has been charged with coordinating and supervising all institutions involved in anti-corruption activities.<sup>27</sup> Bhutan has established a national Anti-Corruption Council to coordinate efforts of various stakeholders and plan and review the effectiveness of anti-corruption policies.

### **Public Credibility**

Finally, how does an ACA ensure its credibility among members of the public? The following three aspects are important indicators:

*Consideration of all complaints.* Does the public perceive that all complaints, no matter how small, will be followed up on? What proportion of complaints does it investigate? Does it investigate anonymous complaints? The Republic of Korea, for example, has penalized the disclosure of an informant's identity or any information that would reveal this to encourage citizens to come forward with their complaints.<sup>28</sup> This goes hand in hand with laws to protect whistle-blowers.

*Public perceptions.* Does the public believe that the agency investigates effectively and does not abuse its powers? Does the public believe

**TABLE 6.4**  
**ANTI-CORRUPTION AGENCIES: SOME EXAMPLES OF FOCUS**

<i>Focus</i>	
Hong Kong (SAR), China	The ICAC Ordinance requires the Commissioner to investigate 'any' suspected corruption. The agency's policy has been to take this literally, pursuing <i>all</i> corruption allegations without <i>a priori</i> selection criteria, although it is within the sole discretion of the Attorney General to decide which cases to prosecute. ICAC first focused on the public sector and only later started to focus its attention on the private sector. In 1974, 80% of the cases were from the public sector, today about 60% are from the private sector. ICAC has a comprehensive mandate. However, trials for minor cases are costly so there is a selection process that takes place at that level (if the offender admits then prosecution for minor cases, will be avoided).
Indonesia	Investigate, indict and prosecute corruption cases involving law enforcement officers, or government executives that have drawn the attention of the general public and/or involve loss to the state of at least 1 billion Rupiah.
Malaysia	Receive and consider any report of corrupt practices.
Republic of Korea	KICAC has no mandate to investigate. It refers all investigation to the Audit Office or the Prosecutor. If a report regarding suspected corruption involves a high-ranking official then the case is directly referred to the Prosecutor. KICAC does not deal with the private sector.
Singapore	Also, Singapore's CPIB has authority to investigate any crime that comes to light in its corruption investigations – a power that most such agencies do not have. It investigates complaints on corruption in the public as well as the private sector.
<i>Note:</i> At the time of publication \$1 = IDR 9,300. <i>Source:</i> Based on UNDP 2005.	



that the ACA will keep their corruption reports confidential? Is it seen as incorruptible?

*Enforcement.* Does the agency enforce the anti-corruption laws impartially, or does it concentrate on petty corruption and ignore grand corruption? Are the rich and powerful protected from investigation and prosecution for corruption offences? How are complaints against the agency's own officers dealt with?

Within ACAs of the Asia-Pacific region, the two strongest in this respect are those in Hong Kong (SAR), China and Singapore. In Hong Kong, for instance, many complainants, rather than preferring to remain anonymous, now identify themselves. Over the period from 2001 to 2006, the agency received 24,000 complaints of which 83 per cent were pursuable. Meanwhile 2,751 people were prosecuted of whom 83 per cent were convicted and over 1,000 civil servants were disciplined.<sup>29</sup>

The CPIB in Singapore is less forthcoming with information on its operations. The CPIB's small staff complement of 82 persons compels it to focus on investigation of corruption cases at the expense of the other functions of prevention and education. Indeed, the CPIB's Achilles heel is its neglect of public relations.<sup>30</sup> It has, however, published opinion polls on corruption. In 2005, nearly 90 per cent of the respondents believed that corruption was very much under control and 86 per cent felt that in Singapore corruption control was better than in other countries. According to the respondents, the low level of corruption in Singapore could be attributed to the political will to keep corruption under control; the heavy punishment for corruption offences; and the effectiveness of the anti-corruption law.<sup>31</sup> The CPIB has convicted a series of high officials including, for example, in 1995 the Deputy Chief Executive of the Public Utilities Board for accepting bribes from contractors.<sup>32</sup>

Some of the other agencies have a lower reputation. This may partly be the result of under funding, however, in a number of cases agencies pursue political agendas, or their members themselves are not above corruption.

It should be stressed that an ACA is only as effective as its incumbent government wants it to be. An ACA can only be independent, permanent, accountable, credible and effective if it is supported by a government that is committed to eradicating corruption. Any anti-corruption agency can be overpowered by a corrupt government or a crooked system. An ACA is also a double-edged sword and can be used by an incumbent government for good or dishonest purposes.

ACAs are not therefore the best solution for every country. What is needed first is a clear analysis of the political and economic situation, power-relationships and cultural patterns. This may well conclude that the right solution is an ACA. But it should not be designed or created until there is sufficient political consensus on an anti-corruption strategy and agreement on what the agency will do to implement that strategy effectively.

If a government decides to establish an ACA, it can enhance the prospects for success by providing it with an adequate budget and sufficient staff, by not interfering in its daily operations and most importantly by resisting the temptation to use it as a political weapon against critics or opponents. In the hands of a clean government, an ACA can be an asset and a powerful weapon.

### Civil Service Reform

Attempts to reduce corruption within government will generally involve civil service reform – reducing the incentives and opportunities for corrupt behaviour among public servants while increasing the likelihood of being caught and punished. For this purpose,

*An ACA is also a double-edged sword and can be used by an incumbent government for good or dishonest purposes*

*Monitoring systems, must be carefully designed if they are not to multiply bureaucratic procedures and 'red tape', which in themselves increase opportunities for corruption*

there can be four main strategies: merit-based personnel policies; better salaries; stronger monitoring; less red tape; and a determination to catch the 'big fish'.

### **Merit-based Personnel Policies**

The first prerequisite for a clean civil service is that candidates should be recruited and promoted not on the basis of patronage but on that of fairness and merit. Some countries in Asia had merit-based policies in the past but have not maintained this tradition and make too many appointments on the basis of favouritism.<sup>33</sup> Both the Philippines and Thailand, for example, have civil service commissions to ensure that recruitment and promotion in their civil services are fair, though they still do not always ensure appointments based entirely on merit.<sup>34</sup>

### **Better Civil Service Compensation**

Cash and non-cash benefits are both important part of compensation packages. The Russian curse 'May you live on your salary!' illustrates the universal importance of paying civil servants adequate salaries. Surveys in many countries have identified low salaries as an important factor responsible for corruption among civil servants. In Indonesia, a 2001 national survey – comprising 650 public officials, 1,250 households and 400 businesses – found that all three groups identified low salaries of civil servants as the most important cause of corruption.<sup>35</sup> Similarly, in surveys on corruption in five South Asian countries by Transparency International in 2001 and 2002 respondents identified the low salary of employees in various sectors as a cause of corruption.<sup>36</sup>

Adequate salaries are not just important for economic survival they also confer status in society. So the most obvious response would be to raise salaries and first and fore-

most to reduce the gap between those in the public and private sectors. However, this is likely to be expensive and governments may not be able to pay enough to compete with the levels of income from bribes. In any case, while this will reduce the motivation for petty corruption, it is unlikely to reduce grand corruption, which is caused less by need than by greed. Non-cash benefits like recognition, titles, training and exposure-visit opportunities can also be useful incentives under appropriate circumstances.

### **Closer Monitoring**

Government will therefore need to supplement salary increases and merit-based promotions with tighter systems of monitoring and control that can detect corruption swiftly and punish it severely. This should alter the mindsets of civil servants so that they see corrupt activities not as 'low-risk, high-reward' but as 'high-risk, low reward'. Monitoring systems, must however be carefully designed if they are not to multiply bureaucratic procedures and 'red tape', which in themselves increase opportunities for corruption.

Governments should also publicize proven cases of corruption among civil servants, since the threat of 'naming and shaming' serves as a strong deterrent. The Chinese Government has been taking stern action. Gan Yisheng of the Party's Central Commission for Discipline and Inspection reported in May 2007 that it had sent a special team of inspectors across the country to question local party bureaus, state-owned enterprises and banks. The team also looked at conspicuous acts of corruption, the buying and selling of government positions, several dubious promotions and other acts of malfeasance. They uncovered around \$10 million in illicit payments and funds. After a month-long nationwide 'discipline' campaign, nearly 1,800 officials confessed to their involvement in hundreds of acts of misconduct.<sup>37</sup>



### **Reducing Red Tape**

Corrupt civil servants love red tape. They see it as a way of slowing down procedures and forcing users to join queues that can only be jumped by paying bribes. Governments may initially have devised these procedures to build internal checks but the result is often counter-productive, so they could cut down substantially on corruption by streamlining these procedures. This is particularly important regarding what in Indonesia has been termed, the 'wet' departments.<sup>38</sup> Compared with the 'dry' departments, which do traditional administrative work and have little contact with the public, the wet agencies deal with many people outside the government and are typically concerned with money, planning, banking or public enterprises. They are also usually generous with honoraria, allowances, service on committees and boards, and carry many opportunities for foreign training.

Some governments in the region have made determined efforts to reduce red tape. In 1998 the Republic of Korea established the Regulatory Reform Committee which within a year had reduced administrative regulations by half.<sup>39</sup>

### **Catching and Punishing the 'Big Fish'**

In some countries corruption remains a serious problem since senior officials short-circuit corruption investigations by appealing to their protectors. The acid test of the political will of a government is therefore its determination to investigate politicians and senior bureaucrats – and to punish offenders. Prosecuting the rich and famous enhances the credibility and efficacy of a government's anti-corruption strategy and has the added advantage of deterring others, especially junior civil servants. One success in Indonesia was the jailing of the son of a former president,

initially for graft and later for arranging the murder of the Supreme Court judge who had convicted him. Similarly, the Chinese Government made a strong statement in 2007 by convicting Zheng Xiaoyu, former Commissioner of China's State Food and Drug Administration for accepting more than \$850,000 in bribes.

India too has caught some senior officials. The Central Vigilance Board in its 2005 Annual Report said that it had prosecuted various officials from the Central Board of Excise and Customs, including a commissioner and his senior staff. Other senior officials too have been dismissed as a result of corruption include a commissioner of Delhi Police; a chief engineer of the Ministry of Railways; scientists from the Council of Scientific & Industrial Research; and a director of the Department of Health.<sup>40</sup>

Such cases are few and far between. In Fiji, for instance, one of the most notorious cases of corruption concerned the National Bank of Fiji, a case which started in 1995 but has yet to produce any results. Similarly, a more recent case in the Water & Sewerage Department of the Ministry of Works concerned payments to contractors caused losses of \$9 million, resulting only in a \$500 fine and the transfer of a senior water engineer.<sup>41</sup>

### **Curbing Corruption in Taxation**

One of the most damaging forms of corruption for government budgeting is in taxation. Much of this arises as a result of excessive red tape which opens up opportunities for interactions between taxpayers and tax officials. Nowadays one of the best ways of reducing such interactions is through information technology which cuts transaction costs, increases transparency and builds trust. Technology also lowers the discretionary powers of tax officials, thus squeezing

*The acid test of the political will of a government is therefore its determination to investigate politicians and senior bureaucrats – and to punish offenders*

By Manzoor Hasan

Even as Bangladesh has made impressive achievements in economic and social development, its success has been marred by failures of governance. Partisan politics penetrated all aspects of public life, a problem that resulted in the decline of public trust. For many years, the country was identified as one of the most corrupt in the world. Ineffective formal controls and lack of citizen-oriented anti-corruption accountability mechanisms added to the crisis of integrity. This called for a longer-term change process with a strong reform regime that would sit at the core of the good governance agenda in Bangladesh.

Effective public accountability mechanisms and ongoing parliamentary oversight of Government activities are essential to promote democracy and economic development with a pro-poor focus. While formal accountability mechanisms existed in the country, the general perception, both in Bangladesh and abroad, was that they were politicized, often cumbersome, ineffective and lacked credibility. Confrontational politics and a winner-take-all attitude had led to a political culture where the two major political parties were constantly at loggerheads, undermining the credibility of the very institutions needed for good governance. Other institutions of integrity faced a paucity of political will to tackle their dysfunctionality. No public debate and consultations occurred on the merits and demerits of proposed public budgets. Dozens of national reports on misuse of power, lack of propriety and corruption went unheeded.

Yet, beginning in 2007, there has been cause for hope. For more than a decade, I have kept a close eye on governance issues and reform, and it is heartening to observe the growing political disposition to move towards improving overall governance, including measures against corruption.

Although Bangladesh had shown very little inclination to comply with international standards on corruption, the interim Government that came to power in January 2007 acceded to the United Nations Convention Against Corruption (UNCAC), just one month later. Crucially, 2007 also saw the long-overdue implementation of a 1999 legal judgment putting in place the necessary framework for an independent judiciary. The process of operational separation of the judiciary from the executive commenced on 1 November 2007. This will gradually strengthen the overarching framework of checks and balances between the three branches of the State.

Next, under new leadership, the national Anti-Corruption Commission (ACC) and related task forces under the National Coordination Committee are prosecuting a number of high-profile individuals on serious charges of corruption, abuse of power and criminal activities. A number of such cases have been successfully discharged, with investigations in progress for many others. The reconstituted ACC is also formulating its first strategic plan, which will set out a longer-term vision for the 'controlling, suppressing and preventing' of corruption in Bangladesh (Anti-Corruption Commission of Bangladesh, 2007). In addition, the Government has initiated a series of significant institutional reform measures toward strengthening of the Election Commission, Public Service Commission (PSC), the University Grants Commission and local Government authorities. A new Chair and new members have been appointed to the PSC, in an effort to restore that body's image; in turn, they have undertaken modifications in the examination system to ensure that civil service recruitments are transparent and fair.

Finally, driven by the top leadership of the Government, the process of formulating a National Integrity Strategy (NIS) is under way, with full implementation expected to begin at the end of 2008. This will offer an overarching vision for further development and implementation of good governance and anti-corruption reforms. Such a strategy is expected to highlight the need for public- and private-sector changes, involve public awareness campaigns, and seek international cooperation. It will be based on the premise that good governance is fostered by encouraging and facilitating a process of dialogue and building constituencies among key participants, by creating demand within a wider rubric of public awareness. Thus, the NIS will seek to strengthen internal controls in State institutions and will aim to induce a shift in culture by encouraging the adoption of citizen-owned accountability mechanisms.

All this is most welcome news indeed. Ultimately, when reforms have been successfully implemented, Bangladesh will witness strengthened institutions of accountability; stronger citizens' accountability mechanisms, with effective participation of media and the private sector as partners; and strengthened internal control measures across selected public sector agencies. Most importantly, it will have developed an ethics- and value-based foundation for its public service.

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opportunities for corruption. Introducing information technology requires an integrated, simple and rational system. Among other things, this will also mean keeping rates mod-

erate enough to attract potential tax payers and minimizing the list of tax exemptions.<sup>42</sup> Reducing tax rates and providing other tax incentives also encourages more businesses to

enter the formal economy. Evidence from 68 countries shows that between 1982 and 1999 while the rate of taxation on profits fell from 46 per cent to 33 per cent, revenues from taxation of profits rose from 2.1 per cent to 2.4 per cent of the national income.<sup>43</sup>

Governments wanting to reduce corruption in the tax system also need to reduce the powers of individual officials. There are two strategies for this. First, in countries where the same unit does assessment and administration they could re-engineer tax departments to separate the two functions. Second, they should not assign tax officials to any particular jurisdiction but give them tasks randomly.<sup>44</sup>

Another way to dent the monopolistic power of tax officials is through competition. When the same task can be handled by multiple officials, a taxpayer who is asked for a bribe can simply go to another. This kind of competition between officials can drive down their price – even to zero, as is the case in many developed countries. Tax reforms also need to be accompanied by effective detection and enforcement, which should include imprisonment, large fines and confiscation of illegally acquired assets – sanctions that must be harsh enough to discourage corruption.

One more measure is to reduce the number of ‘gatekeepers’ who can exert control over a particular activity. One option is to ensure that for each kind of economic activity there is a ‘one-stop’ licensing and regulation authority. This strategy for streamlining business licensing has been put into practice in many US states. India in 1999 introduced a similar agency, the Foreign Investment Implementation Authority.

It would also be valuable to reform the taxation system. For example, in the early 1990s, as much as 81 per cent of potential taxpayers in India were not captured by the tax net.<sup>45</sup> To rectify this situation and thus

to expand the tax base, India adopted the ‘one-in-six’: any person fulfilling one of six criteria must file a tax return irrespective of his or her level of income – a measure that significantly extended the tax net.<sup>46</sup>

Governments could furthermore make more use of taxes that are less susceptible to corruption, such as value added taxes (VAT). However, an important issue for VAT is the time it takes to issue refunds. While a long delay may offer time for proper assessment, it also creates an incentive for bribing tax officials. Tax authorities must therefore strike a balance between proper scrutiny and prompt refunds.<sup>47</sup>

### Privatization

In addition to reforming public services, governments can also consider privatizing or outsourcing some of them. This is often suggested cure for corruption as well as increasing transparency and efficiency. A strengthened private sector may also serve as a check to a government’s exercise of power when it acts independently to defend its interests.<sup>48</sup>

However, this assumes that the private sector itself will operate in an ethical fashion and that is likely to be less corrupt. This is frequently not the case. Corruption, both ‘petty’ and ‘grand’, is also rife in the private sector. For example, in China in the first eight months of 2007 state prosecutors handled 8,040 commercial bribery cases involving more than one billion yuan (\$140 million).<sup>49</sup>

An alternative to full privatization is a public-private partnership: the government makes an arrangement with the private sector to provide public infrastructure, community facilities and related services – with the partners sharing the investment, risks, responsibility and rewards. When introduced for large-scale projects, however,

*Governments wanting to reduce corruption in the tax system also need to reduce the powers of individual officials*

People are now starting to believe they have a right not just to good government but also to see how that government works and gain ready access to information

these have had mixed results; they seem to have worked better on a smaller scale as part of local, grass roots actions.

As yet, there is relatively little research on the social impact of privatizing social services. Most investigations have focused on economic efficiency rather than impact on redistribution and the poor. It is clear that governments need to be concerned not just with *whether* services should be privatized but also *how*. They have to undertake focused measures to improve the chances that poor households will benefit. If policy is weak before privatization, it will also be weak after privatization. Privatization is clearly no substitute for a responsible policy of redistribution.<sup>50</sup>

The Right to Information

In the past, even democratically elected governments have operated as fairly closed systems, assuming paternalistically that politicians and public officials knew best how to govern and no-one else needed to know how they did it. They have therefore generally

preferred to reveal information only when convenient or when it served their own purposes.

In recent years, however, there has been a major conceptual shift. People are now starting to believe they have a right not just to good government but also to see how that government works and gain ready access to information. For example, the process through which the Indian Right to Information Act was drafted and has come into force illustrates the power of sustained public pressure.

Although the main human rights instruments do not spell out this right explicitly, international law supports the right to freedom of expression. That includes not only the right to speak and write freely, but also to seek and receive information along with ideas. A number of countries have now started to enshrine this right in national legislation. In 1990, only 13 countries had right-to-information (RTI) laws but by 2007 the number had risen to 70.<sup>51</sup> Among these are eight Asia-Pacific countries, including China and India (Table 6.5). Thus far, no Pacific Island country has adopted such a law, although the matter has been debated extensively in Fiji. However, in August 2006, Iosefa Maiava, the Deputy Secretary-General of the Pacific Islands Forum, called for appropriate legislation.<sup>52</sup>

Beyond national governments, there have also been policies of information disclosure from a number of intergovernmental organizations. At the forefront, have been the international financial institutions such as the World Bank and regional development banks. The World Bank, for example, adopted its Policy on the Disclosure of Information in 1994. In 1997 UNDP also adopted a Public Information Disclosure Policy and UNESCO has made a commitment to do so.

Most right to information laws have two main components: first, they establish key categories of information that all public

TABLE 6.5 COUNTRIES IN ASIA AND THE PACIFIC WITH RIGHT-TO-INFORMATION LEGISLATION

Countries with legislation	Official commitment to adopt legislation	Sub-national legislation
Australia	Cambodia	China
China	Indonesia	India
India	Mongolia	Indonesia
Japan	Nepal	Japan
Republic of Korea		
New Zealand		
Pakistan		
Thailand		

Notes: 1. The Philippines has an effective constitutional guarantee, as well as a requirement for public bodies to adopt openness measures. 2. One Malaysian state, Kelantan, has made an official commitment to adopt legislation.

Sources: Banisar 2006; Mendel 2007.

bodies are required to publish, proactively and routinely; second, they establish the right of citizens or institutions to request and receive specific information.

### **Proactive Publication**

The more effective right to information laws specify information that must be disclosed on a proactive basis, including information that will help expose corruption. In India, the Right to Information Act requires public bodies to publish information on:

- *Procedures.* Decision-making procedures, including lines of accountability.
- *Pay.* The pay of all employees, along with regulations regarding compensation.
- *Budgets.* The budget for each agency, along with the particulars of all proposed expenditures, and details of all disbursements.
- *Subsidies.* Details on subsidy programmes, including amounts allocated and the beneficiaries.
- *Concessions.* The particulars of recipients of concessions, grants or authorizations.<sup>53</sup>

In India, the Government proposed to amend the RTI Act so as to exclude from it some administrative files and Cabinet papers. In 2006, however, following intense pressure from civil society organizations these plans were dropped.

In China the ordinance on Openness of Government Information also focuses on the publication of financial and development information. It requires public bodies to disclose economic and social development plans, statistical information on national development and reports on fiscal budgeting and final accounts. Fees charged for administrative work, approvals, major building works, policies on poverty alleviation and a

range of social programming are also published. It also requires local governments to release a wide range of information on revenues, expenditures, special funds, land-use planning and subsidies, contracting, allocations for emergencies and social relief.<sup>54</sup>

To be effective, this information must of course reach people. In Thailand, the 1997 Official Information Act requires public bodies to publish certain information in the official gazette and to make other information available for inspection.<sup>55</sup> The Indian law goes further – requiring that the information be disseminated widely and in a form accessible to the public including, subject to cost limitations, in local languages.<sup>56</sup>

Other countries outside the region have more extensive publication strategies. Mexico, for instance, requires the information be available in electronic form, including through a publicly accessible computer that has facilities for printing.<sup>57</sup> The United Kingdom, on the other hand, does not specify the information be published, but requires every public body to develop a publication scheme, setting out what it will publish and how much it will charge – a scheme that has to be approved by the Information Commissioner.<sup>58</sup> The advantage is that it allows for the amount of information to increase progressively over time as capacity increases.

### **Requests for Information**

The second main component is the request procedure. This allows individuals and organizations investigating corruption to ask for precise information, which in principle should allow them access to just about everything. In practice, however, they will find their path blocked by long lists of ‘exceptions’.

One of the main exceptions, rendering many documents off limits, is national security. Indeed in many countries the laws

*To be effective,  
information must  
reach people*



*One way to promote positive participation is to ensure that officials are engaged from the outset*

totally exempt certain security or intelligence bodies supposedly on the grounds that such information would be beneficial to a potential enemy. Whether or not this is actually the case, it also denies citizens information on what is being paid and to whom. This is a major issue since in most countries' defence usually has one of the largest budgets, with a considerable element of discretionary spending and is thus highly susceptible to corruption. There are, however, overrides around this. India, for example, while generally excluding intelligence agencies, does allow for the disclosure of relevant information 'pertaining to allegations of corruption or human rights violations'.<sup>59</sup>

Governments may also be reticent about publishing details of internal decision-making. They may believe that if the minutes of all discussions could surface subsequently in newspapers, politicians and public officials would be less willing to express their opinions frankly. Unfortunately, they usually overreact to this possibility by drafting the exception in unduly broad terms. Under the Japanese law, access to information may be refused on the grounds that it would unnecessarily cause 'confusion'.<sup>60</sup> The Thai law similarly excludes all internal opinions and advice, although this does not cover technical or factual background material.<sup>61</sup>

Since these exceptions could readily be used to hide corrupt activity it is important that the legislation also includes the possibility of overrides. Both the Indian and Japanese laws allow public bodies to override exceptions when this is judged to be in the overall public interest, which is often the case when the information relates to corruption.<sup>62</sup>

### **Other Disclosure Legislation**

Outside of general right to information laws, most countries include disclosure rules in

other pieces of legislation, allowing the public to find out. Some ways include disclosing the salaries of senior public officials, using land registers to identify the owners of property and inspecting the ownership structures of publicly listed companies.

In the Philippines, for instance, senior officials are required by the Constitution to publicly file a declaration of their assets, liabilities and net worth. This applies to the President, Vice-President, officers of the armed forces with general or flag rank, and members of the Cabinet, Congress, Supreme Court, Constitutional Commissions and other constitutional offices.<sup>63</sup> In addition, national legislation requires all public officials to file a publicly accessible statement of assets, liabilities and net worth, along with a disclosure of business interests and financial connections.<sup>64</sup>

### **Encouraging Access**

Legislation is, however, only the first step. The highest levels of government also have to sustain their support and public officials have to engage positively and meet their obligations fulsomely. This requires some fundamental reforms. For many government bureaucracies, this will involve considerable rethinking since they have typically been engineered for the purpose of not sharing information. Without adequate preparation, they can therefore find themselves inundated with petitions to which they are unable to respond, leading to long delays.

One way to promote positive participation is to ensure that officials are engaged from the outset. They need to be involved in all debates on the right to information and have the opportunity not just to understand the obligations but also to appreciate the benefits they can derive. Initially officials can feel threatened, but their nervousness usually



*By Prof. Zengke He*

Corruption in China has undermined Chinese citizens' trust in the Government and their support for it. Corruption has weakened China's international competitiveness and reputation, and deprived its citizens' of opportunities to enjoy a better life, especially among the poor.

In order to prevent and combat corruption more effectively, it is my view that China has to make greater improvements in the following areas:

Firstly, there is a need for China to make its Government more accountable to the people by introducing open and competitive elections into its political system at various levels. Open and competitive elections can empower the people and enable them to choose among different political elites. As shown in other countries in the world, where there are alternatives for the people to choose, the political establishment would have stronger motivation to act in the best interests of its constituencies.

Secondly, the media should be made more independent from the control and interferences of certain government officials. In developed countries, the media is considered the fourth 'public power' besides the legislature, executive and judiciary, playing a vital role of checks and balances on the decisions and actions of governments and public officials. There are numerous cases where journalists from the private news media are engaged in investigative reporting. Corruption is uncovered and publicized, ruining the reputation of corrupt officials and bribers. Some corruption scandals have caused such great public outrage to force the governments to take systematic measures to tackle corruption. There are many good lessons for China from other countries, when it is mobilizing social forces to rein in corruption. A freer and more robust media can become a powerful ally of the government to cope with corruption.

Thirdly, it is necessary for China to make the law-making and policy-

making processes more inclusive and participatory for various stakeholders. The main function of public policies and laws is to redistribute social resources and justice, influencing various social groups. If there is no legal way to influence these processes, the rich will then try to influence policy processes by bribes, and the poor will be marginalized, having no say in the decisions and laws that will affect their life. The Chinese Government should continue to broaden its engagement with citizens, civil society organizations (CSOs), and the private sector through public hearings, public consultations via the media, the internet and round-table discussions, etc. Currently, there are many pilots of public hearings about government decisions and consultations on legislation which are organized on an ad hoc basis. It is now time to move to systematic and standardized arrangements.

The fourth aspect is to make public affairs and processes more transparent. Access to government information by citizens is a precondition for citizens to know how the government works. The right to public information is also a basic right of citizens enshrined in the Chinese State Constitution. Transparency in government affairs is one of the most effective ways to prevent corruption. Access to information laws, standards and mechanisms allow the public to access government information easily and set up remedies for citizens to hold governments and officials accountable for failing to meet such standards. Among these, e-governance is proven an efficient, low-cost way to make government information accessible and transparent. Transparency in government affairs can also overcome the culture of secrecy within bureaucracies to expose the administrative processes to greater public scrutiny.

The fifth area where China should look into in order to fight corruption is independence and professionalism of the judiciary. An independent and fair judicial system can play a key role in

enforcing laws against corruption, while corruption in the judiciary will destroy public confidence in governments' efforts to combat corruption. This is because the judiciary is often said to be the last gatekeeper of justice. If it is susceptible to interference by the administrative branch or other political pressure, it would not be able to act as an independent third party to make fair judgment on governments' decisions and provide legal remedies for citizens when their rights and interests are unlawfully infringed upon by the administrative branch. Given the key role of the judiciary, the professional standards of judges are of great importance. Without high professional standards, the quality of judicial decisions cannot be guaranteed. In order to improve the independence and professionalism of the judiciary and prosecution services, reforms should be carried out on such systems as selection and appointment of judges and prosecutors, financing courts and prosecution services, higher remuneration schemes for judges and secure tenure for judges, etc.

The sixth area is to continue public administration reform by making government regulations less and better and public services more efficient and transparent. Complicated administrative regulations often create a lot of red tapes and thus give rise to more opportunities for bribery taking and giving. In the past three decades, China has introduced several rounds of public administration reforms in response to the needs of the emerging market-oriented economy. As China continues its socio-economic reforms and reorients its development policy towards balanced development with greater equity, what China needs to do is to launch a new round of administrative reform to further streamline its administrative regulations and improve public service delivery. Better regulations mean that the regulations should be simple, clear, coherent, consistent and enforceable. Relevant regulatory bodies should be

*Contd...*

made more independent and professional so that they can perform in a transparent and effective way and are subject to public scrutiny.

Seventh, there is a need to strengthen the institutions of external auditors. External auditing on government bodies and public institutions is a very powerful mechanism to reveal corruption and deter public officials from corruption. The Chinese Government needs to strengthen the institutions of external auditors, make external audits more regular, publish the audit reports and take strong and prompt measures against those officials who are found to be corrupt.

The eighth area of anti-corruption measures is to breed professional and business ethics via a process of consensus building. There are no perfect laws, and law enforcement is both costly and time-consuming. Therefore, it makes sense to raise the ethical standard of civil servants and businessmen through education and training. Codes of conduct and ethical standards are more likely to

be abided by if officials and business leaders participate in the codification of rules and make their voices heard. Meanwhile, professional ethics could be effective if they are tied with the career development of civil servants. Similarly, business ethics, including corporate social responsibilities (CSRs) could be made more effective if the compliance with standards positively influence the reputation and profit of the relevant corporations, and vice versa.

The ninth area is to create a more favourable policy and regulatory environment for civil society organizations. A strong and active civil society is a forceful check and balances on state power. The watchdog role of civil society on the potential abuse of state power cannot be replaced by any other government supervision bodies. Making civil society independent from the state is the first step for the development of civil society organizations (CSOs). The Government needs to improve the legal and policy environment for civil society development, reduce the current restric-

tions on civil society organizations with regards to registration, donation, tax, etc., encouraging CSOs to criticize the wrongdoings of government officials.

The tenth and final area is to make it easier for the victims of corruption and whistle-blowers to report corruption cases. Legal reform is needed to make the victims of commercial bribes seek legal remedies and get compensation in a less costly and time consuming way. Whistle-blowers should be protected by the law for their personal safety and career development. Confidential and rigorous complaint procedure to deal with various complaints should be put in place. There is also a need to find ways to protect reporters who engage in objective investigative reporting.

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subsidies when they find that the feared consequences do not materialize. One way to overcome their concerns is to provide them with training where they can learn about the processes alongside the representatives of civil society who are likely to be asking for information.

While the information is in principle available to all, in practice it tends to be accessed more by the wealthy and higher educated. The very poor rarely exercise their rights fully. They may be able to take advantage of information that is disclosed automatically, in the media for example, but they are less likely to request information themselves – hindered perhaps by unfamiliarity with the processes, illiteracy, cost, the time needed, the difficulty of making a request or simply because they fear, or do not trust public

officials. The very poor are therefore most likely to benefit via the activities of NGOs or other institutions of civil society.

Unfortunately, even NGOs do not always use their rights. Those that do so most actively are generally those that were involved in the struggle to obtain a right-to-information law, since they are committed to making it deliver the desired benefits. NGOs are also more likely to exercise their rights if they are pursuing a specific objective such as delivering basic entitlements to the poor.

There is also potential for abuse. Some people will use RTI to pursue personal agendas. Civil servants, for example, sometimes file RTI cases against colleagues who have been promoted over them or for other personal reasons. These and other requests, counter to the spirit of the right to

*The very poor rarely exercise their rights fully*

information, can absorb much of the time of RTI focal points and reduce their capacity to respond to genuine cases.

Overall it is probably too soon to judge whether RTI legislation has worked. India has had some success but in the seven other Asian countries it is too soon to say. They have only had their laws for a short time; indeed China's legislation does not even come into force until May 2008. In any case, access to information is only one factor impacting on corruption; so it may be difficult to identify a specific outcome of RTI processes.

### e-Governance

Developments that facilitate transparency entail the development of right to information communications technology (ICT) and the extension of e-governance. But there are dangers in this. Governments may use new technology to make their activities more transparent but they can also misuse it to exercise greater control over the lives of their citizens. Corrupt officials too may also be able to exploit such systems to their own advantage.

Nevertheless, governments and service providers can use new technology to become more accountable and responsive. India, for example, in 1998 introduced ICT in court management and reduced the huge backlog in the Supreme Court. This has now encouraged the government to formulate a five-year plan to computerize all 2,500 court complexes and provide laptops to over 15,000 judicial functionaries. There are also plans to create a database of new and pending cases and to digitize the law libraries and court archives – all of which can help combat corruption in the judiciary.<sup>65</sup>

In an effort to propagate the idea of zero tolerance for corruption, India's Central Vigilance Commission (CVC) has begun to

share with citizens a large amount of information related to corruption. The CVC website has published the names of officers from the elite administrative and revenue services against whom corruption investigations have been ordered or on whom penalties have been imposed. While promoting transparency and accountability, this also serves as a preventive tool. Any citizen can lodge a complaint. Although the complaints cannot be anonymous the Commission has to ensure that the identity of the complainant remains secret.<sup>66</sup> The Commission scrutinizes the information and then as appropriate passes the information on to the Central Bureau of Investigation or the Income Tax authorities.

Some public authorities are also using ICT to minimize corruption applications for licences and other permits. In 1999, the Seoul Metropolitan Government, for example, launched an Online Procedure Enhancement for Civil Applications (OPEN) covering 54 common procedures. By March 2001, close to 1.5 million people had visited the website and there had been 39,000 civil applications. The OPEN system has made the administration much more transparent, as those officials responsible for corruption-prone areas, such as permit or approval procedures, now have to upload reports and documents to enable citizens to monitor the progress of their applications.<sup>67</sup>

Another process that can benefit greatly from computerization is land registration. In India, farmers who need a bank loan are usually required to show a copy of the Record of Rights, Tenancy and Crops. For this they often have to rely on the village accountant whose records are not open to public scrutiny. Their activities take anywhere between 3 and 30 days, depending upon the importance of the record for the farmer, along with a bribe, which could range from \$2 to \$50, or up to \$250 if the record has to

*Governments may use new technology to make their activities more transparent but they can also misuse it to exercise greater control over the lives of their citizens*

*Computerizing a corrupt system will make the situation even worse*

include additional dubious details.<sup>68</sup> In the State of Karnataka this process has been transformed by the arrival of the Bhoomi project which has computerized the records and opened them for public examination. This has now been extended to other states.

ICT is not in itself a solution. Computerizing a corrupt system will make the situation even worse, since those engaging in public sector corruption can take advantage of advanced technologies and porous international borders to move their funds around.

If governments are to minimize these risks they must design their systems to counter corruption. Many governments have placed the development of national e-government plans in the hands of IT staff in ministries. While they may be able to make the technology work, they are unlikely to know enough about corruption. They need to work therefore with legal and anti-corruption experts.

E-governance needs to develop on a continuous basis and also to be guided by the priorities of citizens. The opportunities for such involvement are likely to expand in the years ahead. Second-generation telecentres, combined with the increasing power of mobile devices can enable citizens to participate in governance not just once in five years through the ballot box, but on a daily basis through their interaction with honest and responsive administrations.

### **Cross-Border Cooperation**

In an increasingly integrated global economy, corruption too has become a cross-border issue. Some argue that globalization will have a positive effect on corruption and that opening up national processes to international scrutiny and the pressures of a free market should make them more transparent. Others claim that deregulation of markets in the South has in many ways made developing

countries more vulnerable to corruption than ever. There is probably an element of truth in both propositions, but it seems clear that countering corruption will need determined action by governments, international agencies and international corporations working together.

The most important step forward in international cooperation has been the United Nations Convention Against Corruption (UNCAC). Entered into force in December 2005, this is the first global legal instrument designed to achieve far-reaching reforms to combat corruption. It also presents for signatories important anti-corruption mechanisms, including public-sector reform, the right to information, extradition laws, anti-money laundering laws, corporate social responsibility, strengthening the independence of anti-corruption agencies and ethical codes of conduct for civil servants.

Table 6.6 shows the regional pattern of support of the Convention. Within the Group of 8 industrialized nations, all are signatories. However only five have ratified (Canada, France, Russia, the United Kingdom and the United States), meaning those that have only signed the Convention are not willing to be legally bound by it. Most Asia-Pacific countries that have signed the convention have abstained from being bound by paragraph 3 of Article 66, which deals with 'Settlement of Disputes' between state parties, with possible deference to the International Court of Justice if a deadlock occurs. Other parties have abstained from this paragraph including the United States, South Africa and the European Union.

In addition to UNCAC, countries in Asia and the Pacific are signatories to a number of other relevant international treaties. The only regional agreement for Asia-Pacific is the ADB/OECD Regional Anti-Corruption Action Plan (Box 6.1). The Pacific Plan, was endorsed in October of 2005 by all member

states of the Pacific Island Forum. The Plan is a central tool in the fight against corruption in the region (Box 6.2). The Plan endorses a regional anti-corruption strategy which seeks to strengthen legislation and other measures in many Pacific Island countries as well as create regional anti-corruption institutions such as a regional Ombudsman and an Audit and Customs Office.

In addition, across the region there are over 70 bilateral treaties,<sup>69</sup> specifying legal surrender by one country to another of an individual accused or convicted of an offence and agreeing on procedures gathering evidence for use in criminal cases, transferring criminal proceedings to another state or carrying out foreign criminal sentences. Some of the agreements also cover mechanisms for recovering corrupt funds and assets.

### Controlling Transnational Corporations

Transnational enterprises have made an important contribution to economic growth

**TABLE 6.6**

#### A REGIONAL SNAPSHOT OF THE UNCAC

<i>Developing countries by region who have ratified the UNCAC*</i>	<i>Number signatories</i>	<i>Number ratified, acceded, approved, accepted succeeded</i>
Latin America, Caribbean**	26/38 (68%)	25/38 (66%)
Eastern Europe & CIS	22/29 (76%)	21/29 (72%)
Africa	33/44 (75%)	28/44 (64%)
Arab States	15/18 (83%)	10/18 (56%)
Asia Pacific***	19/35 (54%)	10/35 (29%)

\* based on UNDP programme countries

\*\* Including the overseas dependencies of Turks & Caicos, British Virgin Islands, Montserrat, Aruba and Netherlands Antilles which are all UNDP programme countries

\*\*\* The Cook Islands are in 'free association' with New Zealand and can independently sign up to UN conventions whereas Niue and Tokelau, while UNDP programme countries, have their foreign affairs represented fully by New Zealand and are therefore not included.

Source: United Nations Office on Drugs and Crime. n.d.

in the region, but they have also been involved in dishonest and illegal practices, in some cases colluding with corrupt leaders, particularly in the extraction of natural resources and in pharmaceuticals.

#### BOX 6.1

##### ADB/OECD ANTI-CORRUPTION INITIATIVE FOR ASIA-PACIFIC

The ADB/OECD Anti-Corruption Initiative for Asia-Pacific was launched in 1999 and supports its 28 member countries and economies in strengthening anti-corruption policies and frameworks. The process is driven by the commitment of its members to the goals, standards and implementation mechanism laid out in the Anti-Corruption Action Plan for Asia-Pacific.

The Action Plan sets standards for member governments in four areas: effective and transparent systems for public service; anti-bribery actions, promoting integrity in business, and public involvement in the fight against corruption. These areas reflect the range of issues covered by the UN Convention Against Corruption as well as other relevant international instruments such as the OECD Anti-Bribery Convention.

A set of mechanisms supports the implementation of the Action Plan by the Initiative's member governments. These mechanisms include the facilitation of regional policy dialogue and measurement of progress in anti-corruption reform; provision and dissemination of good practices to support the regional dialogue; capacity building, as well as the facilitation of partnerships with relevant constituencies in and beyond the Asia-Pacific region, such as UNDP.

Through this unique implementation and review mecha-

nism, the Initiative has contributed to the fostering of anti-corruption reforms. Its role in supporting the implementation of the UN Convention Against Corruption and other key anti-corruption instruments is recognized by governments, international and donor organizations, civil society and the private sector.

The 28 member countries and economies that endorsed the Anti-Corruption Plan and were members of the Initiative at the time of publication are: Australia, Bangladesh, Bhutan, Cambodia, China, Cook Islands, Fiji Islands, Hong Kong (SAR), China, India, Indonesia, Japan, Republic of Kazakhstan, Republic of Korea, Kyrgyz Republic, Macao (SAR), China, Malaysia, Mongolia, Nepal, Pakistan, Republic of Palau, Papua New Guinea, the Philippines, Samoa, Singapore, Sri Lanka, Thailand, Vanuatu, and Viet Nam.

Membership in the Initiative is open to any economy within the Asia-Pacific region that recognizes the need for action against corruption. Those members undertake corresponding action and commit to the standards of the Action Plan as well as to the implementation mechanisms.

Source: ADB/OECD Anti Corruption Initiative for Asia-Pacific. n.d.



## BOX 6.2

### THE PACIFIC PLAN'S STRATEGY TO FIGHT CORRUPTION

The Pacific Plan is a regional agreement endorsed in October 2005 by the member states of the Pacific Island Forum – Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Republic of Marshall Islands, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Tokelau and Timor-Leste currently have 'observer status'.

The Pacific Plan contains robust initiatives to fight corruption. In its first implementation phase (2006 to 2008), these include: setting up regional ombudsman and audit offices, establishing a regional customs revenue service, leadership and accountability codes of conduct, setting up independent regional anti-corruption agencies, increasing the statistical capacity of the region on governance indicators, strengthening the judiciary through stronger departments of attorney general with judicial training and education. Along with these

initiatives there are comprehensive frameworks for monitoring and evaluation involving a variety of stakeholders from governments to civil society, led by the Pacific Plan Action Committee. Importantly, many of these new governance structures will explicitly include issues pertaining to resource management, perceived in the Pacific as an extremely 'wet' sector for corruption. Underscoring all these reforms is the harmonization of traditional and introduced governance systems; corruption is said to occur in the grey area between the two.

Since many Pacific Island countries are very small and have limited capacity, rather than having national anti-corruption agencies, there could be a regional body to respond to the special needs of such countries and promote effective economic integration and collective security.

*Source:* Pacific Islands Forum Secretariat. n.d.

*In the past, many companies which would not dream of bribing officials in their own countries have seen nothing wrong with bribery when operating abroad*

All would claim to be acting responsibly and contributing to prosperity and the development of sustainable markets in the countries in which they operate. In practice, however, they tend to operate more responsibly in developed countries where they are usually under closer scrutiny. In the past, many companies which would not dream of bribing officials in their own countries have seen nothing wrong with bribery when operating abroad. However, this practice has become increasingly unacceptable and there have been initiatives to make the private sector commit to a more transparent and honest global business environment.

Some companies, following a number of corporate corruption scandals, and recognizing the public relations value of a clean image, have been developing comprehensive codes of conduct, conducting anti-corruption training and establishing internal control systems. Others have been less scrupulous. In Hong Kong (SAR), China a survey in 2006 found that 76 per cent of international companies believed that they had failed to win new business in the previous five years because a competitor had paid a bribe.<sup>70</sup>

While many TNCs have developed their own codes of conduct, a number of international agencies and civil society organizations have also set up guidelines to encourage TNC commitment to a corruption-free business environment. One of the most important measures is the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions – further developed at the global level by the United Nations Convention Against Corruption.

This has spurred other international initiatives such as the UN's Global Compact framework. The latter is a voluntary initiative for businesses which are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and corruption. Principle 10 reads: 'Businesses should work against corruption in all its forms, including extortion and bribery.' The Global Compact has so far enlisted over 2,900 businesses in 100 countries to promote socially responsible policies in the anti-corruption area.<sup>71</sup>

Civil society organizations have also been very active in creating awareness of TNC



activities, exposing their misdeeds and lobbying for legislation and initiatives to hold them accountable for their activities overseas. One example is Transparency International's 'Business Principles for Countering Bribery' – developed in partnership with companies, academia, trade unions and non-governmental bodies. International financial institutions such as the World Bank are beginning to take on an anti-corruption regulatory role when their own financing is involved, by investigating and sanctioning companies.

### ***Tax Havens and Money Laundering***

For developing countries, one of the main problems in prosecuting and punishing corrupt officials and businesses is that the proceeds of corruption are laundered through offshore banks and held in secret accounts in tax havens, concealing the dishonest and illegally obtained money and making it hard to track down assets looted by corrupt leaders.

A number of NGOs, like the Tax Justice Network, have lobbied to bring these issues to the discussion table, and governments and international development agencies are now starting to respond. In 1989, for example, the G7 founded a Financial Action Task Force on Money Laundering (FATF) which has listed 40 anti-money laundering measures that have been accepted internationally as policy benchmarks. The members of FATF in Asia and the Pacific are Australia, China, Japan and Singapore,<sup>72</sup> which have committed to undergo the required mutual evaluation to assess the extent of implementation of the 40 recommendations. Other countries in the region that are not FATF members have also been evaluated through an associate of FATF: the Asia-Pacific Group on Money Laundering.

Much laundered money ends up in tax havens. Levying minimal taxes, or none at all,

these attract funds from depositors who have acquired them illegally. Dirty money associated with bribes received by public officials from developing and transition countries and hidden in tax havens has been estimated at \$20 to \$40 billion per year.<sup>73</sup> A UNODC/World Bank report says that offshore financing is thought to have provided a shelter for more than \$600 million in misappropriated funds by former Philippines President Ferdinand Marcos.<sup>74</sup>

Globally, tax havens or harmful preferential tax regimes have facilitated potential for cross-border corruption. While many of them are promoted and protected by developed countries, Asia-Pacific is also home to a substantial number. Major ones identified worldwide in 2000 were 71 in number, including 21 from OECD member countries and 13 from the Asia Pacific; in 2007 these have come down to 39 overall of which one is among the OECD members and 6 are in Asia Pacific, the later being all islands.<sup>75</sup> In Singapore, foreigners have been allowed to acquire residency through investment. A study, noted that in 2006, roughly "18,000 'high-net-worth individuals' of Indonesian origin resided in Singapore and held approximately US\$ 87 billion in financial wealth".<sup>76</sup> Indonesian Government officials have been critical of the lack of cooperation from their Singaporean counterparts when it comes to anti-money laundering and extradition of fugitives. Singapore's Prevention of Money Laundering Act of 2002 ensures robust internal regulations, partly through the inclusion of the 'Know Your Customer' initiative which requires financial institutions to report suspicious transactions to the authorities. However, currently the scheme only applies to transactions linked to serious crime or terrorism. Revenues derived from illegal logging or other environmental crimes appear to fall outside its scope.<sup>77</sup>

*The proceeds of corruption are laundered through offshore banks and held in secret accounts in tax havens*

*Corruption is such an insidious and pervasive phenomenon that it has to be tackled at many levels simultaneously*

Tax havens are an issue that has to be addressed through global cooperation. There is little point in closing down existing tax havens if they are replaced by new ones.

As a response to this, and to help developing nations recover assets stolen by corrupt leaders, UNODC and the World Bank in 2007 launched the Stolen Asset Recovery (StAR) initiative. This will give developing countries financial and technical assistance to strengthen their institutional capacity to retrieve stolen funds and invest them in development programmes – and to monitor their use to ensure that they are not stolen a second time. It will also help countries bring their laws into compliance with the UN Convention Against Corruption.

StAR emphasizes the need for developed and developing countries to work in tandem. While such money frequently originates in developing countries, much of it is being hidden in developed countries. Developing countries need to strengthen their public institutions; at the same time developed countries must demonstrate stronger political will and carry out the necessary legal reforms backed up with consistent investigation.<sup>78</sup> By the end of 2007, Switzerland, one country known for its secretive banks, had signed on to the StAR initiative, hopefully making it increasingly difficult for corrupt money to find a safe hiding place.

As a part of the initiative, UNODC and the World Bank appealed for all countries to ratify and implement the UN Convention Against Corruption (UNCAC), which only five of the Group of Eight developed countries have done. Among the countries earlier seen as tax havens in Asia-Pacific, the Maldives acceded to UNCAC in March 2007. China ratified in January 2006; the agreement will be applicable also for Macao and Hong Kong. Singapore is a signatory to UNCAC but has yet to ratify the agreement.

### **Governments Taking the Lead**

Corruption is such an insidious and pervasive phenomenon that it has to be tackled at many levels simultaneously. But one thing is clear – governments have to set an example and take the lead. They need take a determined stand, enacting the necessary legislation, launching effective institutions to investigate corruption and root it out. A number of governments have put together some of the required ingredients: anti-corruption agencies, right to information legislation, e-governance and greater international cooperation, but most still have a long way to go. However action from the top is only a part of the picture. This needs to be reinforced by pressure from below, which is the subject of the next chapter.

7



## Citizens on Watch



BANGLA *Khushi kora* making happy

LAO *Kin sin bon* taking bribe money

CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law

SINHALA *Santhosama* money given as a gratification

URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection

THAI *Ka-numron-numcha* cost for hot water and tea

TAGALOG *Buaya* corrupt people, literally crocodile

PERSIAN *Baksheesh* gift, tip

DHIVEHI *Naajaaiz faidhaa* illegal benefits

MALAY *Duit kopi* Coffee money

INDONESIAN *Pembinaan wartawan* cultivating journalists

FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox

HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly

CHINESE *Yang-lien* money to nourish honesty, an ancient term

*Corruption is injustice, silence is consent.*

SLOGAN AT A PUBLIC HEARING, INDIA

*For devil's sake, don't give bribes.*

MOTHER TERESA

# Citizens on Watch

Tackling corruption is not a job for governments alone. Civil society must play its part – by monitoring and reporting on standards of government and also by refusing to pay bribes or collude with corrupt officials. Individuals, civil society organizations and the media all need to stay alert, demanding the highest ethical standards and resolving to reject corruption wherever it appears.

Corruption is often seen as an inevitable fact of life in countries where systems of governance are still developing, government controls are weak and ill-paid civil servants can be expected to try to supplement their pay. Across the region many individuals and groups are increasingly becoming less tolerant of corruption and the damage that it causes, and are taking direct action.

## The Power of the Media

One of the principal watch groups monitoring and exposing corruption is the media – press, radio, TV and increasingly the internet. They can serve many important functions, beyond just exposing corruption. The media can sustain an open and transparent flow of information, fostering a climate of opinion that is increasingly intolerant of corruption.

The most dramatic cases of media intervention occur when investigative journalists expose cases of grand corruption – leading to prosecution, or at least the resignation of high-profile offenders. This has been seen in many Asia-Pacific countries. In the Philippines, for example, investigative reporting provided evidence that led to the impeachment of political leaders. The investigations brought out instances of tax kickbacks and bribes.

There have also been high-profile cases in India. In 2001, for example, journalists from the website *tehelka.com* wrote about large-scale corruption in defence procurement. This eventually led to the resignation of the defence minister. Posing as representatives of a large military supplier, journalists approached leaders of the ruling party and members of the army's top brass, showing that they were willing to accept bribes in the billions of rupees. This demonstrated what people had long suspected: that defence and army officials were skimming huge amounts from military contracts. This exposé shook the Indian political and defence establishments. The *tehelka.com* journalists suffered some harassment and their website was forced to shut down, but they have now reappeared producing a high-quality weekly paper.<sup>1</sup>

Journalists in China too have exposed low- and mid-level corruption, contributing to the removal of local officials from office, often with the tacit endorsement of higher government officials. In 2005, for example, Xinhua (the official news agency) publicized the results of a government audit showing that \$1 billion meant for infrastructure projects and public compensation in the poor, north-western province of Gansu had been diverted or embezzled. More than 40 officers were caught, including a vice-mayor of an eastern city who was jailed for taking bribes.<sup>2</sup>

*Across the region many individuals and groups are increasingly becoming less tolerant of corruption and the damage that it causes, and are taking direct action*



The Party eventually launched an investigation of the erring officials, with media publicity providing legitimacy and generating public support for the probe. Such tacit endorsement of exposés of corruption has encouraged ground-breaking journalistic investigations. In 2002, a journalist probed corruption in the securities market in Lanzhou – the capital of Gansu. His reports resulted in the closure of over 400 illegal companies by the government. But the journalist also received death threats as a result, including one from a businessman whose illegal practices he exposed. Gansu officials banned his reports, saying these contributed to instability in the province, prompting him eventually to move to Beijing.<sup>3</sup>

Press publicity can be particularly effective against two especially pernicious types of corruption. The first is extortive corruption in which a government official demands a bribe to provide a service. Victims tend to report this type of corruption to the press. The second type of corruption that the press can expose is collusion between bureaucrats and their clients. In this case, neither has any incentive to expose malfeasance, but journalists do, motivated either by their professional ethos or the prospect of a good story.<sup>4</sup>

As well as exposing individual cases, investigative exposure can lead to more profound reforms. The uncovering of serious systemic flaws can catalyse public discussion and debate, ultimately leading to an overhaul of structures and systems. In many democracies the exposure of corruption in electoral fund-raising, for example, has generated lively public discussions and in some cases has led to greater restrictions on campaign finance. In Japan, for instance, scandals linked to campaign contributions in the 1990s led to new laws designed to limit the influence of corporate money in elections. In 1999, the Political Fund Control Law (1948)

was revised, increasing the controls on individual contributions. If any campaign worker is found to have broken the rules, the election result can be overturned.<sup>5</sup> Similarly, in the Republic of Korea, the Government of President Kim Dae Jung, in 1999, responded to a popular clamour for election reforms by imposing ceilings on contributions to political parties by individuals and companies and establishing annual subsidies for political parties.<sup>6</sup>

### ***Exposure on the Internet***

Those with vital information on corruption can now use the internet, regardless of how constrained the press is. During the 2000 election campaign in the Republic of Korea a coalition of 600 grass roots organizations had found that 15 per cent of the candidates for parliament had serious criminal records and many others were guilty of tax evasion or dodging the draft. They published the names of blacklisted candidates on a website. The website got 1.1 million hits on election day and of 86 blacklisted candidates, 58 lost.<sup>7</sup> Why did the newspapers not take the initiative? For three decades the country was in the grip of dictatorship and despite today's democracy, the mainstream media are generally timid.<sup>8</sup> In this case, the web served as a virtual 'town square' where people could discuss and debate, forcing the traditional media to follow suit.

Similarly, in China, blogs, of which there were as many as 33 million by the end of 2006,<sup>9</sup> have led to a rise in public discussion on corruption. One blog by an independent journalist has exposed corruption, including the case of a local official who stole \$400,000.<sup>10</sup>

In the Philippines, in the heat of the mass protests against a former president, the internet was a hive of activity for Filipino

activists who mounted ‘cyber-rallies’ and online signature campaigns, mobilizing students, the middle class and also overseas Filipinos.

In India, one woman set up a blog to protect her husband – a whistle-blower working in the civil service of the State of Karnataka. Her husband had reported on colleagues who were supplementing their salaries with bribes. He was pushed around the civil service and forced to switch jobs seven times in nine months. Scared by the murder of several people in India known to have exposed corruption, his wife built a website – [fightcorruption.wikidot.com](http://fightcorruption.wikidot.com) – to make his case known to the world. ‘In the YouTube era,’ she reasoned, ‘it is harder to kill a man who has a bit of internet renown. I wanted to inform the people that this is happening, that my husband is a whistle-blower, so that it becomes the responsibility of every citizen to protect him’.<sup>11</sup>

The internet has clearly provided a relatively free space where individuals and groups can articulate views and provide information unavailable in the mainstream media. But this is not an option open to most people. In the rural areas and among the semi-literate in particular, few people have access to the internet.

### Press Freedom

As Amartya Sen argues, the free flow of information and open public discussion ‘have a critical instrumental role in preventing corruption, financial irresponsibility and underhand dealings’.<sup>12</sup> The press and other media will, however, only be able to report on corruption if they are free to do so. They face two main types of constraints. The first comes from governments. In some countries in the region the press and TV are largely in the hands of the state, so they have relatively

little freedom to act. The second comes from proprietors; private media may appear more independent, but often serve the interests of wealthy individuals or corporations who also may be corrupt.

A survey for this report of 28 Asia-Pacific countries found that most had both private and government-owned media. For example, 71 per cent of the countries in South Asia have both private and government-owned newspapers (Table 7.1). The other 29 per cent of countries have only privately-owned ones. But in East Asia and in the Pacific 30 per cent and 36 per cent of the countries, respectively, report only government-owned newspapers.

Most countries in South Asia also reported both government and private ownership of radio stations, television channels and internet websites. But in the Pacific, government-owned radio stations are reported by 55 per cent of countries and television channels 62 per cent. In East Asia, the figures are 30 per cent and 20 per cent respectively.

*The press and other media will, however, only be able to report on corruption if they are free to do so*

**TABLE 7.1**  
**MEDIA OWNERSHIP – PERCENTAGE OF COUNTRIES**

	Newspaper ownership	Radio station ownership	Television channel ownership	Internet site ownership
<b>East Asia</b>				
Government only	30	30	20	0
Private only	40	10	10	30
Govt. + private*	30	60	70	70
<b>South Asia</b>				
Government only	0	0	14	0
Private only	29	0	0	0
Govt. + private*	71	100	86	100
<b>Pacific</b>				
Government only	36	55	62	10
Private only	46	0	38	30
Govt. + private*	18	45	0	60
Notes: This is based on a sample of 28 countries: 7 in East Asia; 11 in the Pacific; 10 in South Asia. * Govt. + private indicates both options are available.				
Source: Governance focal points in UNDP country offices.				

*Some journalists lack the skills for textured and in-depth reporting*

An indication of the extent of press freedom can be gathered from the ratings of independent organizations, such as Reporters without Borders – an NGO which compiles an annual index of press freedom based on 50 criteria. This represents the views of journalists, researchers, jurists and human rights activists and is compiled with the assistance of the Statistics Institute of the University of Paris. The 2007 index rated 169 countries, of which the top 10 were all

European. The highest rated Asia-Pacific countries were New Zealand the at 15th, followed by Australia at 28th (Table 7.2) position.

It should be emphasized that this index is concerned with freedom and does not judge quality. A free press may, for example, concentrate less on news and more on entertainment. Nor does it say whether the media report responsibly; rather than promoting a reasoned debate and consensus the press may simply exploit its freedom by peddling sensationalism or fomenting cynicism and conflict.

There can also be constraints on capacity. Some journalists lack the skills for textured and in-depth reporting. As a result, the most successful investigative reports tend to be those that focus on individual wrongdoing, on stories with clear villains, rather than on more complex issues linked with social inequality, injustice, harmful public policy, or unaccountable social and political structures.

In practice, does a free press contribute to the reduction of corruption? The picture is mixed. For one thing, the restrictions can come from different directions. Those in countries towards the bottom of the list tend to come from strong government control. This is the case of Myanmar, for example. And in Singapore a muzzled press, fearing restrictive defamation laws and breaches of official secrets, practices considerable self censorship. In any case, nearly all of Singapore's media outlets, including internet service providers, are run by companies with close ties to the ruling party.

In the Philippines the restrictions can also come from other directions. The Philippines has a liberal access-to-information regime and an energetic and crusading media but has a low rating from Reporters Without Borders because of the murder of a number of journalists.

**TABLE 7.2**

**WORLDWIDE PRESS FREEDOM INDEX,  
ASIA-PACIFIC COUNTRIES, 2007**

	<i>Ranking</i>	<i>Score</i>
New Zealand	15	4.2
Australia	28	8.8
Japan	37	11.8
Republic of Korea	39	12.1
Hong Kong, China (SAR)	61	20.0
Mongolia	74	23.4
Cambodia	85	25.3
Timor-Leste	94	27.0
Indonesia	100	30.5
Fiji	107	33.5
Bhutan	116	37.2
Tonga	119	38.3
India	120	39.3
Malaysia	124	41.0
Philippines	128	44.8
Maldives	129	45.2
Bangladesh	134	53.2
Thailand	135	53.5
Nepal	137	53.8
Singapore	141	56.0
Afghanistan	142	56.5
Pakistan	152	64.8
Sri Lanka	156	67.5
Lao PDR	161	75.0
Viet Nam	162	79.3
China	163	89.0
Myanmar	164	93.8
Iran	166	96.5
DPR Korea	168	108.8

*Note:* The index for 2007 is based on events that took place between 1 September 2006 and 1 September 2007.

*Source:* Reporters without Borders, 2007.

These countries also have very different experiences with corruption. In Singapore, for example, corruption is low largely because a highly efficient government controls the system from the top, punishing offenders severely and by paying bureaucrats quite well. The Philippines, on the other hand, despite a lively press which has exposed the corruption of a number of presidents and high-ranking government officials, is thought to have high levels of corruption. After a former political leader threatened tax audits and other government sanctions against the owners of critical media outlets, they toned down their reporting on the corruption and other wrongdoing of his administration.<sup>13</sup>

Other countries in the region have a similar combination. India has one of the region's longest traditions of press freedom yet corruption remains rife. Indonesia too, especially since the fall of Suharto, has seen a proliferation of new newspapers. Yet it is still perceived to be one of the more corrupt countries in the region.

Clearly a free press is not enough. What these countries need in addition are clean and efficient systems of justice that will follow up on widely-reported allegations. Nevertheless it would be wrong to say the media in these countries has been completely ineffective. In India, Indonesia and the Philippines, media reporting has helped create public pressure for reform, even if this has been slow to materialize. It could also be argued that without a free press the situation in these countries would have been far worse. Of course freedom has to be balanced by responsibility, without which credibility can be seriously compromised.<sup>14</sup>

A free press could further improve the situation in Singapore. The country controls corruption at home but has had less success controlling the behaviour of its government-owned enterprises overseas. With even greater

freedom, the Singaporean press could expose such activities and make state entities more transparent and accountable. The country would also benefit from more critical reporting on the perks of high-level officials, their transactions and decisions.

### ***Ethical Standards of Journalism***

Even if the press is free, its ability to combat corruption can be compromised by low ethical standards. In many countries journalists are only too willing to accept payments from those on whom they are covering. In 2001, the Alliance of Independent Journalists in Indonesia surveyed hundreds of reporters and found that 70 per cent of those in East Java and 97 per cent in Jakarta were taking envelopes of cash from their news sources.<sup>15</sup> The Jakarta office of the Southeast Asian Press Alliance also reported that 64 state-owned firms and government departments set aside \$173 million for 'cultivating journalists' in 2001 (Box 7.1). Similarly the Philippine Centre for Investigative Journalism in 1998 polled 100 beat reporters in Metro Manila and found that 71 had been offered money by their sources. Of these, 24 admitted they took the money, with 16 keeping the cash for themselves and 8 turning it over to their editors.<sup>16</sup>

### ***Enabling the Media to Expose Corruption***

The media can promote good governance if they retain editorial independence, abide by high ethical and professional standards and know that their rights will be guaranteed. They are also more likely to expose corruption if their ownership is dispersed in a competitive market and they represent a diverse range of views.

They must also be free of intimidation. Governments should not unduly penalize

*Freedom has to be balanced by responsibility, without which credibility can be seriously compromised*

## BOX 7.1

### AN ENVELOPE HEADACHE IN INDONESIA AND ATM JOURNALISM IN THE PHILIPPINES

In Indonesia the practice of giving out cash-filled envelopes dates back to the 1950s (previously, friendly journalists were given rice). In the aftermath of the 1997 crash of the rupiah, the practice became so endemic that members of the public with fake press cards made a living from going to press conferences and accepting envelopes. Such people were known as 'bodrex' – an Indonesian brand of headache tablet.

The persistence of 'envelopmental journalism' is often attributed to the generally low salaries journalists receive. Indonesian journalists earn less than \$200 a month, making it easier to tempt them with cash gifts. Editors and publishers share the blame, since they could correct the problem by raising benefits and disciplining erring staff.

Few media organizations have an in-house code of ethics about receiving the envelopes, although publications such as *Bisnis Indonesia*, *Kompas*, *The Jakarta Post* and *Tempo*

magazine have a programme whereby money is received graciously and then given to charities. *Bisnis Indonesia* publishes a monthly list of the amounts journalists have received in envelopes. When journalists' names are conspicuously absent from the list, colleagues can guess they have kept the envelope rather than handing it to the office secretary.

Moving along the technological ladder, in the Philippines in the 1990s, 'envelopmental journalism', which took place in the 1970s and 1980s, has been replaced by 'ATM journalism'. Reporters can now receive discreet and regular pay-offs through their automated teller machine (ATM) accounts. Often, the accounts are in the names of relatives, rather than of the reporters themselves.

Sources: Coronel 2002; Florentino-Hofileña 2004; Perry 2002.

*Citizens need to be able to interpret the media critically and distinguish good journalism from bad*

those who reveal 'state secrets' nor compel journalists to reveal their sources. In addition, they need to ensure that laws on libel and defamation are not so restrictive that they prevent reporting on issues related to corruption. There is always the risk of media excesses, but these are best controlled through independent press councils, media-watch groups, ombudsmen and other bodies independent of government.

At the same time, citizens need to be able to interpret the media critically and distinguish good journalism from bad. The press is more likely to do its job well if the public demands it. This awareness can be fostered in schools, for example, by teaching media literacy. Media organizations should also be more transparent about their ownership, editorial decision-making processes as well as the pressures and restraints on their reporting.

Across the region there have been a number of examples of ways in which the media have helped combat corruption.

*Community media in Nepal.* The Civil Society Anti-corruption Project run by the NGO Pro Public uses local radio listener clubs and other civil society organizations to encourage anti-

corruption activities. Pro Public says its radio programmes have created over 5,500 Good Governance Radio Clubs with 53,000 members – largely educated adults who are sensitive to social concerns.<sup>17</sup> Clubs are of three types: those that are general, those that are women-led, and those involving marginalized groups. Their activities include publishing, raising awareness, visiting local authorities to discuss corruption issues, monitoring local governments and reporting cases of corruption to the Commission for the Abuse of Authority (CIAA).

*Refusing envelopes in Indonesia.* Journalist-led campaigns to combat corruption within the media have had some success. The Alliance of Independent Journalists began an 'anti-envelope' campaign in 2000 to raise awareness of the problem and its pernicious impact. The organization has also lobbied for higher wages for journalists. The anti-envelope campaigns were in the form of posters, research, pamphlets and in-house education.

*Fem'Link in Fiji.* Fem'Link is an NGO which broadcasts its regular FemTALK series of community discussions using mobile radio



and television equipment, including a low-power FM radio transmitter that can be carried from village to village. It aims to create a 'safe space' to encourage women to discuss and build awareness of common problems. Corruption is a recurring theme because it hits women particularly hard as a result of their economic and political vulnerability and the adverse effects of corruption in government services.

*A hotline in Papua New Guinea.* Transparency International Papua New Guinea, the Ombudsman Commission and the Media Council run a hotline through which members of the public can report suspected cases of corruption directly to the media.<sup>18</sup> A task force of senior journalists has been appointed to investigate public complaints which if verified are published in the press. The media council has built an extensive network of community groups. Besides reducing the scope for intimidation and harassment the media council network is a source of support for whistle-blowers.

*Radio station 68H in Indonesia.* When the last independent magazine in Indonesia was closed down in the late 1990s, a group of journalists formed the independent radio station 68H to give uncensored news. Even after the restoration of democracy it continues to broadcast and undertakes public service campaigns in partnership with relevant Indonesian organizations.<sup>19</sup> It has reported on a number of corruption issues, including the diversion of funds during rehabilitation of tsunami-affected areas, a school rehabilitation project in South-East Sulawesi and certain alleged business malpractices in North Sulawesi and Aceh province.<sup>20</sup>

*Covering corruption across the region.* In 2007 the United Nations Development Programme

formed a partnership with the private sector, including the Siam Cement Group and PricewaterhouseCoopers, to train journalists across the region on how to cover corruption stories and understand basic ethics of balanced reporting. More than 45 reporters from 11 countries in Asia and the Pacific have taken part in workshops that have allowed them to work through potential corruption stories. Journalists from Bangladesh, Cambodia, China, Fiji, Indonesia, Lao PDR, the Philippines, Sri Lanka, Thailand, Timor-Leste and Viet Nam have shared their experiences.

Even when the media itself is not launching investigations it can still play a vital role through its normal reporting functions. Thus if it reports regularly on the activities of public anti-corruption bodies, it serves to reinforce their position and dissuade public officials, who might otherwise meddle in their work. By persistently snapping at the heels of public officials and keeping an eye on businesses, a lively press helps sustain a democratic system and discourages those tempted to engage in corrupt practices.

### Civil Society Organizations

While media can prepare the ground work, accountable government has to be sustained by citizens themselves, through the ballot box and by acting through civil society organizations (CSOs). These are self-organizing autonomous groups, such as trade unions or religious groups, that operate in the realm between the household and the state, helping citizens to forge shared values, build trust, and engage in cooperative activity. They can also enable citizens to check abuses of power by government.

Corruption control would seem to be a compelling CSO cause. In practice, however, such collective activity is vulnerable to the 'free-rider' problem. When everyone stands

*Corruption is a recurring theme because it hits women particularly hard as a result of their economic and political vulnerability*

By Teten Masduki

Getting out of the trap of corruption is not easy. This is particularly so in the case of Indonesia, which suffered from more than three decades of kleptocratic rule that still retains a strong grip on the Government and business. In the paternalistic culture of Indonesian society, I witness that corruption trickles from the top down.

Yet even since the advent of democracy in the country, neither global anti-corruption programmes implemented in Indonesia, nor tens of millions of dollars in international aid, nor domestic efforts have motivated civil society, business and Government to jointly fight corruption. A 2007 Governance Assessment Survey conducted in 10 provinces and 10 districts concluded that illegal charges are still common and corruption eradication is hindered by the lack of serious attention from government and non-government institutions alike. Therefore, it is time to rethink our ways to fight corruption. Are they relevant to the issues in Indonesia?

Most anti-corruption programmes in the country target the strengthening of government institutions, starting from the establishment of new institutions to the managerial reform of existing ones. This may arise from the largely government-to-government funding for good governance programmes. But this sets aside the strengthening of social institutions and expansion of public participation channels. In this case, corruption seems to be regarded as a managerial problem or failure of government – judiciary, bureaucracy, fiscal systems, parliament – instead of as a result of imbalanced relations among the State, society and business.

Nothing is wrong with the objectives of reforming government institutions. However, with policymakers who have low political will and limited ownership of a reform agenda, this approach faces a huge challenge in implementation and has led to democratic corruption. Efforts to undermine new anti-corruption institutions in Indonesia, such as KPK and the corruption court, have been continuous,<sup>21</sup> which can be viewed as an expression of resistance from those whose interests are being disturbed.<sup>22</sup>

Likewise, the Judicial Commission, Attorney's Office and police face real obstacles in carrying out their oversight functions.

In general, the Indonesian community has not truly experienced living in a democratic culture, which was only reintroduced after being absent for a long time. Since the 1999 election, a regional autonomy policy has been intended to reduce the centralization of power in national authorities, who were prone to an oligarchic abuse of power. But as implemented, this policy has ended up distributing practices of abuse of power to the regions, opening access for local elites and politicians to regional resources susceptible to manipulation. Local budgets have been allocated more to serve officials' interests rather than to improve public services. Meanwhile, the business community has been burdened by ordinances enacted by local governments in efforts to increase regional revenues, which leads to a high-cost economy. Thus, the will to change from within the Government is barely there.

At the same time, there has been little democratization process to open up opportunities for public participation in local governance. Checks and balances practically do not work, not only because of collusion with local government, but also insufficient control by the public because civil society remains relatively weak. Given the continuing worrisome combination of State capture and petty or bureaucratic corruption, however, anti-corruption reform must be pushed by civil society, the private sector and the media – a condition that the national anti-corruption programme overlooks. Each must be mobilized to increase external needs for economic and political reform.

Still, an anti-corruption social movement is burgeoning, even if it does not yet have a strong enough foundation to make a significant difference. The extraordinary growth of free speech and free media since the start of the new democratic era has made major inroads toward this expansion. International donors should channel increased funds to strengthen human resources and

capacity of community institutions. Domestic philanthropy, still nascent, is unlikely and moreover, may not be a good idea as there could be a clash of interests with many objectives of the social movement.

Proposals for enlargement of community participation in the oversight of corruption must be given stronger support by the Government and legislative branch, which have been very slow to move.<sup>23</sup> The spirit to fight against corruption that is growing within the community is facing a powerful elite that is extremely corrupt and prefers the status quo. To be sure, the conspiracy of the elite is not a phenomenon exclusive to Indonesia. This also takes place in developed countries, as shown by various electoral financing scandals. In Indonesia, however, the influence of the elite is huge, and could paralyse almost the entire democratic system. This must be vigorously countered by a grand coalition between government and non-government reform forces in order to overcome obstacles still posed by the bureaucracy and formal politics.

Business and political conspiracy, which flourished under the kleptocracy and managed to control almost all national economic resources, is currently seeking a new relationship that fits in with the newly fragmented political landscape. One tycoon complains that channelling funds to a number of influential, political powers is no longer sufficient to secure business protection. And this offers hope for the future; bribing what has been termed the 'roving bandit' may begin to be no longer so effective, when corrupt actors and centres are spread out and no longer monolithic, while policymaking is no longer centralized. When corruption loses its benefits, it will shrink. Having a stronger civil society and private sector can hasten that day in Indonesia.

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to benefit from the actions of one individual or organization, then few will feel compelled to do the 'heavy lifting' themselves, especially given the risks inherent in confronting the powerful and privileged who may resort to violence. Moreover, CSOs, being products of the milieu in which they live and operate, can themselves be corrupt. In some countries 'letter-head' NGOs regularly spring up just to take advantage of the availability of donor funds.

When considering NGOs, it is important to distinguish between independent NGOs from government-sponsored organizations, sometimes known as GONGOS, that rely on funds from governments from which they take their agendas. Some of these are genuine allies in the struggle for corruption control, while others are less benign or even sinister – often lobbying at the United Nations and other international institutions on behalf of the repressive regimes that fund them.

Care needs to be taken to ensure not just that CSOs are genuine, but that they themselves remain uncorrupted. Even reputable groups may claim to speak for certain constituencies while having little or no genuine legitimacy to do so.<sup>24</sup> In many countries, including mature democracies, some anti-corruption groups, 'civic foundations' and pseudo-charities have become smokescreens for corrupt or borderline political dealings. With regard to micro-finance activities, a lack of transparency can facilitate corrupt transactions. Many micro-finance institutions do not maintain transparency in financial disclosure; unlike organizations like Grameen Bank in Bangladesh and Spandana in India.<sup>25</sup> As NGOs and CSOs become more attractive channels for aid, careful scrutiny will be required to distinguish the well-run and effective, from the inept or corrupt.

CSOs may find it very hard work if combating corruption is their sole objective.

Instead it is better to have more CSOs that see controlling corruption as an important contribution to their overall objectives. Those may be improving health, other services, or creating income-generation activities for the poor. Ideally, there should be a broad coalition of CSOs that might share some public values but are sustained by diverse incentives and appeals. Attempts to jump-start a network of CSOs which are aimed only at tackling corruption may not produce sustainable results, and may even waste scarce resources and political opportunities.

### *How Can CSOs Help Check Corruption?*

CSOs in the Asia-Pacific region that want to counter corruption can face a number of obstacles. In some countries, particularly in East Asia, CSOs face quite a hostile environment; they have limited resources and many of their members – often, those harmed most by corruption – are preoccupied with basic survival. Tackling corruption means mobilizing the weak against the strong – and withstanding the reactions of powerful people and entrenched interests, many of whom go to great lengths to protect their corrupt advantages.

As a result, CSOs may make little headway in poor and highly corrupt countries. CSOs might in principle help such countries improve social conditions, support better governance and contain corruption; but in these countries it is also difficult for CSOs to take root and survive. CSO action against corruption is thus unlikely to bear fruit in poor, undemocratic societies; indeed it is more likely to result in risk, repression and apathy.

CSOs work best when they have material resources and the liberty to influence those in power. In Thailand after 1992, for example, civil society organizations put themselves in

*As NGOs and CSOs become more attractive channels for aid, careful scrutiny will be required to distinguish the well-run and effective, from the inept or corrupt*

*Civil society groups can monitor government activities and ensure that policies are carried out*

strategic positions and became involved in monitoring political activities. They participated in poll-watch activities during elections and advocated for social and political reform.<sup>26</sup>

Civil society groups sustained by a free flow of information can monitor government activities and ensure that policies are carried out thereby fostering accountability and contributing to better governance, especially in developing countries.<sup>27</sup> But it is important to recognize their limitations, however, and appreciate what CSOs cannot and can do (Box 7.2).

In poorer societies CSOs are more likely to check corruption indirectly via their long-term contributions to human development. Indeed, the CSOs most valuable in a struggle

against corruption might have origins, agendas and incentive systems that have nothing to do with good governance or public life, but still teach organizational skills, build social networks and mutual trust, creating a sense of efficacy. The more diverse the range of groups active in civil society, the more they will be able to stimulate citizen activity across a whole range of concerns.

### **Incentives for Participation**

Even groups oriented primarily toward public goals must offer incentives to individual supporters. Those appeals might seem to detract from the idealism and purity of reform, but in fact can be essential to sustaining it over time. James Q. Wilson

#### **BOX 7.2**

##### **WHAT CIVIL SOCIETY ORGANIZATIONS CANNOT DO – AND CAN DO**

Civil society organizations can make a valuable contribution to the struggle against corruption. But they work best within a broader agenda.

What CSOs cannot do:

- *Solve all problems.* CSOs cannot be merely inserted into a society and be expected to solve all problems; they need an active base of citizen support, resources and opportunities for action.
- *Operate in a vacuum.* Some social, political and economic settings are risky or unpromising for CSO activity. CSOs will succeed best where resources and a receptive regime are in place.
- *Seek only civic or reform goals.* CSOs must engage with the real needs and immediate interests of people. A wholly civic or reform-oriented agenda will encounter severe free-rider problems.
- *Produce quick results.* CSOs benefit society and citizens over time, through sustained effort and support. That is all the more true for corruption issues, as they pose basic questions of power and justice in both politics and the economy, tapping into basic social values.

What CSOs can do:

- *Create citizen awareness of shared problems.* Never underestimate the value of showing people they are not alone.
- *Build mutual trust among citizens.* Repeated interactions are

invaluable, building trust over time.

- *Reinforce shared values.* CSOs that draw upon existing values are more likely to be effective than those teaching new ones, though the latter also may be necessary.
- *Teach and diffuse organizational skills.* People active in CSOs learn new ways to cooperate and organize activities, and what appeals and incentives work in their communities.
- *Offer diverse incentives to sustain participation.* CSOs must appeal to diverse motivations – self-interest, sociability, the wish for recognition and prestige, as well as pursuing long-term public goals.
- *Foster the growth of local leadership.* Over time CSOs create community leaders with skills, credible personal reputations and extensive, rooted social networks.
- *Enable citizens to take advantage of political opportunities.* Citizens with an organizational base, whatever its immediate sources and agendas, will be better able to act.
- *Spread risks more widely.* Fighting corruption means opposing the powerful – at times a very risky business.
- *Link citizens to sources of international support.* CSOs may have international affiliates, and can be effective partners for international assistance organizations.
- *Provide visible examples of honest, accountable leadership.* CSO leaders can show by example that good governance is a real possibility.
- *Promote human development.* All of these accomplishments will promote and deepen development and thereby help build a society's anti-corruption strength.

offered an enduring typology of the incentives that motivate and reward citizen participation. He identified four types: material incentives, purposive incentives, specific solidary incentives, and collective solidary incentives.<sup>28</sup> If CSOs are to engage wholly or partly in combating corruption, how might these incentives apply?

*Material incentives.* These are rewards of tangible value, such as money or goods. Anti-corruption CSOs are unlikely to have extensive individual material rewards, but may be able to offer 'exclusive material incentives' – things of real value, perhaps created by the group's own efforts, that can be restricted to members only. Poor people's savings associations, for example, were founded in difficult circumstances but still accumulated significant resources through small individual contributions. They offered valuable aid – money for burials, help in the time of emergency – on a members-only basis. Anti-corruption groups might emulate this model by setting up a kind of 'corruption insurance' in which members pool information and small contributions, while making binding pacts not to compete corruptly. Those who actively support the group and abide by the non-corruption pledge could be given access to information, legal advice and even modest amounts of cash to reduce the impact of corrupt pressures they could not avoid.

*Purposive incentives.* These refer to the satisfaction of achieving a significant goal. In fact, the most obvious incentives for an anti-corruption CSO are purposive: after all, the organization seeks reform. Where those goals are deeply personal, purposive incentives may be enough, at least for a time. But as a group grows and matures, it will need more diverse appeals.

*Specific solidary incentives.* These can include offices, awards, honours and citations along with exclusive access to information. For example, where it is safe to do so, anti-corruption CSOs could present well-publicized 'Corruption Fighter of the Year' awards. Some people will do a great deal to earn such recognition. Such incentives usually cost little or nothing and help publicize the group as well as its honourees. This requires an audience, so CSO incentives will be enhanced by a relatively free press.

*Collective solidary incentives.* These are intangible rewards created by the act of associating. They include the prestige of affiliation, sociability and fellowship, and perhaps a degree of exclusivity. This may be of particular value where civil society is weak. For leaders and members, a kind of security can grow out of group strength. Conversely, coalition members who lapse into corruption have something important to lose: membership of a prestigious and visible group.

Incentives should also take into account the existing laws. For example, Nepalese and Vietnamese laws, which contain no reporting obligations with respect to corruption, provide for the offering of rewards for relevant information, as does Pakistani law. In the Republic of Korea, rewards for reports on corruption go as high as about \$160,000.<sup>29</sup> Other types of incentive will appeal to different constituencies. Table 7.3 illustrates what an anti-corruption CSO or, better yet, a group of them building a coalition, can offer to potential supporters.

In practice it will not always be easy to distinguish one kind of incentive from another. The best balance among them will depend on available resources, the stage of development of the CSO, the overall corruption situation and broader social as well as cultural factors. There can be no

*Incentives should also take into account the existing laws*



**TABLE 7.3****INCENTIVES BY TYPE AND TARGET CONSTITUENCY**

<i>Exclusive</i>	<i>Material</i> <i>Individual</i>	<i>Purposive</i>	<i>Specific solidary</i>	<i>Collective solidary</i>
'Corruption insurance'	Economic benefits of an improved economy	Reform as a public good	Data banks on corrupt agencies and officials and best practices	Prestige, improved image domestically and internationally
Technical advice: vulnerability assessments; prevention within organizations; legal advice	Security from better governance	Better governance. Fair political and economic processes Stronger economic and social organizations Enhanced rule of law	Research products Rewards, recognition	Enhanced autonomy for organization, press, opposition leaders, civil society  Sociability, fellowship, mutual encouragement
<b>Prime constituencies</b>				
Small firms, domestic entrepreneurs and investors	Citizens generally Civil society, NGOs	Mass membership NGOs  Aid/lending partners  Democracy groups and supporters	Professional coalition of staff and researchers  Benefactors and financial supporters  Anti-corruption champions	Mass membership NGO leaders  Journalists  Government elites

Source: Johnston and Kpundeh 2002.

*Strong and successful CSOs will be better able to sustain themselves by using a diverse repertoire of incentives and appeals*

overall master plan; strong and successful CSOs will be better able to sustain themselves by using a diverse repertoire of incentives and appeals.

What sort of relationship should CSOs have with local regimes: contentious or cooperative? To some extent, the answer depends upon the political options available, and upon the state of civil liberties and rule of law. CSOs must be forthright about opposing corruption, and when possible they should seek cooperative relationships with the regime, giving government officials reasons and incentives to oppose corruption, while helping them develop the means to do so.

Under most circumstances, CSOs should avoid becoming investigative bodies, whistle-blowers, or forces of anti-corruption vigilantes. Political leaders are unlikely to welcome this. The honest ones will be

disturbed by the disruptions and may well withdraw support and curtail access to information, while the corrupt ones will just become even more hostile. And a reform-oriented CSO getting into the business of offering ethical 'seals of approval' to leaders, parties, agencies or private interests would carry its own hazards; doing so will require formidable resources and create risks of embarrassment, should 'approved' people and groups be revealed as corrupt. CSOs can contribute best by concentrating on providing information, expertise, and sustaining a sense of strength in numbers.

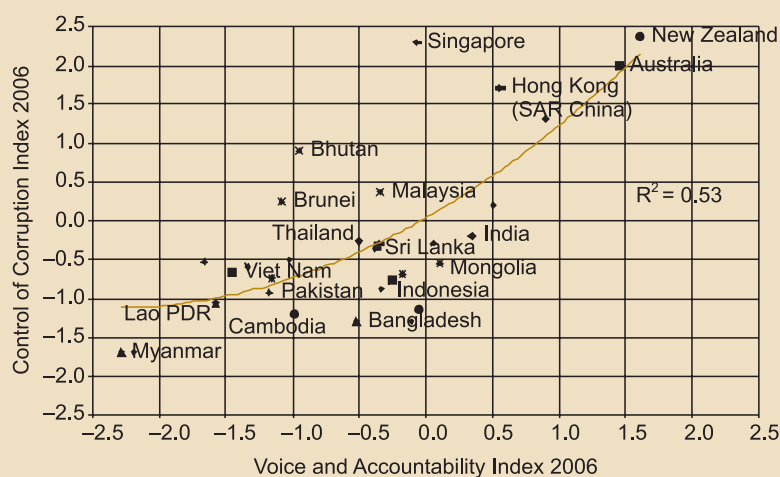
### ***Do CSOs Actually Help?***

Does a strong civil society help weed out corruption? One way to get a sense of this is to plot an index of corruption against an index

that represents the strength of civil society. For the corruption side, we use the World Bank's Control of Corruption Index (CCI). There are two useful indices for the strength of civil society. One is also a component of the World Bank governance dataset, in this case, the 'voice and accountability' index. Based primarily on survey data and expert judgements, this compares the extent to which citizens in various countries can express their views freely and hold governments accountable. The second option comes from the Environmental Sustainability Index (ESI) – an initiative of Yale and Columbia Universities, in collaboration with the World Economic Forum and the European Commission. This includes an indicator of Institutional and Social Capacity based on among other things, the number of active environment-related CSOs.

These indicators, like those for corruption, have limitations, notably that they are too often based on perceptions. Still, they provide a useful starting point. With the exception of the ESI social and institutional capacity indicator, which was calculated only for 2005, the data used here refers to 2006. How do estimates of civil society strength relate to the corruption rankings? Figure 7.1 shows a scatter plot for values on the Corruption Control Index (CCI) and the Voice and Accountability indices for 2006, presented for the Asia-Pacific countries for which data are available.

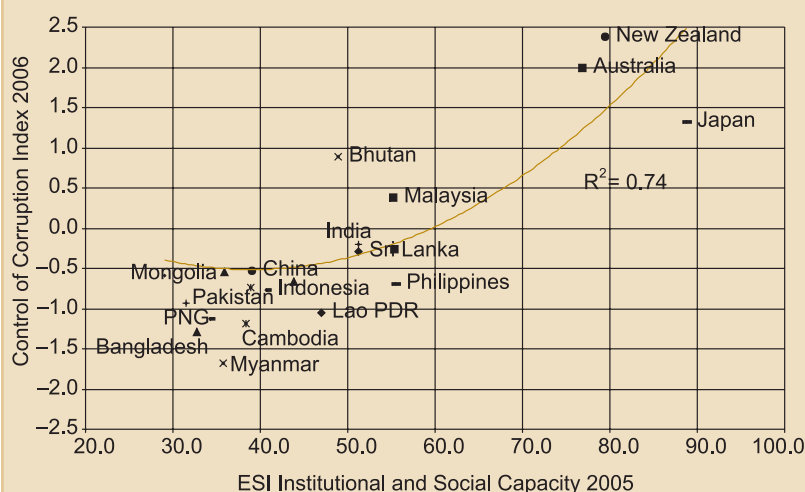
This indicates that countries with a marked tendency for stronger voice and accountability are more effective at corruption control. The slight increasing slope suggests that the benefits may even increase at a positive rate. The result should however be treated with caution. Both variables are likely to be influenced by other factors not measured here, and there is no indication of the direction of causality. Still, the results are



**Figure 7.1: Voice and Accountability Plotted Against Corruption Control**

Source: World Bank 2007b.

interesting because both variables originate in the same project and reflect the same methodology. The positive relationship could also result from the methods and assumptions employed. However, it is reassuring that mapping the CCI with the ESI Institutional and Social Capacity measure, for those countries on which we have both the indices produces a similar result (Figure 7.2).



**Figure 7.2: Institutional and Social Capacity Compared with Control of Corruption**

Sources: Esty et al. 2005; World Bank 2007b.

Given its underlying concept, democracy appears to play a visible role in the ESI indicator. Australia, New Zealand and Japan lie to the upper right, while Myanmar anchors the less-favourable lower-left quadrant. On the other hand, countries such as Bangladesh and India, which hold competitive elections, lie toward the lower left of the plot or no higher than the middling areas. This suggests that where democracy is most effective at checking corruption it does not necessarily do so through the system-level 'hardware' such as elections but through the deeper ability to voice demands that are taken seriously by government – very much the role of CSOs. If that is so, then effective CSO action against corruption need not await the emergence of a fully-elaborated democratic system. Nevertheless, social restraints evidently do not tell the whole story; Bhutan and Lao PDR, with similar levels of institutional and social capacity, have quite different levels of corruption control.

### ***CSO Anti-Corruption Activities in the Asia-Pacific Region***

The Asia-Pacific region has a variety of organizations active in the anti-corruption field. Some have a global focus, others a regional base. Transparency International (TI), for example, opposes corruption around the world and also has 20 local chapters in the region. The Asia Foundation, on the other hand, deals with corruption as part of a broad repertoire of regional concerns. Other high-level groups deal with technical aspects of governance or with human rights. Some examples of CSO action are:

*Concerned citizens in the Philippines.* The Concerned Citizens of Abra Good Government (CCAGG) is an NGO that monitors government projects in the Abra region of the

northern Philippines with the support of UNDP. In 1987, for example, CCAGG members saw a newspaper advertisement by the Ministry of Public Works and Highways declaring that it had successfully completed 20 projects in Abra.<sup>30</sup> The CCAGG members collected evidence which showed something very different. An official government audit concurred with the CCAGG's findings. As a result, 11 government officials were found guilty of dishonesty and misconduct and were suspended. The Chief and the Deputy Chief Engineer of the Ministry of Public Works and Highways were also suspended without pay and were debarred from serving in the province. Further, as a result of this case the regional director of the Ministry of Public Work and Highways issued a directive requiring that projects in Abra province be funded only after they had obtained clearances from CCAGG.<sup>31</sup> Other activities include strengthening the Northern Luzon Coalition for Good Governance and monitoring the physical sustainability of projects in the region.

*A zero rupee note in India.* In 2007 a Chennai-based organization introduced a 'zero rupee note' to assist citizens against corruption. Instead of the usual 'I promise to pay the bearer a sum of x rupees' pledge on a currency note, the replica carried the pledge 'I promise neither to accept nor give bribes'. Because the note was distributed across the country, the pledge was printed in the respective state languages and caught the imagination of many.<sup>32</sup>

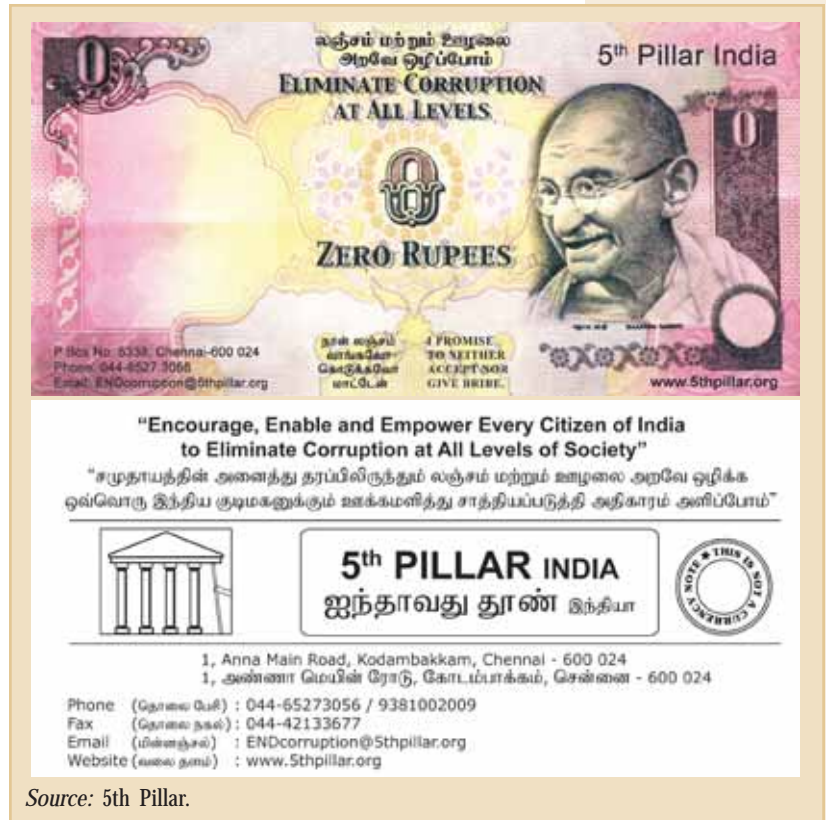
*Roadwatching in the Philippines.* The Transparency and Accountability Network (TAN), established in 1999, has around 20 partner organizations or institutions. One project is Government Watch, which is affiliated with the Ateneo School of Government. Among other activities, this

monitors road-building – examining the original plans then sending young people out into the field to discover what, if anything, was actually built, and if so, how well it was constructed. The TAN projects thus link anti-corruption advocacy with citizens' and schoolchildren's own interests, allowing them to learn valuable lessons about citizen power and good governance.

*Clean hands in Cambodia.* In 2005, in partnership with a wide range of organizations, the NGO Pact Cambodia launched the 'Clean Hand Campaign Against Corruption'. The campaign aimed to mobilize public support for anti-corruption efforts and increase the willingness of people to talk openly about corruption. The campaign involved publications, radio shows, television, posters and many other materials, including stickers and t-shirts.

*New laws in the Republic of Korea.* Over twenty national NGOs formed the Civic Solidarity Network for the Legislation of Law to Prevent Corruption. This law was proposed to parliament in late 2000 through public hearings and enacted in June 2001<sup>33</sup> and resulted in the establishment of the Korea Independent Commission Against Corruption.<sup>34</sup>

*Social auditing in Pakistan.* In 2001, the National Reconstruction Bureau introduced devolution of political authority to the district level. The aim was to improve access to public sector services, encourage sustainability of local development initiatives and mobilize community resources, while increasing transparency and reducing leakages of resources. On way of checking whether the reforms are having the desired effect has been through social audits. With regard to corruption, the 2004/2005 social audits found that around 60 per cent of respondents



Source: 5th Pillar.

would report a case of corruption if they knew about it – in order 'to help to solve the problem'. The most common reason for non-reporting was the 'feeling that it was no use, no one would help'.<sup>35</sup>

*Public hearings in India.* The NGO, MKSS has developed a strategy, based on *jan sunwai* or 'public hearings'. First it obtains official documents – for example, related to construction records for school buildings – then it brings people from villages where the construction works were said to have taken place and reads out the documents. It also invites local officials, giving them a spot on the podium and videos of the events to promote honesty and to add gravitas to the proceedings. Not infrequently, the official information is wrong, exaggerating the distance materials had been transported or the amount of work done. These hearings and the

public awareness they create, have helped limit public-works corruption in Rajasthan. Their collective nature has largely neutralized any feeling of intimidation that illiterate labourers would have felt otherwise along with the fear of retribution. This can work best when CSOs and public officials work together.

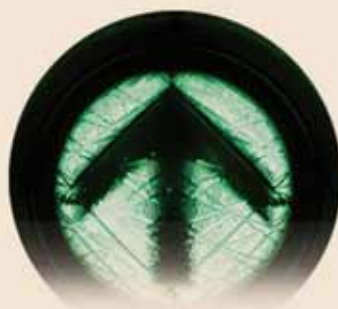
### **Keeping Up the Pressure**

Both media and civil society organizations can thus help sustain a social and political

climate that is hostile to corruption. Clearly they have their limitations. In highly corrupt and repressive societies they will find it very difficult to operate. Many struggle to survive. In numerous countries, however, they have shown how it is possible to keep up the pressure on politicians, public services and hold them to account. And if they have the benefit of a supportive political environment, they can amplify and reinforce a government's commitment especially when action fails to live up to the official rhetoric.



# 8



## Driving out Corruption



BANGLA *Khushi kora* making happy

LAO *Kin sin bon* taking bribe money

CAMBODIAN *Luy kraocbab; min srabcbab* money outside the law

SINHALA *Santhosama* money given as a gratification

URDU *Kunda* a wire hook from the main electric line, an illegal electricity connection

THAI *Ka-numron-numcha* cost for hot water and tea

TAGALOG *Buaya* corrupt people, literally crocodile

PERSIAN *Baksheesh* gift, tip

DHIVEHI *Naajaaiz faidhaa* illegal benefits

MALAY *Duit kopi* coffee money

INDONESIAN *Pembinaan wartawan* cultivating journalists

FIJIAN *Veidabui – Cakacaka* double standard or sly, as a fox

HINDUSTANI *Hafta* periodic demands by the police or mafia, literally week or weekly

CHINESE *Yang-lien* money to nourish honesty, an ancient term

*There are two ways to wash the dishes.  
One way is to wash them to get them clean.  
The other way is to wash them in order to  
wash the dishes.*

THICH NHAT HANH

*It has been said that democracy is the worst  
form of government, except all the others that  
have been tried.*

SIR WINSTON CHURCHILL

# Driving Out Corruption

Corruption may have been viewed in the past as unpleasant and unethical and probably unavoidable. Now across the Asia-Pacific region it is being pushed more into the foreground and challenged as being damaging and unacceptable. Governments and civil society, at national and international levels, are finding new ways to drive out corruption, working both from the bottom up and top down.

By the end of 2007, across the world, 104 governments had ratified or acceded to the United Nations Convention Against Corruption. This is a heartening indication of a changing international mood, as well as a fresh commitment from many developing countries to tackle an age-old problem with greater urgency and determination.

They have history on their side and particularly the experience of richer countries. Over the centuries, most of today's developed countries achieved greater control over corruption as a by-product of the development process. Steadily, they built stronger institutions that operate within clearly defined systems of incentives and rewards, checks and balances, separation of powers as well as reduced red-tape. They also benefited from relatively engaged and free media and other organizations of civil societies, which monitored governments and exposed misdeeds.

The process is certainly incomplete while the political and business landscape in developed countries is still regularly illuminated by the flares of high-level scandal and corruption. To some extent, governments have even legalized corruption as is seen in some types of permitted high-pressure lobbying. Nevertheless, it is now rare to see corruption on a large and systemic scale.

The developed countries have also been able to reduce one of the principal causes of

corruption: shortages. The day-to-day corruption that affects daily lives of citizens is under check. Centuries of development in richer countries have contributed to an age of abundance. This is evident in health services. With the notable exception of a few, most advanced countries have health services that provide basic and inexpensive or free access for all. Electricity and water supplies too are widely available. Indeed, in countries where utilities have been privatized, one of the main problems is to have an actual sense of quality service – since standards are difficult to compare across competing providers – and fend off a barrage of sales calls from competing providers.

The situation remains very different in many developing countries of Asia and the Pacific where government institutions are often weak and thus susceptible to bribes from business interests, that take advantage of the greed of corrupt politicians or civil servants. At the same time, most public services and utilities remain plagued by extensive shortages, generating opportunities for officials to demand 'speed money' or 'grease money' to complete the simplest tasks; also resulting in 'survival corruption' among the poor. Even when dealing with some relatively modern corporations, customers can be expected to bribe employees to get a satisfactory service.

*Most of today's developed countries achieved greater control over corruption as a by-product of human development*

*Today, genuinely combating corruption makes more political sense than ever before*

## The Turning Tide

Nevertheless the tide seems to be turning – hesitantly, perhaps, and in uncertain directions, but there are definite signs of actions that increasingly confront corruption. Citizens are becoming increasingly impatient – expecting cleaner government and businesses – and governments are starting to respond. As ever, the first steps have been rhetorical. Sensing a change in voter mood, today's politicians in the Asia-Pacific region now find it worthwhile to place the fight against corruption high on their stated political agendas, to show that they are tackling corruption.

Military leaders who in the past might have justified coups to 'save the nation' from allegedly dangerous political ideology, are now more likely to claim that they are seizing power to protect the public from corrupt politicians. A grave danger of this new 'coup dispensation' is that popular anger at official corruption can become a pretext for suppressing civil and political liberties, and, as a further consequence, even less public accountability. The growing distaste for corruption among citizens sends an important signal to democratic leadership – today, genuinely combating corruption makes more political sense than ever before. This is especially so in sectors like water and electricity, health and education, which not only confers credibility to the government, it also greatly promotes everyday citizen satisfaction, while helping achieve the MDGs and further human development.

National political imperatives are being reinforced by international economic pressures. The Asia-Pacific region is now the heartland of globalization. Its largest manufacturing and service corporations are major players on the world stage. Having achieved global reach, they also have to meet global standards, not just in the quality of the

goods and services offered but also in the way they produce them.

This has been evident in campaigns to eliminate child labour, for example, and to ensure decent pay and conditions for workers. Now the same impetus is reaching into areas widely tainted by corruption; particularly the extraction of natural resources. Consumers all over the world, whether distressed at the losses of natural habitats or species, or fearful of global warming, are demanding certification that the goods they buy have been produced under environmentally responsible conditions. As earlier chapters have indicated, in the Asia-Pacific region this is often not the case. Many logging or mineral extraction companies work hand in hand with corrupt local and national administrations. Indeed some transnational corporations have succeeded in 'state capture'. Now, however, these companies find themselves under greater pressure from international buyers who are asking awkward questions about how these companies have acquired their privileged positions and where they have sourced their raw materials.

Global commercial pressures are now being complemented by international political action. In the past, the rich countries generally turned a blind eye when their companies bribed officials in developing countries. Now, however, the OECD countries are setting standards that their companies have to follow anywhere in the world. Companies found to be paying bribes overseas are now liable to be prosecuted at home.

## Seizing the Moment: Combining Pressure from Above with Voice from Below

This coming together of national and international pressures, reinforced through the increased potential for networking without the limitations of national borders

through communications technologies, is creating new opportunities across Asia and the Pacific. How can the countries of the region best seize the moment? As this Report has illustrated, there is no one route or single answer. Action has to come from many directions. Governments can achieve a great deal by establishing a legal framework, strengthening public institutions and building systems of control to ensure that their administrations operate openly and transparently. These systems will work best if they are supported by many elements of civil society, and in particular by NGOs and the media, which can monitor government and businesses and help keep them honest. Action, thus, has to come simultaneously from above and below.

Any faltering resolution at the top needs to be propped up by ongoing pressure from below – from a civil society that is aware, expects change, and that can rely on free and competitive media for whom exposing corruption is both a duty and an opportunity. This combination of pressure from above and from below – a ‘sandwich situation’ that triggers a symbiotic relationship, each strengthening the other<sup>1</sup> – can dissuade potential corruptors and the corrupted from pursuing immediate gain at the cost of institutions. It can not only help build and retain political will over time, it can also provide good reason for political leadership to stay the course of public interest.

Much of this involves the pursuit of justice – exposing and prosecuting the guilty. But anti-corruption can also be viewed in a more positive light. Politicians, civil society leaders and businessmen/women who work to combat corruption can also point to the huge political and economic dividends on offer. Politicians, for example, who can claim credit for rooting out corruption from sectors like water and electricity, health and

education, can derive fresh sources of legitimacy from a more satisfied electorate. And businesses that align themselves with higher standards of corporate governance can devote their energies to boosting their own growth and profits legitimately rather than seeing their investment funds leech away unproductively into the pockets of corrupt officials.

At the same time, governments and civil society organizations working to combat corruption will also be sustaining democratic governance. For just as democracies can be undermined by corruption, so they can also be fortified by effective, transparent, and closely monitored national institutions that sustain their integrity within interlocking systems of checks and balances. Empowering people through citizen education is the foundation for prevention that can reduce the extent of catch now and punish later.

### Setting the Priorities

Nevertheless, addressing corruption can be a daunting proposition. Governments may find themselves facing a broad array of complex and difficult issues, while lacking the funds and personnel to respond effectively. There is always the danger therefore that the responsibility of fighting corruption will fall on the shoulders of a small number of honest but already overburdened officials.

It may be better therefore to focus initially on a few specific areas. Naturally those priorities will depend very much on national circumstances. Across a region as vast and diverse as Asia and the Pacific, the approaches will often differ radically from one country to another. The Report has identified three areas to consider for focus – the police, social services, and natural resources – as, from a human development perspective, one criteria is clear: governments should be seeking ways

*The Report has identified three areas to consider for focus – the police, social services, and natural resources*



*Governments should be seeking ways of reducing the forms of corruption that hit the poor the hardest*

*All countries in the region should join the United Nations Convention Against Corruption*

of reducing the forms of corruption that hit the poor the hardest. Hauling the rich and powerful before the courts may grab the headlines, but the poor will benefit more from efforts to eliminate the corruption that plagues their everyday lives.

Countries could make immediate progress by identifying and dealing with some of the worst areas, whether in health services, education or in public utilities, and thus improve the access of the poor to essential services. This will also have immediate political dividends. Education, in particular, also is a means to help prevent corruption, including its inter-generational spread. Some of this type of corruption is termed ‘petty’ in the literature. But this is clearly a misnomer. The dollar amounts may be relatively small, but the demands are incessant, the number of people affected enormous, and the share of incomes of the poor high.

Another priority should be addressing corruption within police forces. This is partly because of the immediate damage it causes, since corrupt police officers are in a uniquely powerful position – able to back demands for bribes with physical or sexual violence – but also because addressing corruption within the police and justice systems can pave the way for dealing with corruption elsewhere. Improving police services so the personnel are seen as friends of honest citizens can greatly reduce the sense of fear and injustice among the poor.

Natural resources need prioritized attention as well before it is too late, especially where they are the backbone of livelihood for the poor. With the growing international recognition on the degradation of the environment and climate change, there is little time to lose in preserving our natural resources. Even when governments have laws in place for managing the utilization of forests, fisheries, land and minerals, corruption can undermine such legislation because of the

huge profit potential. The worst affected are people in remote locations and the poor.

## **An Agenda for Action**

Although the appropriate measures for tackling corruption will depend on national circumstances addressing local complexities, some of which have been detailed in earlier chapters, a number of options are common across many countries. Drawing upon them, here is a seven-point agenda:

### **1. Join with International Efforts**

All countries in the region should become party to the United Nations Convention Against Corruption (UNCAC). Through UNCAC, both developed and developing countries can cooperate to develop a common understanding of corruption issues and devise a coherent set of strategies. By acting together they can also frustrate corrupt individuals and corporations who seek to exploit differences in national laws and procedures. In addition, member countries can support each other in building technical capacity – establishing links between complementary institutions and strengthening prosecuting agencies, while establishing broad frameworks for prevention.

Another important international opportunity is afforded by the Stolen Assets Recovery (StAR) Initiative, a partnership between the World Bank and the United Nations Office of Drugs and Crime, which allows developing countries for the first time to recover – from safe havens in developed nations – assets that have been stolen by corrupt leaders.

Despite the value of these two international agreements, they are still far from achieving universal acceptance. As of December 2007, of the 30 OECD countries only 19 had acceded to UNCAC and of the 164 developing countries<sup>2</sup> only 94 had done

so. In the Asia Pacific the proportion is even lower, 10 out of 35, so there is still a long way to go. Thus, in addition to action by governments, CSOs and the media could join the debate to make constructive suggestions in addressing the concerns of governments.

## **2. Establish Benchmarks of Quality**

To reduce corruption, governments will want to design public institutions that incorporate the necessary controls, checks and balances. This is a difficult task. So, to judge their success, a starting point could be international benchmarks – standards that have been set around the world for different types of organizations. These can be tailored to country contexts. Benchmarks can apply, for example, to anti-corruption agencies, using indicators that reflect the methods for appointing the head of the agency, the security and independence of its funding, and its staffing levels. The effectiveness of anti-corruption agencies can also be assessed by the number of offices or sectors that are immune from investigation, the protection that they afford to whistle-blowers, and the proportion of complaints that they investigate. Similar indicators could be devised for other institutions that have a strong bearing on corruption, such as the offices of the auditor general.

There can also be benchmarks for national media – press, radio, TV and the internet – on characteristics that affect their ability to expose corruption. These could include type of ownership, editorial independence, freedom from censorship and the extent of competition. These and other benchmarks can help assess gaps and deficiencies and indicate what it would take to remedy them.

## **3. Strengthen the Civil Service**

Countries with high levels of corruption

generally have weak civil services, with underpaid and under-trained staff. This is a difficult issue, since raising standards or wages may require significant investment beyond the budgets of poorer countries. It may, however, be possible to raise salaries to levels that are at least closer to those prevailing in the private sector. But all governments should be able to create public bodies such as civil service commissions that can oversee recruitment and ensure that appointments and promotions are based on merit, not favouritism. These measures would need to be complemented by rigorous systems of monitoring and control that can detect corruption swiftly and punish it severely.

While it is necessary to strengthen national civil services, what is probably more important is to build capacity at the local level. A number of countries in the region are decentralizing many functions to lower tiers of government, but find that local officials or institutions lack the necessary funds or skills. Combined with weak systems of monitoring and control, this can lead to higher levels of corruption.

Governments and donors will clearly need to invest much more in local government. In doing so, they should be able to capitalize on the knowledge and experience of honest public officials who can suggest the most effective forms of control that will limit the opportunities for corruption, while supporting their efforts to carry out their duties responsibly.

## **4. Encourage Codes of Conduct in the Private Sector**

The responsibility for controlling corruption cannot be left entirely in the hands of governments and civil society. The private sector too should play its part, showing a determination first of all to obey the law and also to add its own expertise to the struggle against corruption. This could include, for

*Governments and donors will clearly need to invest much more in local government*

*There can also be benchmarks for national media – press, radio, TV and the internet – on characteristics that affect their ability to expose corruption*

*One of the most powerful ways of controlling corruption is by ensuring that citizens are privy to most of the same information as their governments*

example, strengthening codes of conduct for business associations and professional bodies, as well as voluntarily enlisting with the UN Global Compact. Among the professions, the most critical ones for corruption are those of lawyers and accountants – without them, large scale corruption, specially that which crosses national borders, would not be possible. In the codes of conduct, at both national and international levels, they could incorporate ways to specifically take account of corruption and establish appropriate guidelines. Services of senior lawyers, accountants and professional associations could be utilized for this for better self-regulation and ensuring that the codes of conduct are well publicized.

### **5. Establish the Right to Information**

One of the most powerful ways of controlling corruption is by ensuring that citizens are privy to most of the same information as their governments. Countries in the region could enact laws on the right to information (RTI). They now have some tried and tested models to follow, including that of India, which has one of the most progressive acts in the developing world.

However, fulfilling the right to information requires much more than legislation – it also demands a new public ethos of openness. From the outset therefore, public officials need to be engaged and convinced about the value of RTI and develop the capacity to deal with requests promptly and appropriately. At the same time, the media and other parts of civil society have to learn how to use RTI systems responsibly. This could be fostered by public campaigns on TV, radio, the internet and newspapers, explaining what type of information is available and how to apply for it.

### **6. Leverage New Technology**

Much corruption thrives in the gloom, in the

obscurity of dusty files and complex administrative systems. Information technology and e-governance, however, offer fresh opportunities to make administration more open, transparent and neutral, reducing the layers and number of face-to-face interactions, thus breaking the monopoly of corrupt officials and allowing citizens to keep abreast of administrative processes.

Information technology has already shown its value in a number of countries by speeding up court processes and systems of land registration. It is also, for example, allowing public utilities to establish ‘one-stop shops’ where all the elements required to achieve a new power connection are brought together for their convenience, without having to traipse from one office to another with multiple bribes harvested en route.

Public IT projects can have their problems. Often they are overly ambitious and costs can spiral out of control. There is always the risk that officials may exploit the systems for their own corrupt purposes. But relatively modest IT systems can help to limit the excessive discretion of officials and help reassure citizens that they will be treated fairly.

Information technology is one of the key components of right to information processes, since responding over the internet can dramatically reduce information publishing costs. Here too there are hazards, notably the risks of releasing floods of electronic documents that make it difficult to discern the critical facts and figures. This is an area where NGOs and the media can play an important part, training both themselves and the public on how to sift and analyze the data.

New technology can also contribute to better monitoring of natural resources, through satellite imaging, and even at a more modest level using digital cameras to monitor the daily performance of education and health services.

## 7. Support Citizen Action

Some of the most striking successes in addressing corruption have occurred where local organizations have taken the initiative to monitor public works and investigate the extent to which officials and contractors have fulfilled their commitments. This has enabled civil society organizations, local communities and local governments to work together to supervise public projects. Given that local governments usually have a limited capacity to monitor projects themselves, they could take greater advantage of these opportunities by regularly publishing the basic information on contracts to facilitate citizen auditing. At the same time there are many other actions that people can take as individuals to combat corruption – asking questions – resisting demands for bribes, reporting the activities of corrupt officials and refusing to deal with corrupt businesses.

### Taking the Higher Path

The developing countries of Asia and the Pacific are likely to shed many corrupt practices, in both government and business, as a natural by-product of modernization. However, they do not have to wait for development to take its course for this. Nor should they. Just as most countries in the Asia-Pacific, in order to improve the conditions of their poorest communities, are designing targeted policies and programmes to eliminate poverty and meet the other MDGs, so too can they devise programmes specifically to tackle corruption. As we have seen in this Report, some are already doing so.

Indeed this focus on corruption serves a similar purpose, since corruption can hinder

### WHAT INDIVIDUALS CAN DO

The primary responsibility for tackling corruption lies with governments. However with cooperation from businesses and civil society organizations that have the resources and the skills to carry out the necessary changes, individuals also have the power to contribute. What can individuals do? As citizens and consumers, some of the ways in which people can use their power include:

*Know your rights.* Learn about your legal rights and entitlements such as the right to information or eligibility under government schemes.

*Exercise consumer power.* Patronize only businesses you believe to be behaving ethically and responsibly; your money is your economic vote.

*Encourage politicians fighting corruption.* Vote for people who vow to tackle corruption and check whether they are following through on their promises.

*Support community groups who check local services.* This would include, for instance, parent-teacher associations to watch over the conduct of school management and neighbourhood groups which monitor social services.

*Learn how to file complaints.* Find out how to lodge complaints against corrupt services, whether directly or through NGOs, trade unions, or business organizations.

*Report corruption.* Take the time to report any instance of corruption you have encountered, however minor.

*Resist demands for bribes.* While it may seem easier to pay bribes to sidestep red tape or gain quicker access, in the long run almost everyone loses.

progress towards the achievement of the MDGs and undermine the prospects of many poor households. Uprooting corruption can thus improve the quality of governance and boost economic efficiency, while reducing poverty and promoting human development. In this light, anti-corruption measures are not just concerned about prevention or punishment but also about establishing the values, institutions and systems that form the basis of fairer societies. There are options – the history of corruption does not have to be the region's destiny.

*The history of corruption does not have to be the region's destiny*

# Notes

## Chapter 1

1. Dreze and Sen 2002; Sen 1997a; Sen 1997b; Sen 1999.
2. Rajivan 2007b.
3. This distinguishes corruption from other crimes or undesirable phenomenon that may also need regulation – murder, break-in, littering, etc.
4. An example of differences in norms within the same country relates to punctuality. In the UK, for example, while people are expected to come to a meeting on time, in social situations if the guests arrive on the dot they may find the hosts still in the process of getting dressed.  
In the context of corruption, bribing a police constable for a traffic violation is corruption, but when the same constable leaves a roadside café after a snack without paying, it may be seen as perfectly natural. In fact if the constable insists on paying, that may be considered odd, even suspicious – perhaps a raid is being planned?
5. For example, in rural India the poor may think it is perfectly legitimate to draw water from pipelines that take water to the city (making unauthorized holes in the pipes with the knowledge of field staff of the water board – even paying them a ‘fee’) when the pipes pass through wayside villages without serving them. But the city dwellers, and even the water board, would consider such local collusion a form of corruption – field staff collecting bribes in return for turning a blind eye to the water theft and damage caused to the infrastructure.
6. Kaufmann and Vicente 2005.
7. Gampat 2007a.
8. La Porta et al. 1997; Lipset and Lenz 2000; Paldam 2002; Triesman 2000.
9. Kautilya, The Arthashastra. Edited, rearranged, translated and introduced by L.N. Rangarajan in 1992.
10. Numerator – The count of the number of articles or pages containing the words ‘corruption’ and ‘fraud’ (and their variants, such as ‘corrupt’ or ‘fraudulent’).

Denominator – The deflator used is ‘Political’, i.e. the number of articles (or pages) containing the word ‘political’ (and its variants) which standardizes the numerator count and accounts for the amount of space given in the newspapers to stories about corruption and fraud. The series are expressed as three-year centered moving averages.

Data sources – The information is from two sources: (a) The NY Times, regarded as a national newspaper of record, distributed internationally, and (b) Ancestry.com a website which has records of scanned newspapers from small towns and cities across the USA, beginning in the late 1700s to the present, providing data from a cluster of newspapers.

11. Tran 2007.
12. The Standard 2006.
13. UNDP 2007b.
14. See Technical note 1 for a summary of various measures of corruption.
15. Lederman et al. 2001; Linz 1978; Panizza 2001.
16. Gerring and Thacker 2004; Kunikova 2005.
17. Fisman and Gatti 2002; Root 1999; Treisman 1999.
18. Fisman and Gatti 2002; Huther and Shah 1998; Knack and Azfar 2003.
19. Durlauf et al. 2005; Mauro 1995.
20. Bardhan 1997.
21. Kaufman and Wei 1999; Svensson 2003; Seligson 2002.
22. Lui 1985.
23. Acemoglu and Verdier 1998; Murphy et al. 1993.
24. Sarte 2000.
25. Barro 1990.
26. Murphy et al. 1993.
27. Li, et al. 2000.
28. Gyimah-Brempong and Gyimah-Brempong 2006.
29. Knack and Keefer 1995; Mauro 1995.
30. Mo 2001.
31. Rock and Bonnett 2004.
32. Shleifer and Vishny 1993.



33. Campos, Lien and Pradhan 1999.
34. Rock and Bonnett 2004.
35. Bardhan 1997.
36. Johnson and Mitton 2001.
37. Gampat, Sarangi and Wickramaratne 2007.
38. LankaNewspapers.com 2006. At the time of publication SLR110 = \$1.
39. Keen and Smith 2007.
40. For a survey of the empirical evidence that corruption reduces overall tax revenues, see Abed and Gupta 2002.
41. Sanyal et al. 2000.
42. Mauro 1997; Shleifer and Vishny 1993.
43. Delavallade (n.d.)
44. Akcay 2006.
45. Gupta et al. 1998.
46. Kaufmann et al. 1999.
47. Gupta et al. 2002.
48. Hunt and Laszlo 2006; Kaufmann et al. 2005.

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2. Azfar and Gurgur 2005.
3. World Bank 2000.
4. Centre for Policy Alternatives 2007.
5. Asian Human Rights Commission 2005.
6. Olken and Barron 2007.
7. Hasan 2006.
8. Nissen 2005.
9. Bhowmik 2005.
10. At the time of publication INR 38 = \$1.
11. National Human Rights Commission n.d.
12. Jha 2003.
13. Centre for Policy Alternatives 2007.
14. Daily Times 2007.
15. Amnesty International Malaysia 2007; International Herald Tribune 2007.
16. Masud 2002.
17. Commonwealth Human Rights Initiative 2003.
18. Transparency International 2007.
19. Supreme Court of Pakistan 2007.
20. UNDP and Center for Policy and Human Development 2007.
21. The Sunday Times 2000.
22. Rajivan 2007a.
23. Khan and Khan 2003.
24. Transparency International Bangladesh 2005b.
25. Ahmad et al. n.d.

26. [http://www.unodc.org/pdf/corruption/corruption\\_judicial\\_res\\_e.pdf](http://www.unodc.org/pdf/corruption/corruption_judicial_res_e.pdf)
27. Jayawickrama 2007.
28. Netto 2007.
29. A television channel in India has used its media power through a sting operation to demonstrate how the legal system may have been subverted in cases concerning the rich. See Aggarwal 2007.
30. Rajivan 2007a.
31. World Bank 2001.
32. Bharuka 2005.
33. Xie 2007.

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2. Lewis 2006.
3. Ibid.
4. Lewis 2007.
5. Prevenslik-Takeda 2006.
6. Lewis 2006.
7. Azfar and Gurgur 2001; Azfar et al. 2001.
8. Azfar and Gurgur 2001.
9. Gupta et al. 2000.
10. Lewis 2006.
11. Barber, Bonnet, and Bekedam 2004.
12. BBC News 2005.
13. Campos and Pradhan 2007.
14. Wei 2007.
15. UNESCO and IIEP 2007.
16. Bennet 2000.
17. Community Information and Epidemiological Technologies 1999.
18. U4 Anti-Corruption Centre n.d.
19. Chaudhury et al. 2006.
20. Luo and Ye 2005.
21. Knack and Sanyal 2000; Mauro 1998.
22. Gupta et al. 2000.
23. Johnston 2007.
24. Banerjee and Duflo 2006.
25. Chapman 2002.
26. UNICEF Islamabad (Pakistan) 2007.
27. UNICEF Islamabad (Pakistan) 2007.
28. UNESCAP et al. 2007.
29. DFID 2002.
30. Sohail and Cavill 2007.
31. Stålgren 2006.
32. Gulati and Rao 2007.

33. The Economic Times 2007.
34. ADB 2005.
35. Sohail and Cavill 2007.
36. Wax, Emily 2007.
37. Transparency International India 2005.
38. Gulati and Rao 2007.
39. Ibid.
40. Stålgren 2006.
41. Gulati and Rao 2007.
42. Lovei and Whittington 1993.
43. Marketplace 2007.
44. Bearse et al. 2000.

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1. Escaleras et al. 2006.
2. Le Billion 2005.
3. Le Billion 2005.
4. Le Billion 2005.
5. OECD 2005.
6. Schultz and Soreide 2006.
7. Olken 2007b.
8. Rajivan 2007c; Burra 2007.
9. Larmour and Barcham 2005.
10. UNESCAP 2001.
11. Burra 2007.
12. UNESCAP 2001.
13. Olken 2007a.
14. Burra 2007.

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1. World Resources Institute in collaboration with United Nations Development Programme, United Nations Environment Programme, and World Bank 2005.
2. Seneviratne 2007.
3. Greenpeace International 1997.
4. USAID 2005.
5. Robbins 2000.
6. Transparency International 2002.
7. Transparency International 2004.
8. Transparency International Bangladesh 2005a.
9. Viet Nam Net 2005.
10. UNDP 2004.
11. OECD 2007.
12. Shah 2004.
13. World Bank 2002.

14. OECD 2007.
15. UNDP 2006.
16. Hussain 2005.
17. FAO 2006.
18. OECD 2007.
19. Tidwell n.d.
20. Lowe 2002.
21. FAO 2003.
22. OECD 2007.
23. World Bank 2006c.
24. USAID 2004.
25. UNEP 2007.
26. Environmental Investigation Agency 2005.
27. Kinshor and Damania 2007.
28. UNEP 2003.
29. Jarvie et al. 2004.
30. Kinshor and Damania 2007.
31. OECD 2007.
32. Lin 2005.
33. WWF/TRAFFIC 2002.
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36. World Resources Institute in collaboration with United Nations Development Programme, United Nations Environment Programme, and World Bank 2003.
37. World Resources Institute in collaboration with United Nations Development Programme, United Nations Environment Programme, and World Bank 2003.
38. Transparency International 2006c.
39. Environmental Investigation Agency/Telapak 2002.
40. Goodman and Finn 2007.
41. ADB 2006b.
42. ADB 2006b.
43. WWF n.d.
44. Goodman and Finn 2007.
45. People's Daily 2005.
46. Wade 1982.
47. UNDP 2007.
48. Briscoe 2005.
49. Kachin Development Network Group 2007.
50. Environmental Investigation Agency/Telapak 2007.
51. UNDP 2007.
52. Renner 2002.
53. Ngamcharoen 2001.
54. World Resources Institute in collaboration with

United Nations Development Programme, United Nations Environment Programme, and World Bank 2003.

55. Dogra 2007.
56. World Bank 2006a.
57. OECD 2007.
58. Global Witness 2005.
59. Hawley 2003.
60. Harris and Rajora 2006.
61. Lin 2005.
62. TRAFFIC 2004.
63. World Bank 2007a.

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2. Elliott 2007.
3. Anti Corruption Commission 2007.
4. World Bank 2006d.
5. A questionnaire was sent to the governance focal points of 23 UNDP country offices covering 35 countries for information on anticorruption agencies and legislation, media and access to information. More information on the survey can be accessed from [www.undprcc.lk](http://www.undprcc.lk).
6. ADB/OECD Anti-Corruption Initiative for Asia and the Pacific 2004.
7. Quah 2007a.
8. Republic of Singapore 1994.
9. ICAC 1989.
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17. Office of the Ombudsman Republic of the Philippines n.d.
18. Quah 2007a.
19. Upadhyay 2002.
20. Korea Independent Commission Against Corruption 2006.
21. Quah 2007a.
22. UNDP 2005.
23. Commission Against Corruption 2006.
24. Davidsen et al. 2006.
25. UNDP 2005.
26. UNDP 2005.
27. UNDP 2005.
28. ADB/OECD Anti-Corruption Initiative for Asia and the Pacific 2004.
29. Independent Commission Against Corruption (2004; 2007).
30. Quah 2007a.
31. Corrupt Practices Investigation Bureau 2006.
32. Tan 1999.
33. Quah 2007b.
34. Dhiravegin 1978; Gonzalez and Mendoza 2004.
35. Partnership for Governance Reform 2001.
36. Transparency International 2002.
37. Stanway 2007.
38. Warwick 1987.
39. Republic of Korea 1998.
40. Government of India 2006.
41. Naidu 2006.
42. End-use exemptions are a major source of corruption for taxes on many commodities and services.
43. Hines 2005.
44. Asher 2001.
45. Aggarwal 1991.
46. These criteria were: ownership of a credit card, ownership of a house, ownership of a car, payment of an electricity bill of more than Rs. 50,000 per month, leaving the country during the year and membership of a club. The scheme was eliminated in 2006-07 (Aggarwal 1991).
47. International Tax Dialogue 2005; Keen and Smith 2007.
48. Kpundeh 1998.
49. Chan 2007.
50. Estache et al. 2000.
51. Banisar 2006.
52. International Press Institute 2006.
53. No. 22 of the 2005 Indian Right to Information Act. Cited in Mendel 2007.
54. Articles 9-12. Cited in Mendel 2007.
55. Mendel 2007.
56. Section 4 (3) and (4) of the 2005 Indian Right to Information Act. Cited in Mendel 2007.
57. Article 9 under the 2002 Federal Transparency and Access to Public Government Information Law. Cited in Mendel 2007.
58. The Freedom of Information Act 2000, section 19. Cited in Mendel 2007.

59. Section 24(1) of the 2005 Indian Right to Information Act. Cited in Mendel 2007.
60. The 1999 Law Concerning Access to Information Held by Administrative Organs – Article 5. Cited in Mendel 2007.
61. Section 15(2) and 15(3) of the 1997 Thai Official Information Act. Cited in Mendel 2007.
62. Section 8(2) of the 2005 Indian Right to Information Act and Article 7 of the 1999 Law Concerning Access to Information Held by Administrative Organs. Cited in Mendel 2007.
63. Section 17 of Article XI of the 1987 Constitution.
64. Section 8 of Republic Act No. 6713 on standards for public officials. Cited in Mendel 2007.
65. Bharuka 2005.
66. Central Vigilance Commission n.d.
67. Choi and Moon-Suk 2001.
68. Bhatnagar and Chawla 2001.
69. ADB/OECD 2006b.
70. Control Risks Group Limited and Simmons & Simmons 2006.
71. UNGC (United Nations Global Compact) n.d.
72. Financial Action Task Force on Money Laundering n.d.
73. World Bank and UNODC (United Nations Office on Drugs and Crime) 2007.
74. World Bank and UNODC (United Nations Office on Drugs and Crime) 2007.
75. In 2000, two countries, Australia and the Republic of Korea, are in both the OECD and Asia Pacific. Diamond and Diamond 2002; Hines and Rice 1994; OECD n.d.(a); OECD n.d.(b).
76. Capgemini and Merrill Lynch 2006.
77. EIA 2007.
78. World Bank and UNODC (United Nations Office on Drugs and Crime) 2007.
8. Coronel 2007.
9. Coronel 2007.
10. Kristof 2005.
11. Giridharadas 2007.
12. Sen 1999.
13. Coronel 2002.
14. See the 2007 case of Uma Khurana in India.
15. Perry 2002.
16. Coronel 2002.
17. Khadka 2007.
18. Keaake 2003.
19. USAID 2006.
20. Development Gateway Foundation 2004.
21. For example, six attempts of judicial review have been submitted to the Constitutional Court challenging the authority of KPK.
22. A senior Government official once attributed the slow process of development in one region of the country to efforts to eradicate corruption.
23. Deliberation of draft laws initiated by the public, such as those concerning Freedom for Public Information and establishment of an ombudsman's office, has been delayed since 2000.
24. Slim 2002.
25. Stephens and Tazi 2006.
26. Pongsapich n.d.
27. Fox 2000; Transparency International 2000a.
28. Wilson 1973.
29. ADB/OECD 2006a.
30. Transparency International 2000b.
31. Ramkumar and Krafchik 2005.
32. Dharmaraj 2007.
33. ADB/OECD 2000.
34. Korean Educational Development Institute 2003.
35. Andersson et al. 2005.

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1. BBC News 2001.
2. Taylor 2005.
3. Coronel 2007.
4. Brunetti and Weder 2003.
5. Ferdinand 2003.
6. Ferdinand 2003.
7. Struck 2000.

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1. The idea of a 'sandwich' situation in public policy – a combination of pressure from above through political will, retained over time through public expectations from below – has been discussed earlier in the context of combating hunger and reducing malnutrition.
2. Developing countries here refer to UNDP programme countries.

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## Indicators







# Readers' Guide and Notes to Tables

This guide contains statistics pertaining to corruption and human development in all countries and territories of the Asia-Pacific region. The indicators are grouped into three broad categories: (1) popular measures of corruption, (2) political economy conditions that could be linked to corruption, and (3) socio-economic factors. This last category includes the human development index (HDI) and indicators relating to the Millennium Development Goals (MDGs).

## Data Coverage

For the purposes of this report, countries and territories in the Asia-Pacific region have been grouped into three categories: East Asia, South and West Asia, and the Pacific. The total number of countries and territories is 44: 18 from **East Asia** (Brunei Darussalam, Cambodia, China, Hong Kong China (SAR), Indonesia, Japan, Korea Rep. of, Korea DPR, Lao PDR, Macao China (SAR), Malaysia, Mongolia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam); 9 from **South and West Asia** (Afghanistan, Bangladesh, Bhutan, India, Iran Islamic Rep. of, Maldives, Nepal, Pakistan, Sri Lanka); and 17 from the **Pacific** (Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia Fed. Sts., Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu). They are presented in alphabetical order within groups. Blanks (..) indicate non-availability of data.

## Data Sources and Inconsistencies

The Regional Human Development Reports Unit is a user of datasets, not a producer. The Report draws from data produced by international institutions with the resources and expertise to collect them. Data sources are given in abbreviated form at the end of each table, while the full citations are available in the statistical reference. These sources are UNSTAT online, The World Bank, UNDP Global HDR (not a data producer), University of Maryland, Transparency International and International Country Risk Guide (ICRG) ratings by Political Risk Service (PRS) group. Use has also been made of online sources but URLs may change over time, which explains why the date of access of a given website is mentioned for all online sources.

Because international sources often rely on data supplied by national authorities, there can be inconsistencies between the data reported by these two sources. There are several reasons for this. International data agencies often apply international standards and harmonization procedures to improve comparability across countries. When international data are based on national statistics, as they usually are, national data may need to be adjusted. When data for a country are missing, an international agency may produce an estimate. Because of the difficulties in coordination between national and international data agencies, international data series may not incorporate the most recent data.

All these factors can lead to inconsistencies between national and international estimates.

As international data agencies continually improve their data series, including updating historical data periodically, the indicators across editions of the RHDR may not be comparable.

### Timelines

This report uses the most recent information available as of September 2007. In addition, data are presented at different points in time, in order to capture trends over a longer period. Thus, the tables present data on most indicators at five-year intervals (i.e. 1990, 1995, 2000) and the latest year for which data are available for most countries. For example, the latest Corruption Perceptions Index refer to 2007 while some socio-economic indicators refer to 2004. The latest data for most indicators are for 2005. However, data for all four reference points are not available for some indicators. This gap has been addressed, whenever possible, by reporting data for the year nearest the reference points.

### Country Notes

Data for China do not encompass Hong Kong, China (SAR), Macao, China (SAR) or Taiwan Province of China, unless otherwise noted. Timor-Leste became an independent country on May 20, 2002. Data for Indonesia include Timor-Leste through 1999, unless otherwise noted.

### NOTES ON SELECT INDICATORS IN THE TABLES

#### Table 1: Popular Measures of Corruption

The RHDR tables present the three most popular 'measures' of corruption, particu-

larly in terms of their empirical coverage of the Asia-Pacific region. First, the World Bank's Control of Corruption Index (CCI), which captures corruption for a large number of countries, draws upon multiple sources of data. Second, another popular measure of corruption is the International Country Risk Guide (ICRG) corruption risk ratings by the Political Risk Services (PRS) group. However, it primarily caters to business interests, which limits its use for broader analytical purposes. Third, perhaps the most popular measure of corruption is Transparency International's (TI) Corruption Perceptions Index (CPI). This report does not make extensive use of the CPI because this index relies heavily on perceptions. The three indices are briefly discussed in the sections that follow.

### Control of Corruption Index

The CCI, produced by the World Bank, measures the extent to which public power is exercised for private gain. This includes both petty and grand forms of corruption, as well as 'capture' of the state by elites and private actors. It is based upon surveys of business leaders, public opinion and assessments by country analysts and is available for 213 countries and territories for the years 1996, 1998, 2000, and 2002 to 2006. The CCI values are normally distributed with a mean of zero and a standard deviation of one in each period. The values of the CCI range from minus (-)2.5 to 2.5, with higher values indicating higher control of corruption; conversely, lower values indicate higher corruption.

### ICRG Corruption Score

The ICRG corruption scores, produced by PRS, are assessments by staff and relate to actual and potential corruption in the

following forms: excessive patronage, nepotism, job reservations, 'favour-for-favours', secret party funding and suspiciously close ties between politics and business. The ICRG corruption scores are available for 146 countries from 1984 to 2006. The scores range from 0 to 6, where 0 indicates the highest potential risk of corruption and 6 indicates the lowest potential risk for any country. Higher corruption signifies that high government officials are likely to demand special payments and that illegal payments are generally expected throughout lower levels of government. This can transpire in the form of bribes connected with import and export licenses, exchange control, tax assessment, police protection or loan transactions.

### ***Corruption Perceptions Index***

The CPI, produced by TI, is a composite index that draws upon surveys of business people and assessments done by country analysts. The CPI ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. The CPI started with 41 countries in 1995 and expanded to 180 countries in 2007. The CPI values vary from 0 to 10. A lower value indicates high corruption perception in any country, while a higher value is an indicator of low corruption perception.

### ***Comparison of Corruption Measures Across Countries and Time***

The above measures of corruption must be interpreted and used with care, not only because corruption is largely an unobservable phenomenon but also because different definitions, data sources and methodologies to collect, process and aggregate data are often used.<sup>1</sup>

To some extent, most of these measures rely on perceptions. Data based on perceptions are generally problematic, in that they tell us more about the respondents than about corruption itself, and there is a wide gap between perceived and 'experienced' corruption. Perceptions are also particularly troublesome as a source of comparative data. Specifically, once the reputation of a country has been established – in part through media attention to CPI rankings – it appears that subsequent CPI measures are strongly affected by previously published measures and thus are not independent. There are also grounds for believing that measures may reflect certain observable factors, such as poverty or poor economic performance, which are assumed to be consequences of corruption and hence used to impute (backwards) the presence of corruption. In either case, because measures are not firmly rooted in first-hand experience with corruption, it is hard to have strong confidence in comparisons of perception-based measures of corruption, over time.

Then there is the issue of sample design and the design (and wording) of questionnaires. Because 'corruption' can mean many things, questions that use this word without defining it, are of little use in an attempt to estimate the level of corruption across countries or over time. Indeed, it is hard to compare the responses from vaguely worded questions in any meaningful way. Yet such practices are common in questionnaires used to gather data for popular measures. Likewise, when different questionnaires that use different questions are used to produce an index, the lack of uniformity weakens the basis for comparison. The desire to construct indices of broad empirical scope and to develop time series is understandable and such attempts deserve to be supported. Nevertheless, it is also important to underline

<sup>1</sup> For detailed discussion, See Hawken and Munck 2007.

<i>Name of index</i>	<i>Strengths</i>	<i>Weaknesses</i>
Control of corruption index (CCI)	<ul style="list-style-type: none"> <li>• Broad empirical scope</li> <li>• Attempt to construct an index encompassing many manifestations of corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Perceptions-based, vague and variable questions; variable sample design</li> <li>• Aggregation of conceptually unrelated indicators; questionable aggregation rule</li> <li>• Many of the sources of data cater to the needs of the business interest</li> </ul>
Corruption perceptions index (CPI)	<ul style="list-style-type: none"> <li>• Broad empirical scope</li> <li>• Attempt to construct an index that captures mostly bureaucratic corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Perceptions-based, vague and variable questions; variable sample design</li> <li>• Aggregation of conceptually unrelated indicators; questionable aggregation rule</li> <li>• The methodology of construction of index changes over time</li> <li>• CPI mostly captures bureaucratic corruption, not political</li> <li>• The subjective assessments by business people are prone to bias because of business interests</li> </ul>
ICRG corruption scores	<ul style="list-style-type: none"> <li>• Attempts to capture actual and potential corruption in the form of excessive patronage, nepotism, job reservations, 'favour-for-favours', secret party funding, and suspiciously close ties between politics and business</li> </ul>	<ul style="list-style-type: none"> <li>• Assessments by staff</li> <li>• Looks at corruption through business interests only</li> </ul>
<i>Source: Based on Hawken and Munck 2007.</i>		

the problems involved in questionnaires that clearly were not designed to obtain equivalent measures across time and space. Finally, sample sizes and the respondent pool of the surveys used to generate indices also vary considerably, raising yet new questions about comparability. The need for further work to develop and consistently apply an instrument suitable for measuring corruption across time and space must be duly recognized.

### **Table 2: Corruption (Perceptions) in Public Institutions, Media and NGOs**

Transparency International's Global Corruption Barometer (GCB) explores how corruption affects ordinary people. The GCB provides an indication of both the form and extent of corruption, from the viewpoint of citizens around the world. The GCB 2006 is the fourth in a series from 2003 and reflects the findings of a survey of 59,661 people in

62 low-, middle- and high-income countries. The survey was carried out on behalf of TI by Gallup International, as part of the Voice of the People Survey between July and September 2006.

An interesting features of the GCB is that it measures the perception of corruption in different sectors/public institutions, such as: politician/political parties; parliament/legislature; police; legal system /judiciary; tax revenue; business/private sector; medical services; media; education system; utilities; registry and permit; services; the military; NGOs; religious bodies. These measures are ratings on a scale of 1 (not at all corrupt) and 5 (extremely corrupt).

### **Table 3: Impact of Corruption (Perceptions)**

The Barometer, produced by TI, captures the experience of bribery through sample surveys

during the previous 12 months. In addition, the Barometer measures people's perception of the the impact of corruption on political life, the business environment and on personal and family life. The scale goes from 1 (corruption has no impact) to 4 (corruption has a large impact).

#### **Table 4: Political Climate**

##### ***Extent of Democracy***

Produced by the Centre for International Development and Conflict Management, University of Maryland, the operational definition of a mature and internally coherent democracy is one in which (a) political participation is fully competitive, (b) executive recruitment is elective, and (c) constraints on the chief executive are substantial. The values of this measure vary between -10 (strongly autocratic) to + 10 (strongly democratic).

##### ***Durability of Current Political Regime***

Produced by the Centre for International Development and Conflict Management at the University of Maryland, this indicator refers to the number of years since the most recent regime change or the end of a transition period defined by the lack of stable political institutions. The first year of the new regime is given the value 0. Each subsequent year adds one point. One must note that durability of the regime does not imply changes in the political party in power but the number of years since the last substantive change in authority characteristics.

##### ***Military in Politics***

The PRS produced this measure which is based on the premise that military involvement in politics (even at the peripheral level) diminishes democratic accountability, since

the military are not elected by anyone. The values of this indicator vary between 0 and 6. Lower values indicate a greater degree of military participation in politics and a higher level of political risk.

#### **Table 5: Governance Climate**

##### ***Political Stability***

The index of political stability, produced by the World Bank, captures perceptions about the likelihood that the government will be destabilized or overthrown through unconstitutional or violent means, including political violence and terrorism. The index values vary between minus (-) 2.5 and 2.5; higher values correspond to lower chances of government destabilization.

##### ***Government Effectiveness***

The index of government effectiveness, produced by the World Bank, captures the following: quality of public services, quality of the civil service, degree of the civil services' independence from political pressures, quality of policy formulation and implementation and credibility of the government's commitment to such policies. The index values vary between minus (-) 2.5 to 2.5; higher values correspond to better government effectiveness.

##### ***Government Stability***

This indicator, produced by the PRS, represents an assessment both of the government's ability to carry out its declared programme(s) and its ability to stay in office. The indicator is composed of three sub-components: government unity; legislative strength; popular support. The values of this indicator vary between 0 and 12, where lower values indicate a lower degree of



government stability and higher level of political risk.

### **Democratic Accountability**

The PRS-produced indicator of democratic accountability is a measure of how responsive a government is to its people. Its essential message is that the less responsive it is, the more likely the government is to fall, peacefully in a democratic society, but possibly violently in a non-democratic one. The values depend on the type of governance experienced in a particular country. The values of the indicator vary between 0 and 6. The highest value (lowest risk) is assigned to alternating democracies, while the lowest value (highest risk) is assigned to autarchies.

### **Bureaucracy Quality**

The indicator of bureaucracy quality, produced by the PRS, measures the strength and expertise of the bureaucracy to govern without drastic changes in policy or interruptions in government services. The values of the indicator vary between 0 and 4. Higher values imply better bureaucracy.

### **Table 6: Voice and Choice, and Legal Climate**

#### **Voice and Accountability**

The index of voice and accountability, produced by the World Bank, measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and free media. The index values vary between minus (-)2.5 to 2.5; higher values correspond to greater voice and accountability.

### **Rule of Law**

The rule of law, produced by the World Bank, measures the extent to which agents have confidence in and abide by the rules of society. It also measures in particular the quality of contract enforcement, the police and the courts, as well as the likelihood of crime and violence. The index values vary between minus (-)2.5 to 2.5; higher values correspond to better rule of law.

### **Law and Order**

Law and Order, produced by the PRS, are assessed separately, with each sub-component comprising 0 to 3 points. The law sub-component is an assessment of the strength and impartiality of the legal system, while the order sub-component is an assessment of popular observance of the law. Thus, a country can enjoy a high rating of 3 in terms of its judicial system, but a low rating of 1 if it suffers from a very high crime rate or if the law is routinely ignored without effective sanction (i.e. widespread illegal strikes). The values of the indicator vary between 0 and 6; higher values indicate greater strength and implementation of the legal system.

### **Table 7: Economic Climate**

#### **Regulatory Quality**

The index of regulatory quality, produced by the World Bank, measures the ability of the government to formulate and implement sound policies and regulations that permits and promotes private sector development. The index values vary between minus (-)2.5 to 2.5; higher values correspond to implementation of sound policies and greater promotion of the private sector.

# POPULAR MEASURES OF CORRUPTION

Table 1: Popular Measures of Corruption

Sub-regions / Countries	The World Bank's control of corruption index (CCI) <sup>a</sup>				ICRG corruption score <sup>b</sup>				TI's corruption perceptions index (CPI) <sup>c</sup>			
	1996	2000	2005	2006	1996	2000	2005	2006	1996	2000	2005	2007
<b>East Asia</b>												
Brunei Darussalam	0.37	0.35	0.25	0.24	4.00	3.00	2.50	2.50	..	..	..	..
Cambodia	-1.11	-0.91	-1.12	-1.19	..	..	..	..	..	..	2.29	2.00
China	-0.09	-0.36	-0.68	-0.53	2.00	1.08	2.00	1.88	2.40	3.10	3.22	3.50
Hong Kong, China (SAR)	1.53	1.31	1.69	1.71	5.00	3.25	4.00	4.00	7.01	7.70	8.30	8.30
Indonesia	-0.55	-1.01	-0.87	-0.77	3.00	1.92	1.00	2.33	2.70	1.70	2.23	2.30
Japan	1.21	1.24	1.25	1.31	5.00	3.00	3.50	3.50	7.05	6.40	7.30	7.50
Korea, Rep. of	0.52	0.14	0.47	0.31	5.00	3.00	2.50	2.50	5.02	4.00	5.00	5.10
Korea, DPR	-0.33	-1.93	-1.36	-1.69	2.50	2.00	1.00	1.00	..	..	..	..
Lao PDR	-1.00	-0.90	-1.08	-1.05	..	..	..	..	..	..	3.27	1.90
Macao, China (SAR)	..	0.45	0.55	0.41	..	..	..	..	..	..	..	5.70
Malaysia	0.49	0.39	0.25	0.38	4.00	3.00	2.42	2.38	5.30	4.80	5.05	5.10
Mongolia	0.37	-0.31	-0.57	-0.54	4.00	3.00	2.00	2.00	..	..	3.00	3.00
Myanmar	-1.21	-1.37	-1.54	-1.68	1.83	1.00	1.00	1.00	..	..	1.80	1.40
Philippines	-0.47	-0.50	-0.59	-0.69	3.00	2.42	2.00	2.00	2.70	2.80	2.50	2.50
Singapore	2.25	2.25	2.25	2.30	4.00	4.00	4.50	4.50	8.80	9.10	9.40	9.30
Thailand	-0.39	-0.13	-0.22	-0.26	3.00	2.25	1.50	1.50	3.30	3.20	3.81	3.30
Timor-Leste	..	..	-0.79	-0.89	..	..	..	..	..	..	..	2.60
Viet Nam	-0.67	-0.72	-0.76	-0.66	3.00	2.00	1.50	2.46	..	2.50	2.58	2.60
<b>South and West Asia</b>												
Afghanistan	..	-1.91	-1.48	-1.47	..	..	..	..	..	..	2.50	1.80
Bangladesh	-0.49	-0.93	-1.23	-1.29	2.00	2.00	1.50	1.50	2.30	-	1.68	2.00
Bhutan	..	0.56	0.87	0.89	..	..	..	..	..	..	..	5.00
India	-0.36	-0.33	-0.33	-0.21	3.00	3.00	2.50	2.50	2.60	2.80	2.91	3.50
Iran, Islamic Rep. of	-0.90	-0.51	-0.50	-0.59	4.00	4.00	2.00	2.00	..	..	2.90	2.50
Maldives	..	-0.14	-0.32	-0.51	..	..	..	..	..	..	..	3.30
Nepal	-0.31	-0.43	-0.73	-0.75	..	..	..	..	..	..	2.48	2.50
Pakistan	-1.04	-0.76	-1.03	-0.93	2.00	2.00	1.50	1.50	1.00	..	2.09	2.40
Sri Lanka	-0.27	-0.18	-0.30	-0.29	3.58	4.00	2.50	2.50	..	..	3.16	3.20

Contd...

Contd...

Sub-regions / Countries	The World Bank's control of corruption index (CCI) <sup>a</sup>				ICRG corruption score <sup>b</sup>				TI's corruption perceptions index (CPI) <sup>c</sup>			
	1996	2000	2005	2006	1996	2000	2005	2006	1996	2000	2005	2007
<b>Pacific</b>												
Australia	1.85	1.96	1.97	1.99	5.00	5.00	5.00	4.63	8.60	8.30	8.80	8.60
Cook Islands	..	-0.10	0.63	0.66	..	..	..	..	..	..	..	..
Fiji	..	0.15	-0.60	-0.35	..	..	..	..	..	..	4.00	..
Kiribati	..	-0.22	0.22	0.08	..	..	..	..	..	..	..	3.30
Marshall Islands	..	-0.68	-0.44	-0.53	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	..	-0.32	-0.28	-0.27	..	..	..	..	..	..	..	—
Nauru	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	2.28	2.16	2.25	2.38	5.50	5.00	5.50	5.50	9.40	9.40	9.60	9.40
Niue	..	..	..	..	..	..	..	..	..	..	..	..
Palau	..	..	..	..	..	..	..	..	..	..	..	..
Papua New Guinea	-0.31	-0.78	-1.12	-1.13	3.00	2.08	1.00	1.00	..	..	2.30	2.00
Samoa	..	-0.02	0.17	0.22	..	..	..	..	..	..	..	..
Solomon Islands	..	-0.98	0.02	-0.29	..	..	..	..	..	..	..	2.80
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	..	-0.58	-1.29	-1.29	..	..	..	..	..	..	..	1.70
Tuvalu	..	0.11	-0.09	-0.07	..	..	..	..	..	..	..	..
Vanuatu	..	-0.85	0.26	0.20	..	..	..	..	..	..	..	3.10

Notes: CCI values range between -2.5 to 2.5; higher values represent greater control of corruption. ICRG values range between 0 to 6; higher values represent low potential risk of corruption. CPI values range between 0 and 10; higher values represent low perception of corruption.

Sources: (a) World Bank 2007a; (b) The PRS (Political Risk Services) Group 2007; (c) TI (Transparency International) 2007a

**Table 2: Corruption (Perceptions) in Public Institutions, Media and NGOs**

Sub-regions/ Countries	Police		Legal system/ Judiciary		Tax revenue		Medical services		Education system		Utilities		Registry and permit		Media		NGOs	
	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006
<b>East Asia</b>																		
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
China	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Hong Kong, China (SAR)	3.0	3.4	2.5	2.6	2.1	2.3	2.1	2.6	2.2	2.6	2.0	2.4	1.8	2.2	3.0	3.7	2.4	3.4
Indonesia	4.2	4.2	4.2	4.2	4.0	3.4	3.0	3.0	3.2	3.3	3.1	2.9	3.7	3.6	2.6	2.8	2.4	2.9
Japan	3.9	3.6	3.1	3.0	3.4	3.2	3.7	3.6	3.1	3.1	3.0	3.0	2.6	2.7	3.3	3.4	2.9	3.0
Korea, Rep. of	3.8	3.3	3.6	3.5	3.4	3.3	3.4	3.1	3.5	3.3	2.5	2.4	2.5	2.4	3.6	3.5	2.8	2.9
Korea, DPR	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Macao, China (SAR)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	3.8	3.8	2.9	2.8	2.6	2.5	2.2	2.1	2.3	2.2	2.2	2.2	3.2	3.1	2.4	2.4	2.4	2.2
Mongolia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Myanmar	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Philippines	4.2	3.9	3.6	3.4	3.8	3.7	3.2	2.9	3.3	3.0	3.3	2.9	3.6	3.2	2.8	2.5	2.9	2.6
Singapore	1.7	1.9	1.7	2.0	1.6	1.8	1.6	1.8	1.6	1.8	1.5	1.8	1.5	1.8	2.0	2.2	2.2	2.5
Thailand	..	3.6	..	2.6	..	2.8	..	2.3	..	2.8	..	2.6	..	2.4	..	2.8	..	2.7
Timor-Leste	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Viet Nam	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>South and West Asia</b>																		
Afghanistan	3.0	..	3.4	..	3.0	..	2.8	..	2.5	..	3.0	..	2.9	..	2.6	..	2.9	..
Bangladesh	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Bhutan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
India	4.5	4.3	4.0	3.4	3.4	3.0	3.8	3.1	3.8	3.1	3.5	2.8	3.7	3.3	2.7	2.4	2.7	2.9
Iran, Islamic Rep. of	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Maldives	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nepal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Pakistan	4.4	4.4	4.1	3.8	4.0	3.9	3.8	3.4	3.6	3.1	3.8	3.8	3.9	3.9	3.5	3.6	3.3	3.4
Sri Lanka	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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Sub-regions/ Countries	Police		Legal system/ Judiciary		Tax revenue		Medical services		Education system		Utilities		Registry and permit		Media		NGOs	
	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006
<b>Pacific</b>																		
Australia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Cook Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Fiji	..	3.2	..	3.2	..	3.3	..	3.1	..	3.0	..	3.3	..	3.0	..	2.7	..	2.2
Kiribati	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Marshall Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Niue	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Palau	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Papua New Guinea	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Samoa	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Solomon Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Vanuatu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

Notes: TI's Global Corruption Barometer measures people's perception of corruption in different sectors/public institutions on a scale 1 to 5. 1 = Not at all corrupt; 5 = Extremely corrupt.

Source: TI (Transparency International) 2007b.



**Table 3: Bribe Paying and Impact of Corruption (Perceptions)**

Sub-regions/Countries	Bribe paying in the past year (% of sample persons) <sup>1</sup>		Political life		Impact of corruption on business environment		Personal and family life	
	2004	2006	2004	2006	2004	2006	2004	2006
<b>East Asia</b>								
Brunei Darussalam	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	..	..
China	..	..	..	..	..	..	..	..
Hong Kong, China (SAR)	1.0	6.0	2.9	3.4	2.6	3.2	2.2	2.8
Indonesia	13.0	18.0	3.2	3.4	3.1	3.2	2.6	2.9
Japan	1.0	3.0	2.3	3.1	2.2	2.7	1.8	1.9
Korea, Rep. of	6.0	2.0	3.5	3.7	3.4	3.6	3.0	3.0
Korea, DPR	..	..	..	..	..	..	..	..
Lao PDR	..	..	..	..	..	..	..	..
Macao, China (SAR)	..	..	..	..	..	..	..	..
Malaysia	3.0	3.0	3.0	2.9	2.9	2.7	1.6	1.6
Mongolia	..	..	..	..	..	..	..	..
Myanmar	..	..	..	..	..	..	..	..
Philippines	21.0	16.0	3.3	3.4	3.2	3.4	3.2	3.4
Singapore	1.0	1.0	2.2	2.9	2.3	3.0	1.7	2.2
Thailand	..	10.0	..	3.0	..	3.0	..	2.7
Timor-Leste	..	..	..	..	..	..	..	..
Viet Nam	..	..	..	..	..	..	..	..
<b>South and West Asia</b>								
Afghanistan	..	..	2.4	..	2.4	..	2.0	..
Bangladesh	..	..	..	..	..	..	..	..
Bhutan	..	..	..	..	..	..	..	..
India	16.0	12.0	2.9	2.9	2.9	2.6	2.9	2.3
Iran, Islamic Rep. of	..	..	..	..	..	..	..	..
Maldives	..	..	..	..	..	..	..	..
Nepal	..	..	..	..	..	..	..	..
Pakistan	19.0	15.0	2.9	3.1	2.9	2.9	2.8	2.4
Sri Lanka	..	..	..	..	..	..	..	..
<b>Pacific</b>								
Australia	..	..	..	..	..	..	..	..
Cook Islands	..	..	..	..	..	..	..	..
Fiji	..	3.0	..	3.1	..	3.0	..	2.5
Kiribati	..	..	..	..	..	..	..	..
Marshall Islands	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	..	..	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..
New Zealand	..	..	..	..	..	..	..	..
Niue	..	..	..	..	..	..	..	..
Palau	..	..	..	..	..	..	..	..
Papua New Guinea	..	..	..	..	..	..	..	..
Samoa	..	..	..	..	..	..	..	..
Solomon Islands	..	..	..	..	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..
Tonga	..	..	..	..	..	..	..	..
Tuvalu	..	..	..	..	..	..	..	..
Vanuatu	..	..	..	..	..	..	..	..

Notes: <sup>1</sup> Transparency International's Global Corruption Barometer (GCB) reflects the findings of survey of ordinary people. The GCB 2006 survey covers 59,661 people in 62 countries and GCB 2004 survey covers over 50,000 people in 64 countries. *Impact of corruption*: The values of the indicators vary between 1 and 4. [1 = Not at all; 4 = to a large extent]

Source: TI (Transparency International) 2007b.

Table 4: Political Economy – Political Climate

Sub-regions/ Countries	Extent of democracy <sup>a</sup>				Durability of current political regime <sup>a</sup> (years)				Military in politics <sup>b</sup>			
	1990	1995	2000	2004	1990	1995	2000	2004	1990	1995	2000	2006
<b>East Asia</b>												
Brunei Darussalam	..	..	..	..	..	..	..	..	5.0	5.0	5.0	5.0
Cambodia	1	1	2	2	0	2	2	6	..	..	..	..
China	-7	-7	-7	-7	41	46	51	55	2.0	2.0	2.0	3.0
Hong Kong, China (SAR)	..	..	..	..	..	..	..	..	6.0	6.0	3.0	5.0
Indonesia	-7	-7	6	8	23	28	1	5	0.3	2.0	1.8	2.5
Japan	10	10	10	10	38	43	48	52	6.0	6.0	6.0	5.0
Korea, Rep. of	6	6	8	8	2	7	12	16	4.9	5.0	5.0	4.0
Korea, DPR	-9	-9	-9	-9	42	47	52	56	2.0	1.0	1.0	1.0
Lao PDR	-7	-7	-7	-7	15	20	25	29	..	..	..	..
Macao, China (SAR)	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	4	3	3	3	19	24	29	33	5.0	5.0	5.0	5.0
Mongolia	2	9	10	10	0	3	8	12	5.0	5.0	5.0	5.0
Myanmar	-7	-7	-7	-8	27	32	37	41	1.0	0.0	0.0	0.5
Philippines	8	8	8	8	3	8	13	17	1.0	3.0	4.0	3.5
Singapore	-2	-2	-2	-2	25	30	35	39	6.0	6.0	6.0	5.0
Thailand	3	9	9	9	12	3	8	12	1.0	3.0	4.0	3.9
Timor-Leste	..	..	..	6	..	..	..	2	..	..	..	..
Viet Nam	-7	-7	-7	-7	36	41	46	50	2.2	2.0	2.0	3.0
<b>South and West Asia</b>												
Afghanistan	-8	0	-7	..	10	0	4	0	..	..	..	..
Bangladesh	-5	6	6	6	8	4	9	13	1.0	3.0	3.0	2.9
Bhutan	-8	-8	-8	-8	83	88	93	97	..	..	..	..
India	8	9	9	9	40	45	50	54	4.0	5.0	3.0	4.0
Iran, Islamic Rep. of	-6	-6	3	-6	8	13	3	0	4.0	5.0	5.0	5.0
Maldives	..	..	..	..	..	..	..	..	..	..	..	..
Nepal	5	5	6	-6	0	5	10	2	..	..	..	..
Pakistan	8	8	-6	-5	2	7	1	5	0.0	1.0	0.0	1.0
Sri Lanka	5	5	5	5	42	47	52	56	5.0	4.4	2.0	2.0

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Sub-regions/ Countries	Extent of democracy <sup>a</sup>				Durability of current political regime <sup>a</sup> (years)				Military in politics <sup>b</sup>			
	1990	1995	2000	2004	1990	1995	2000	2004	1990	1995	2000	2006
<b>Pacific</b>												
Australia	10	10	10	10	89	94	99	103	6.0	6.0	6.0	6.0
Cook Islands	..	..	..	..	..	..	..	..	..	..	..	..
Fiji	5	5	5	6	0	5	0	3	..	..	..	..
Kiribati	..	..	..	..	..	..	..	..	..	..	..	..
Marshall Islands	..	..	..	..	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	..	..	..	..	..	..	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	10	10	10	10	113	118	123	127	6.0	6.0	6.0	6.0
Niue	..	..	..	..	..	..	..	..	..	..	..	..
Palau	..	..	..	..	..	..	..	..	..	..	..	..
Papua New Guinea	10	10	10	10	15	20	25	29	5.0	4.0	3.0	4.5
Samoa	..	..	..	..	..	..	..	..	..	..	..	..
Solomon Islands	8	8	0	8	12	17	0	0	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	..	..	..	..	..	..	..	..	..	..	..	..
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..
Vanuatu	..	..	..	..	..	..	..	..	..	..	..	..

Notes: Extent of Democracy: The values vary between -10 (strongly autocratic) to +10 (strongly democratic).

Durability of current political regime: Does not imply change in the political party in power but the number of years since the last substantive change in authority characteristics. The first year of the new regime is given the value= 0. Each subsequent year adds one.

Military in Politics: Values vary between 0 and 6. Lower scores indicate a greater degree of military participation in politics and a higher level of political risk.

Sources: (a) University of Maryland 2004; (b) The PRS (Political Risk Services) Group 2007.

Table 5: Political Economy – Governance Climate

Sub-regions/ Countries	Political stability <sup>a</sup>			Government effectiveness <sup>a</sup>			Government stability <sup>b</sup>			Democratic accountability <sup>b</sup>			Bureaucracy quality <sup>b</sup>				
	1996	2000	2006	1996	2000	2006	1990	1995	2000	1990	1995	2000	1990	1995	2000	2006	
East Asia																	
Brunei Darussalam	1.1	1.2	1.2	1.1	0.9	0.7	10.0	10.0	10.8	11.5	2.0	1.0	0.0	0.5	3.5	3.0	3.2
Cambodia	-1.4	-0.8	-0.5	-1.1	-0.8	-1.0	..	..	..	..	..	..	..	..	..	..	..
China	-0.3	-0.1	-0.4	0.2	0.0	0.0	4.0	7.7	12.0	11.0	3.3	2.0	1.0	1.0	2.0	2.7	2.0
Hong Kong, China (SAR)	0.0	0.8	1.2	1.2	1.1	1.8	1.3	5.8	11.0	9.6	2.7	4.0	1.3	2.5	2.0	3.5	3.0
Indonesia	-0.8	-1.8	-1.2	0.1	-0.5	-0.4	5.8	7.0	8.6	7.1	3.0	3.0	4.0	5.0	0.0	2.0	2.0
Japan	0.9	1.1	1.1	1.3	1.1	1.3	7.3	5.7	9.4	9.1	6.0	6.0	5.0	5.0	4.0	4.0	4.0
Korea, Rep. of	0.1	0.1	0.4	0.9	0.8	1.1	8.7	6.0	9.3	6.2	2.0	4.7	6.0	6.0	3.0	3.5	3.0
Korea, DPR	-1.8	-0.1	-0.2	-0.9	-1.9	-1.7	4.1	4.8	11.0	8.5	3.0	2.0	0.0	0.0	2.0	1.0	0.0
Lao PDR	1.0	-0.7	-0.1	-0.1	-0.8	-0.9	..	..	..	..	..	..	..	..	..	..	..
Macao, China (SAR)	..	0.4	1.0	..	0.6	1.0	..	..	..	..	..	..	..	..	..	..	..
Malaysia	0.6	0.2	0.3	0.8	0.8	1.0	6.3	9.0	11.0	9.9	5.0	4.0	2.1	4.5	2.0	2.0	3.0
Mongolia	0.6	0.8	0.8	-0.5	-0.3	-0.5	5.4	6.0	9.9	7.5	2.0	2.0	4.4	4.0	1.4	2.0	2.0
Myanmar	-1.3	-1.6	-0.7	-1.3	-1.2	-1.6	1.0	7.3	11.2	9.5	1.0	1.0	0.0	0.0	0.0	1.0	1.0
Philippines	-0.5	-0.8	-1.3	0.0	-0.2	0.0	1.0	7.5	8.9	5.7	3.8	4.0	5.0	5.0	0.0	1.0	3.0
Singapore	1.1	1.2	1.3	2.3	2.3	2.2	8.1	8.0	11.0	11.0	3.0	3.0	2.0	2.0	3.5	3.5	4.0
Thailand	0.0	0.4	-1.0	0.4	0.1	0.3	5.8	5.2	10.0	8.6	3.0	3.4	4.0	4.5	3.5	2.0	2.0
Timor-Leste	..	0.3	-1.0	..	..	-0.7	..	..	..	..	..	..	..	..	..	..	..
Viet Nam	0.3	0.3	0.4	-0.2	-0.4	-0.4	6.0	7.4	11.0	10.5	2.9	3.0	1.0	1.0	1.0	2.0	2.0
South and West Asia																	
Afghanistan	-2.1	-2.7	-2.3	..	-2.1	-1.4	..	..	..	..	..	..	..	..	..	..	..
Bangladesh	-0.9	-0.5	-1.6	-0.6	-0.5	-0.8	2.2	3.0	8.3	9.3	2.0	3.0	5.0	3.0	0.0	1.0	2.0
Bhutan	0.8	0.5	1.3	0.2	0.8	0.3	..	..	..	..	..	..	..	..	..	..	..
India	-1.1	-0.7	-0.8	-0.2	-0.1	0.0	3.0	5.3	10.1	7.7	3.3	5.0	6.0	6.0	3.0	3.0	3.0
Iran, Islamic Rep. of	-0.7	-0.3	-1.3	-0.8	-0.3	-0.8	6.8	6.0	9.3	9.5	2.0	4.0	3.3	4.5	1.0	3.0	2.0
Maldives	0.2	1.1	0.8	-0.1	0.5	0.0	..	..	..	..	..	..	..	..	..	..	..
Nepal	-0.6	-1.2	-2.3	-0.3	-0.4	-0.9	..	..	..	..	..	..	..	..	..	..	..
Pakistan	-1.5	-0.9	-1.9	-0.5	-0.6	-0.5	2.2	7.0	10.8	9.0	2.0	4.0	0.0	1.0	2.0	2.0	2.0
Sri Lanka	-2.1	-1.6	-1.6	-0.4	-0.3	-0.4	1.8	7.0	9.0	7.5	4.0	5.0	4.5	4.0	2.0	2.0	2.0

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Sub-regions/ Countries	Political stability <sup>a</sup>			Government effectiveness <sup>a</sup>			Government stability <sup>b</sup>			Democratic accountability <sup>b</sup>			Bureaucracy quality <sup>b</sup>		
	1996	2000	2006	1996	2000	2006	1990	1995	2000	1990	1995	2000	1990	1995	2000
<b>Pacific</b>															
Australia	1.1	1.2	0.9	1.4	1.8	1.9	6.6	7.6	10.9	10.3	6.0	6.0	4.0	4.0	4.0
Cook Islands	..	..	..	..	0.1	0.1	..	..	..	..	..	..	..	..	..
Fiji	0.8	0.0	0.1	-0.1	-0.4	-0.1	..	..	..	..	..	..	..	..	..
Kiribati	..	..	1.4	-0.3	-0.1	-0.5	..	..	..	..	..	..	..	..	..
Marshall Islands	..	..	1.1	..	-0.9	-1.1	..	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	..	..	1.1	..	-0.7	-0.2	..	..	..	..	..	..	..	..	..
Nauru	..	..	1.1	..	..	-1.3	..	..	..	..	..	..	..	..	..
New Zealand	1.1	1.2	1.3	2.2	1.6	1.9	4.1	6.5	10.3	6.1	6.0	6.0	4.0	4.0	4.0
Niue	..	..	..	..	..	-0.6	..	..	..	..	..	..	..	..	..
Palau	..	..	1.1	..	..	-0.6	..	..	..	..	..	..	..	..	..
Papua New Guinea	-1.4	-0.5	-0.8	-0.3	-0.6	-0.8	3.6	6.0	9.8	6.7	5.0	3.9	4.5	3.0	2.0
Samoa	1.0	1.1	1.1	-0.4	0.4	0.1	..	..	..	..	..	..	..	..	..
Solomon Islands	1.0	-0.9	0.2	-1.0	-1.1	-0.9	..	..	..	..	..	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	..	..	0.7	-0.2	-0.5	-0.6	..	..	..	..	..	..	..	..	..
Tuvalu	..	..	1.4	..	0.5	-0.3	..	..	..	..	..	..	..	..	..
Vanuatu	1.0	1.1	1.4	-0.2	-0.6	-0.4	..	..	..	..	..	..	..	..	..

Notes: Political Stability: Index values vary between -2.5 to 2.5. Higher values correspond to lower likelihood of destabilization of government.  
Government Effectiveness: Index values vary between -2.5 to 2.5. Higher values correspond to better public services and greater credibility of government.

Government Stability: Values vary between 0 and 12. Higher values indicate greater government stability.

Democratic Accountability: Values vary between 0 and 6. Higher values indicate greater responsiveness of government to its people.

Bureaucracy Quality: Values vary between 0 and 4. Higher values indicate better bureaucracy.

Sources: (a) World Bank 2007a; (b) The PRS (Political Risk Services) Group 2007.



**Table 6: Political Economy – Voice and Choice, Legal Climate**

Sub-regions/Countries	Voice and accountability <sup>a</sup>			Rule of law <sup>a</sup>			Law and order <sup>b</sup>			
	1996	2000	2006	1996	2000	2006	1990	1995	2000	2006
<b>East Asia</b>										
Brunei Darussalam	-1.1	-0.7	-1.1	0.6	0.6	0.3	4.0	5.9	6.0	5.0
Cambodia	-0.8	-0.5	-1.0	-1.1	-0.9	-1.1	..	..	..	..
China	-1.4	-1.6	-1.7	-0.2	-0.4	-0.4	3.0	5.0	4.8	4.5
Hong Kong, China (SAR)	0.2	-0.1	0.6	1.1	0.9	1.4	4.0	6.0	5.0	5.0
Indonesia	-1.2	-0.5	-0.2	-0.4	-0.8	-0.8	2.0	4.7	2.0	3.0
Japan	0.9	0.9	0.9	1.5	1.4	1.4	5.0	6.0	5.1	5.0
Korea, Rep. of	0.5	0.6	0.7	0.7	0.7	0.7	2.0	5.0	4.0	5.0
Korea, DPR	-2.0	-2.1	-2.2	-1.2	-0.8	-1.3	2.0	4.9	5.0	5.0
Lao PDR	-1.2	-1.5	-1.6	-1.6	-0.9	-0.9	..	..	..	..
Macao, China (SAR)	..	0.2	0.4	..	0.2	0.5	..	..	..	..
Malaysia	-0.1	-0.4	-0.3	0.7	0.4	0.6	3.0	5.0	3.0	4.0
Mongolia	0.3	0.7	0.1	0.1	0.0	-0.3	2.5	4.0	4.0	4.0
Myanmar	-2.1	-2.1	-2.3	-1.3	-1.3	-1.4	2.0	4.9	3.0	3.0
Philippines	0.1	0.3	-0.2	0.0	-0.5	-0.5	1.0	4.0	3.1	2.5
Singapore	-0.1	0.1	-0.1	1.8	1.4	1.8	5.0	6.0	6.0	5.0
Thailand	0.0	0.3	-0.5	0.5	0.4	0.0	4.0	5.0	5.0	2.5
Timor-Leste	..	-0.1	-0.3	..	..	-1.2	..	..	..	..
Viet Nam	-1.4	-1.6	-1.5	-0.6	-0.5	-0.4	3.1	5.0	5.0	4.0
<b>South and West Asia</b>										
Afghanistan	-1.7	-2.0	-1.3	-1.3	-2.0	-2.0	..	..	..	..
Bangladesh	-0.4	-0.4	-0.5	-0.8	-0.8	-0.9	1.0	3.0	2.1	2.5
Bhutan	-1.5	-1.7	-1.0	-1.3	0.2	0.6	..	..	..	..
India	0.2	0.4	0.3	0.3	0.2	0.2	1.1	4.0	4.0	4.0
Iran, Islamic Rep. of	-1.3	-0.9	-1.3	-1.0	-0.4	-0.8	1.0	5.0	5.0	4.0
Maldives	-1.1	-1.0	-1.0	..	0.3	0.2	..	..	..	..
Nepal	0.1	-0.2	-1.2	-0.1	-0.3	-0.7	..	..	..	..
Pakistan	-1.1	-1.6	-1.2	-0.6	-0.8	-0.8	1.1	3.0	3.0	3.0
Sri Lanka	-0.3	-0.4	-0.4	-0.1	0.0	0.0	0.0	3.7	3.0	3.0
<b>Pacific</b>										
Australia	1.3	1.5	1.5	1.8	1.7	1.8	6.0	6.0	6.0	5.5
Cook Islands	..	..	..	..	0.9	1.1	..	..	..	..
Fiji	-0.1	0.0	-0.4	0.2	-0.6	-0.1	..	..	..	..
Kiribati	1.2	1.1	0.5	..	0.4	0.8	..	..	..	..
Marshall Islands	1.3	1.2	1.2	..	-0.5	-0.2	..	..	..	..
Micronesia, Fed. Sts.	1.2	0.9	1.0	..	-0.4	0.7	..	..	..	..
Nauru	1.0	0.8	1.1	..	..	0.7	..	..	..	..
New Zealand	1.6	1.7	1.6	2.0	1.8	1.9	6.0	6.0	6.0	5.5
Niue	..	..	..	..	..	..	..	..	..	..
Palau	1.1	1.1	1.2	..	..	0.7	..	..	..	..
Papua New Guinea	0.1	0.0	-0.1	-0.6	-0.9	-0.9	3.1	3.0	2.1	2.5
Samoa	0.7	0.7	0.5	-0.2	0.7	0.9	..	..	..	..
Solomon Islands	1.1	0.0	0.1	..	-1.7	-0.9	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..	..	..
Tonga	-0.1	-0.1	-0.1	..	-0.1	0.5	..	..	..	..
Tuvalu	1.4	1.3	0.7	..	1.7	1.1	..	..	..	..
Vanuatu	0.6	0.6	0.5	..	-0.2	0.5	..	..	..	..

*Notes: Voice and Accountability:* Index values vary between -2.5 to 2.5. Higher values correspond to greater freedom to citizens in exercising their right to select government and greater freedom of media.

*Rule of Law:* Index values vary between -2.5 to 2.5. Higher values correspond to greater confidence of citizens in rule of law.

*Law and Order:* Values vary between 0 and 6. Higher values indicate greater strength and implementation of legal system.

*Sources:* (a) World Bank 2007a; (b) The PRS (Political Risk Services) Group 2007.

**Table 7: Political Economy – Economic Climate**

Sub-regions/Countries	Regulatory quality <sup>a</sup>			General government final consumption expenditure (% of GDP) <sup>b</sup>			Subsidies and other transfers (% of government expenditure) <sup>b</sup>			Public expenditure on (% of GDP)		Highest marginal tax rate, corporation rate (%) <sup>b</sup>	Highest marginal tax rate, individual rate (%) <sup>b</sup>		
										Health <sup>c</sup> Education <sup>c</sup>					
	1996	2000	2006	1995	2000	2005	1995	2000	2004	2003	2002–04	2000	2004	2000	2004
East Asia															
Brunei Darussalam	3.5	0.9	1.0	..	..	..	..	..	..	2.8	..	30.0	30.0	0.0	0.0
Cambodia	−0.3	−0.1	−0.6	5.8	5.2	4.1	..	..	18.2	2.1	2.0	20.0	20.0	20.0	20.0
China	−0.2	0.0	−0.2	13.8	15.8	14.1	..	..	63.8	2.0	..	30.0	..	45.0	45.0
Hong Kong, China (SAR)	1.6	1.7	1.9	8.4	9.1	8.8	..	..	..	..	4.7	16.0	17.5	17.0	17.0
Indonesia	0.2	−0.4	−0.3	7.8	6.5	8.1	40.8	..	63.3	1.1	0.9	30.0	30.0	35.0	35.0
Japan	0.6	0.7	1.3	15.1	16.9	..	..	..	..	6.4	3.7	30.0	30.0	37.0	37.0
Korea, Rep. of	0.5	0.6	0.7	11.2	12.1	14.2	62.9	53.4	50.2	2.8	4.6	28.0	27.0	40.0	36.0
Korea, DPR	−2.3	−2.2	−2.5	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	−1.2	−1.3	−1.1	..	..	..	..	..	..	1.2	2.3	..	..	40.0	..
Macao, China (SAR)	..	0.5	1.1	9.2	12.8	8.6	..	9.6	14.7	..	..	15.0	15.0	15.0	12.0
Malaysia	0.8	0.3	0.7	12.4	10.4	12.9	26.9	38.2	..	2.2	8.0	28.0	28.0	29.0	28.0
Mongolia	−0.7	0.3	−0.3	..	18.1	14.0	..	..	..	..	..	..	..	..	..
Myanmar	−1.1	−1.9	−2.2	..	..	..	..	..	..	0.5	..	30.0	..	30.0	..
Philippines	0.4	0.3	−0.1	11.4	13.1	9.7	..	..	17.6	1.4	3.2	32.0	32.0	32.0	32.0
Singapore	1.7	2.0	1.8	8.5	10.8	10.8	14.9	35.8	33.3	1.6	..	25.5	20.0	28.0	22.0
Thailand	0.4	0.7	0.4	9.9	11.3	11.8	..	..	30.6	2.0	4.2	30.0	30.0	37.0	37.0
Timor-Leste	..	..	−1.5	..	35.2	49.2	..	..	..	7.3	..	..	..	..	..
Viet Nam	−0.5	−0.7	−0.5	8.2	6.4	6.2	..	..	..	1.5	..	32.0	28.0	..	..
South and West Asia															
Afghanistan	..	−2.7	−1.7	..	..	8.6	..	..	4.4	..	..	..	..	..	..
Bangladesh	−0.4	−0.2	−0.9	4.6	4.6	5.5	..	..	29.5	1.1	2.2	..	..	..	..
Bhutan	0.1	0.2	−0.2	18.2	21.2	..	15.1	6.8	8.4	2.6	..	..	..	..	..
India	−0.1	−0.3	−0.1	10.8	12.6	11.3	33.2	..	..	1.2	3.3	39.6	35.9	30.0	30.0
Iran, Islamic Rep. of	−1.7	−1.5	−1.5	16.0	13.9	12.2	..	24.1	35.3	3.1	4.8	54.0	25.0	54.0	35.0
Maldives	0.2	0.0	0.3	16.8	22.9	..	1.6	1.5	1.7	5.5	8.1	..	..	..	..
Nepal	−0.3	−0.5	−0.6	9.2	8.9	10.2	..	..	..	1.5	3.4	..	..	..	..
Pakistan	−0.5	−0.8	−0.4	11.7	8.7	7.7	2.0	3.2	25.5	0.7	2.0	..	41.0	35.0	35.0
Sri Lanka	0.4	0.2	−0.1	11.5	10.5	8.5	24.0	21.0	25.5	1.6	..	35.0	30.0	35.0	30.0

Contd...

Sub-regions/Countries	Regulatory quality <sup>a</sup>				General government final consumption expenditure (% of GDP) <sup>b</sup>				Subsidies and other transfers (% of government expenditure) <sup>b</sup>				Public expenditure on Health <sup>c</sup> (% of GDP)		Highest marginal tax rate, corporation rate (%) <sup>b</sup>		Highest marginal tax rate, individual rate (%) <sup>b</sup>	
	1996	2000	2006		1995	2000	2005		1995	2000	2004		2003	2002-04	2000	2004	2000	2004
<b>Pacific</b>																		
Australia	1.1	1.6	1.7		18.3	18.2	..		..	67.3	71.4		6.4	4.8	34.0	30.0	47.0	47.0
Cook Islands	..	0.0	0.6		..	..	..		..	..	..		..	..	..	..	..	..
Fiji	-0.5	-0.9	-0.4		15.9	17.8	..		..	..	22.2		2.3	6.4	..	31.0	34.0	31.0
Kiribati	-0.4	-1.0	-1.0		..	..	..		..	..	..		..	..	..	..	..	..
Marshall Islands	..	-0.8	-1.0		..	..	..		..	..	..		..	..	..	..	..	..
Micronesia, Fed. Sts.	..	-0.8	0.1		..	..	..		..	..	..		..	..	..	..	..	..
Nauru	..	..	..		..	..	..		..	..	..		..	..	..	..	..	..
New Zealand	1.6	1.5	1.7		17.5	17.5	..		..	..	40.4		6.3	6.9	33.0	33.0	39.0	39.0
Niue	..	..	..		..	..	..		..	..	..		..	..	..	..	..	..
Palau	..	..	..		..	..	..		..	..	..		..	..	..	..	..	..
Papua New Guinea	-0.8	-0.7	-0.7		17.1	..	..		25.5	24.0	..		3.0	..	25.0	..	47.0	..
Samoa	-0.2	-0.1	0.0		..	..	..		..	..	..		4.3	4.3	..	..	..	..
Solomon Islands	-1.3	-1.6	-1.1		..	..	..		..	..	..		4.5	..	30.0	30.0	40.0	40.0
Tokelau	..	..	..		..	..	..		..	..	..		..	..	..	..	..	..
Tonga	-0.1	-0.5	-0.8		19.0	15.1	..		..	..	..		5.5	4.8	..	..	..	..
Tuvalu	..	0.5	-0.8		..	..	..		..	..	..		..	..	..	..	..	..
Vanuatu	0.0	-0.7	-0.1		27.1	..	..		..	..	..		2.9	9.6	..	..	..	..

Notes: Regulatory quality: Values vary between -2.5 to 2.5. Higher values indicate implementation of sound policies and better promotion of private sector. General government final consumption expenditure includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital expenditure.

Sources: (a) World Bank 2007a; (b) World Bank (World Development Indicators online) 2007b; (c) UNDP (United Nations Development Programme) 2006.

## SOCIO ECONOMIC INDICATORS

**Table 8: Human Development Index – Trends**

Sub-regions/Countries	HDI			
	1990	1995	2000	2005
<b>East Asia</b>				
Brunei Darussalam	..	..	..	0.894
Cambodia	..	0.540	0.547	0.598
China	0.634	0.691	0.732	0.777
Hong Kong, China (SAR)	0.865	0.886	0.919	0.937
Indonesia	0.626	0.670	0.692	0.728
Japan	0.916	0.929	0.941	0.953
Korea, Rep. of	0.825	0.861	0.892	0.921
Korea, DPR	..	..	..	..
Lao PDR	0.478	0.524	0.563	0.601
Macao, China (SAR)	..	..	..	..
Malaysia	0.725	0.763	0.790	0.811
Mongolia	0.654	0.638	0.667	0.700
Myanmar	..	..	..	0.583
Philippines	0.721	0.739	0.758	0.771
Singapore	0.827	0.865	..	0.922
Thailand	0.712	0.745	0.761	0.781
Timor-Leste	..	..	..	0.514
Viet Nam	0.620	0.672	0.711	0.733
<b>South and West Asia</b>				
Afghanistan	..	..	..	..
Bangladesh	0.422	0.453	0.511	0.547
Bhutan	..	..	..	0.579
India	0.521	0.551	0.578	0.619
Iran, Islamic Rep. of	0.653	0.693	0.722	0.759
Maldives	..	..	..	0.741
Nepal	0.427	0.469	0.502	0.534
Pakistan	0.467	0.497	0.516	0.551
Sri Lanka	0.702	0.721	0.731	0.743
<b>Pacific</b>				
Australia	0.894	0.934	0.949	0.962
Cook Islands	..	..	..	..
Fiji	..	0.743	0.747	0.762
Kiribati	..	..	..	..
Marshall Islands	..	..	..	..
Micronesia, Fed. Sts.	..	..	..	..
Nauru	..	..	..	..
New Zealand	0.880	0.908	0.927	0.943
Niue	..	..	..	..
Palau	..	..	..	..
Papua New Guinea	0.495	0.532	0.544	0.530
Samoa	0.721	0.740	0.765	0.785
Solomon Islands	..	..	..	0.602
Tokelau	..	..	..	..
Tonga	..	..	..	0.819
Tuvalu	..	..	..	..
Vanuatu	..	..	..	0.674

Source: UNDP (United Nations Development Programme) 2007/2008.

Table 9: Demography

Sub-regions/ Countries	Total population (millions)				Rural population (% of total)				Population ages 0–14 (% of total)				Population ages 15–64 (% of total)				Life expectancy at birth (years)			
	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005
East Asia																				
Brunei Darussalam	0.3	0.3	0.3	0.4	34.2	31.4	28.9	26.5	34.5	33.0	31.3	29.6	62.8	64.4	65.8	67.3	74.2	75.3	76.2	77.0
Cambodia	9.7	11.4	12.7	14.1	87.4	85.8	83.1	80.3	44.5	46.4	40.7	37.1	52.7	50.7	56.1	59.5	54.3	55.1	55.6	57.0
China	1135.2	1204.9	1262.6	1304.5	72.6	68.6	64.2	59.6	27.7	26.4	24.8	21.4	66.7	67.5	68.4	71.0	68.9	69.4	70.3	71.8
Hong Kong, China (SAR)	5.7	6.2	6.7	6.9	0.5	0.0	0.0	0.0	21.5	19.1	16.5	14.4	70.0	71.2	72.4	73.6	77.4	78.7	80.9	81.6
Indonesia	178.2	192.8	206.3	220.6	69.4	64.4	58.0	51.9	35.8	33.0	30.2	28.3	60.4	62.8	64.9	66.2	61.7	64.0	65.8	67.8
Japan	123.5	125.4	126.9	127.8	36.9	35.4	34.8	34.2	18.4	16.0	14.6	14.0	69.6	69.5	68.2	66.3	78.8	79.5	81.1	82.1
Korea, Rep. of	42.9	45.1	47.0	48.3	26.2	21.8	20.4	19.2	25.8	23.4	20.8	18.6	69.2	70.8	71.8	72.0	71.3	73.4	75.9	77.6
Korea, DPR	19.7	20.9	21.9	22.5	41.6	40.9	39.8	38.4	26.9	27.2	26.5	25.0	68.4	67.9	67.9	68.2	65.3	63.8	63.1	63.9
Lao PDR	4.1	4.7	5.3	5.9	84.6	82.8	81.1	79.4	43.8	43.7	42.7	40.9	52.5	52.5	53.8	55.5	..	..	..	..
Macao, China (SAR)	0.4	0.4	0.4	0.5	0.2	0.1	0.0	0.0	25.7	26.0	22.3	16.3	67.8	67.0	70.4	76.0	76.8	78.2	79.4	80.3
Malaysia	17.8	20.4	23.0	25.3	50.2	44.4	38.2	32.7	36.5	35.8	33.7	32.4	59.8	60.4	62.2	63.0	70.3	71.5	72.6	73.7
Mongolia	2.1	2.3	2.4	2.6	43.0	43.2	43.4	43.3	41.7	38.9	35.1	30.5	54.3	57.3	61.1	65.8	62.7	64.2	65.1	66.8
Myanmar	40.8	44.5	47.7	50.5	75.1	73.9	72.0	69.4	37.3	35.3	32.5	29.5	58.2	60.1	62.8	65.6	56.1	57.9	59.5	61.1
Philippines	61.1	68.4	75.8	83.1	51.2	46.0	41.5	37.3	40.9	39.4	37.5	35.1	55.8	57.3	59.0	61.0	65.6	67.7	69.5	71.0
Singapore	3.0	3.5	4.0	4.3	0.0	0.0	0.0	0.0	21.5	22.3	21.8	19.5	72.9	71.5	71.1	72.0	74.3	76.4	78.1	79.7
Thailand	54.6	58.3	61.4	64.2	70.6	69.7	68.9	67.7	31.9	28.3	25.6	23.8	64.2	66.9	68.4	69.1	68.2	69.0	69.5	70.9
Timor-Leste	0.7	0.8	0.8	1.0	79.2	77.3	75.5	73.5	41.5	41.9	45.5	41.1	56.5	55.8	51.7	56.0	46.1	50.7	54.1	56.7
Viet Nam	66.2	73.0	78.5	83.1	79.7	77.8	75.7	73.6	38.9	37.0	33.5	29.5	56.1	58.0	61.1	65.0	64.8	67.1	69.1	70.7
South and West Asia																				
Afghanistan	..	..	..	..	81.7	80.3	78.7	77.1	..	..	..	..	..	..	..	..	..	..	..	..
Bangladesh	104.0	116.5	128.9	141.8	80.2	78.5	76.8	74.9	40.9	39.7	37.5	35.5	55.9	57.0	59.1	60.9	55.0	58.5	61.5	63.9
Bhutan	0.6	0.6	0.6	0.6	92.8	91.7	90.4	88.9	41.6	43.2	41.2	38.4	54.7	52.7	54.5	57.0	..	..	..	..
India	849.5	932.2	1015.9	1094.6	74.5	73.4	72.3	71.3	36.6	35.8	34.1	32.1	59.1	59.6	61.0	62.7	59.1	61.4	62.9	63.5
Iran, Islamic Rep. of	54.4	59.0	63.7	68.3	43.7	39.8	35.8	33.1	44.7	42.5	35.2	28.7	51.8	53.4	60.3	66.8	65.0	67.5	69.5	71.1
Maldives	0.2	0.3	0.3	0.3	74.2	74.4	72.5	70.4	46.5	46.1	43.8	40.7	50.2	50.4	52.7	55.8	60.5	62.8	65.4	67.6
Nepal	19.1	21.7	24.4	27.1	91.1	89.1	86.6	84.2	41.9	41.9	40.9	39.0	54.7	54.8	55.6	57.3	54.6	58.0	60.5	62.7
Pakistan	108.0	122.4	138.1	155.8	69.4	68.2	66.9	65.1	43.6	43.7	41.3	38.3	53.0	52.8	55.0	57.9	59.1	60.9	63.0	64.9
Sri Lanka	17.0	18.1	19.4	19.6	82.8	83.6	84.3	84.9	32.1	29.4	26.2	24.1	62.6	64.5	67.2	68.6	71.2	72.5	73.6	74.7

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Sub-regions/ Countries	Total population (millions)					Rural population (% of total)					Population ages 0–14 (% of total)					Population ages 15–64 (% of total)					Life expectancy at birth (years)				
	1990	1995	2000	2005	2005	1990	1995	2000	2005	2005	1990	1995	2000	2005	2005	1990	1995	2000	2005	2005	1990	1995	2000	2005	2005
<b>Pacific</b>																									
Australia	17.1	18.1	19.2	20.3	20.3	14.6	13.9	12.8	11.8		21.9	21.9	21.2	19.6		66.9	66.6	66.6	67.7		77.0	78.1	79.6	80.6	
Cook Islands	..	..	..	..	..	..	..	..	..		..	..	..	..		..	..	..	..		..	..	..	..	..
Fiji	0.7	0.8	0.8	0.8	0.8	58.4	54.5	51.7	49.2		37.9	35.7	33.3	31.7		59.0	61.2	63.3	64.4		66.7	66.8	67.4	68.3	
Kiribati	0.1	0.1	0.1	0.1	0.1	65.0	63.6	57.0	52.6		..	..	..	..		..	..	..	..		56.8	59.4	61.9	..	
Marshall Islands	0.0	0.1	0.1	0.1	0.1	35.3	34.7	34.2	33.3		..	..	..	..		..	..	..	..		71.0	69.1	65.2	..	
Micronesia, Fed. Sts.	0.1	0.1	0.1	0.1	0.1	74.2	74.9	77.7	77.7		44.1	43.4	40.1	39.0		52.3	53.1	56.1	57.6		66.3	66.8	67.3	68.1	
Nauru	..	..	..	..	..	..	..	..	..		..	..	..	..		..	..	..	..		..	..	..	..	..
New Zealand	3.4	3.7	3.9	4.1	4.1	15.3	14.7	14.3	13.8		23.4	23.0	22.9	21.3		65.5	65.3	65.2	66.4		75.4	76.7	78.6	79.6	
Niue	..	..	..	..	..	..	..	..	..		..	..	..	..		..	..	..	..		..	..	..	..	..
Palau	..	..	..	0.02	0.02	30.4	28.6	30.4	30.4		..	..	..	..		..	..	..	..		..	..	..	..	..
Papua New Guinea	4.1	4.7	5.3	5.9	5.9	86.9	86.8	86.8	86.6		41.3	41.8	41.5	40.3		56.0	55.7	56.1	57.3		52.3	53.4	54.7	56.4	
Samoa	0.2	0.2	0.2	0.2	0.2	78.8	78.5	78.1	77.6		40.9	39.3	40.9	40.7		55.2	56.4	54.8	54.8		66.3	68.1	69.1	70.7	
Solomon Islands	0.3	0.4	0.4	0.5	0.5	86.3	85.3	84.3	83.0		45.8	43.9	42.4	40.6		51.5	53.5	55.2	56.9		60.9	61.1	61.8	62.9	
Tokelau	..	..	..	..	..	..	..	..	..		..	..	..	..		..	..	..	..		..	..	..	..	..
Tonga	0.1	0.1	0.1	0.1	0.1	77.3	77.1	76.8	76.0		39.3	40.0	37.5	35.9		56.2	55.1	57.0	58.1		69.9	70.8	71.7	72.6	
Tuvalu	..	..	..	..	..	..	..	..	..		..	..	..	..		..	..	..	..		..	..	..	..	..
Vanuatu	0.1	0.2	0.2	0.2	0.2	81.3	79.8	78.3	76.5		43.9	43.4	42.1	39.9		52.5	53.1	54.6	56.7		63.5	65.7	67.7	69.5	

Source: World Bank (World Development Indicators online) 2007b.

Table 10: Macro Indicators: GDP, Trade and Tax

Sub-regions/ Countries	GDP per capita (constant 2000 US \$)				Real GDP growth (annual %)				Tax revenue (% of GDP)				Trade (% of GDP)			
	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005
<b>East Asia</b>																
Brunei Darussalam	14606.0	13803.9	12943.5	..	2.7	3.0	2.8	..	..	..	..	..	..	..	..	..
Cambodia	..	226.4	287.8	403.6	..	6.5	8.4	13.4	..	..	..	8.0	18.9	77.7	111.6	139.0
China	391.7	658.0	949.2	1448.8	3.8	10.9	8.4	10.2	4.0	5.0	6.8	..	34.8	43.9	44.2	69.0
Hong Kong, China (SAR)	19006.5	23101.2	25319.4	30009.6	1.9	3.9	10.2	7.5	..	..	..	..	252.6	290.9	282.7	385.0
Indonesia	612.4	826.9	800.0	942.5	9.0	8.4	4.9	5.7	17.8	15.0	..	..	49.1	54.0	71.4	61.5
Japan	33279.5	35321.8	36648.7	39075.3	5.2	1.9	2.9	2.6	13.4	..	..	..	20.0	16.9	20.6	..
Korea, Rep. of	6614.6	9159.1	10884.5	13239.5	9.2	9.2	8.5	4.2	14.4	14.2	16.1	15.7	57.0	58.7	78.5	82.2
Korea, DPR	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	231.0	273.8	331.7	414.4	6.7	7.0	5.8	7.1	..	..	..	..	36.5	60.6	64.6	58.0
Macao, China (SAR)	12058.2	14547.3	13248.6	22598.9	9.8	3.9	5.7	6.7	..	..	17.2	22.1	193.9	137.8	171.4	155.3
Malaysia	2547.4	3510.1	3927.4	4436.8	9.0	9.8	8.9	5.2	18.9	19.6	14.3	..	147.0	192.1	228.9	223.2
Mongolia	..	..	392.5	489.5	..	..	0.5	7.1	..	..	..	..	..	..	147.2	145.8
Myanmar	..	..	..	..	2.8	6.9	9.8	5.0	6.2	3.8	3.0	..	7.5	3.1	..	..
Philippines	920.2	915.1	1001.9	1136.2	3.0	4.7	6.0	5.0	14.1	16.3	13.7	13.0	60.8	80.5	108.9	99.3
Singapore	14657.8	19350.4	23077.1	25967.8	9.2	8.2	10.1	6.6	15.4	16.4	15.4	..	..	..	..	459.1
Thailand	1452.4	2057.1	1997.5	2446.0	11.2	9.2	4.8	4.5	..	..	..	17.2	75.8	90.4	124.9	149.2
Timor-Leste	..	..	403.5	344.5	..	..	13.7	2.3	..	..	..	..	..	..	..	..
Viet Nam	226.9	305.2	401.5	538.7	5.1	9.5	6.8	8.4	..	..	..	..	81.3	74.7	112.5	145.2
<b>South and West Asia</b>																
Afghanistan	..	..	..	..	..	..	..	14.0	..	..	..	3.9	..	..	..	68.1
Bangladesh	283.3	313.7	365.3	432.6	5.9	4.9	5.9	6.0	..	..	..	..	19.7	28.2	33.2	39.6
Bhutan	508.5	655.0	799.1	1010.2	7.7	6.1	5.5	6.5	4.4	6.7	9.9	..	57.6	81.0	76.4	83.6
India	317.2	372.5	453.0	588.4	5.8	7.6	4.0	9.2	10.1	9.4	9.0	..	15.7	23.2	27.4	43.6
Iran, Islamic Rep. of	1292.2	1409.1	1591.0	1943.1	13.7	2.7	5.1	4.4	6.0	6.6	6.3	7.9	37.7	34.8	40.1	69.0
Maldives	..	1661.3	2151.3	2424.1	..	..	4.4	-4.1	14.0	13.6	13.8	16.5	..	169.9	161.1	174.3
Nepal	175.7	200.0	224.7	233.9	4.5	3.3	6.1	2.7	7.0	9.0	8.7	10.1	31.6	58.8	55.7	48.7
Pakistan	461.4	510.4	531.0	598.5	4.5	5.0	4.3	7.3	13.3	13.2	10.2	9.5	38.9	36.1	28.4	34.8
Sri Lanka	577.2	704.4	843.6	1009.7	6.4	5.5	6.0	6.0	19.0	17.8	14.5	14.2	67.2	81.6	88.6	79.4

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Sub-regions/ Countries	GDP per capita (constant 2000 US \$)				Real GDP growth (annual %)				Tax revenue (% of GDP)				Trade (% of GDP)			
	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005
<b>Pacific</b>																
Australia	16439.7	18268.0	20866.9	23039.4	-0.6	4.1	1.9	2.8	..	..	22.1	23.9	32.6	38.7	44.8	..
Cook Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Fiji	..	1938.2	2038.6	2198.0	..	2.5	-1.7	0.7	22.8	22.0	..	23.5	129.5	113.0	124.6	..
Kiribati	420.8	464.9	540.5	523.8	2.1	5.4	1.9	-0.2	..	..	..	..	158.9	104.6	74.7	..
Marshall Islands	2724.1	2744.2	2102.1	2037.0	7.0	2.7	0.9	3.5	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	1927.9	2135.3	2014.2	1990.2	3.7	2.6	8.4	1.5	..	..	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	11552.0	12636.5	13654.0	15297.7	-0.02	4.2	2.1	1.9	..	..	..	31.8	53.4	57.3	69.3	..
Niue	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Palau	..	..	..	6367.5	..	10.9	0.3	5.5	..	..	..	..	..	78.0	115.7	158.8
Papua New Guinea	520.1	689.3	645.4	628.0	-3.0	-3.3	-1.2	3.3	20.1	20.8	19.4	..	89.6	105.6	134.8	..
Samoa	1123.8	1135.9	1305.2	1547.4	-4.4	6.6	7.0	5.4	..	..	..	..	..	94.5	91.0	..
Solomon Islands	819.7	928.5	714.7	676.8	1.8	7.0	-14.3	5.0	..	..	..	..	119.6	135.5	98.6	..
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	1190.1	1407.7	1470.5	1628.7	-2.0	4.5	5.4	2.3	..	..	..	..	99.0	52.1	45.4	..
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Vanuatu	1099.4	1314.4	1277.4	1212.2	0.04	-0.03	2.7	6.8	22.6	19.6	..	..	126.2	100.6	..	..

Note: Trade as a share of GDP = (Exports + Imports)/GDP.

Source: World Bank (World Development Indicators online) 2007b.

Table 11: Macro Indicators: Structure of the Economy

Sub-regions/Countries	Agriculture, value added (% of GDP) <sup>a</sup>				Industry, value added (% of GDP) <sup>a</sup>				Services, value added (% of GDP) <sup>a</sup>				ODA (% of GDP) <sup>b</sup>	
	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005	2004	2004
<b>East Asia</b>														
Brunei Darussalam	2.4	2.5	2.7	..	54.8	43.9	47.8	..	42.8	53.5	49.5	..	..	..
Cambodia	..	49.6	37.9	34.2	..	14.8	23.0	26.7	..	35.5	39.1	39.1	9.8	9.8
China	27.0	19.8	14.8	12.5	41.6	47.2	45.9	47.3	31.3	33.1	39.3	40.1	0.1	0.1
Hong Kong, China (SAR)	0.2	0.1	0.1	0.1	24.4	15.2	13.3	9.2	75.4	84.7	86.6	90.7	..	..
Indonesia	19.4	17.1	15.6	13.1	39.1	41.8	45.9	44.9	41.5	41.1	38.5	42.0	..	..
Japan	2.6	2.0	1.8	..	39.5	34.4	32.4	..	57.9	63.7	65.8	..	..	..
Korea, Rep. of	8.9	6.3	4.9	3.4	41.6	41.9	40.7	40.3	49.5	51.8	54.4	56.3	..	..
Korea, DPR	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	61.2	55.7	52.6	44.8	14.5	19.2	22.9	29.5	24.3	25.1	24.5	25.7	11.0	11.0
Macao, China (SAR)	..	0.0	0.0	0.0	..	16.3	15.7	14.7	..	87.8	90.3	88.7	..	..
Malaysia	15.2	12.9	8.8	8.7	42.2	41.4	50.7	51.8	42.6	45.6	40.5	39.6	0.2	0.2
Mongolia	..	..	33.8	23.7	..	..	24.0	38.8	..	..	42.1	37.5	16.2	16.2
Myanmar	57.3	60.1	57.2	..	10.5	9.8	9.7	..	32.2	30.1	33.1	..	..	..
Philippines	21.9	21.6	15.8	14.3	34.5	32.1	32.3	32.2	43.6	46.3	52.0	53.4	0.5	0.5
Singapore	0.4	0.2	0.1	0.1	34.7	35.1	35.6	33.8	64.9	64.7	64.3	66.1	..	..
Thailand	12.5	9.5	9.0	10.0	37.2	40.7	42.0	44.2	50.3	49.7	49.0	45.9	..	..
Timor-Leste	..	..	25.8	31.8	..	..	18.5	15.2	..	..	55.7	53.0	45.1	45.1
Viet Nam	38.7	27.2	24.5	20.9	22.7	28.8	36.7	41.0	38.6	44.1	38.7	38.2	4.0	4.0
<b>South and West Asia</b>														
Afghanistan	..	..	..	36.1	..	..	..	24.5	..	..	..	39.4	..	..
Bangladesh	30.3	26.4	25.5	20.1	21.5	24.6	25.3	27.2	48.3	49.1	49.2	52.6	2.5	2.5
Bhutan	36.7	33.6	28.5	25.2	26.3	34.4	35.2	38.1	37.0	32.0	36.3	36.7	11.6	11.6
India	31.3	28.2	23.4	18.3	27.6	28.1	26.2	27.3	41.1	43.6	50.5	54.4	0.1	0.1
Iran, Islamic Rep. of	19.1	18.4	13.7	10.4	28.7	34.2	36.7	44.6	52.2	47.4	49.5	45.0	0.1	0.1
Maldives	..	..	..	..	..	..	..	..	..	..	..	..	3.7	3.7
Nepal	50.6	40.8	39.6	38.2	15.9	22.2	21.5	21.0	33.5	37.0	38.9	40.8	6.4	6.4
Pakistan	26.0	26.1	26.2	22.2	25.2	23.8	22.6	26.5	48.8	50.1	51.2	51.3	1.5	1.5
Sri Lanka	26.3	23.0	19.9	16.8	26.0	26.5	27.3	26.1	47.7	50.5	52.8	57.1	2.6	2.6

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Sub-regions/Countries	Agriculture, value added (% of GDP) <sup>a</sup>				Industry, value added (% of GDP) <sup>a</sup>				Services, value added (% of GDP) <sup>a</sup>				ODA (% of GDP) <sup>b</sup>	
	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005	2004	2004
<b>Pacific</b>														
Australia	3.6	3.8	4.0	..	30.0	28.3	26.1	..	66.4	67.9	70.0	..	..	..
Cook Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Fiji	20.4	19.7	17.0	15.8	24.0	25.4	25.8	25.3	55.6	54.9	57.2	58.9	2.4	2.4
Kiribati	18.6	20.9	7.0	..	7.6	5.1	9.7	..	73.8	74.1	83.3	..	..	..
Marshall Islands	..	16.0	..	..	..	16.1	..	..	..	67.9	..	..	..	..
Micronesia, Fed. Sts.	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	7.0	7.5	8.9	..	27.9	26.9	25.3	..	65.1	65.6	65.8	..	..	..
Niue	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Palau	25.9	5.8	3.9	3.1	..	9.3	15.1	19.0	58.6	83.5	80.0	76.9	..	..
Papua New Guinea	32.4	..	28.4	..	34.1	..	44.0	..	45.5	..	27.7	..	6.8	6.8
Samoa	..	18.5	16.8	13.6	..	29.6	26.0	27.3	..	51.9	57.2	59.1	8.2	8.2
Solomon Islands	..	..	..	..	..	..	..	..	..	..	..	..	47.3	47.3
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	35.6	30.3	29.7	..	13.9	18.4	17.2	..	50.5	51.3	53.1	..	9.1	9.1
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Vanuatu	20.7	16.6	15.6	..	12.3	11.5	9.3	..	67.0	71.9	75.1	..	11.9	11.9

Sources: (a) World Bank (World Development Indicators online) 2007b; (b) UNDP (United Nations Development Programme) 2006.



**Table 12: Macro Indicators: Sectoral Distribution of Workforce and Unemployment Rate**

Sub-regions/ Countries	Employment in agriculture (% of total employment)				Employment in industry (% of total employment)				Employment in services (% of total employment)				Unemployment rate (% of total labour force)			
	1990	1995	2000	2004	1990	1995	2000	2004	1990	1995	2000	2004	1990	1995	2000	2004
<b>East Asia</b>																
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	73.7	60.3	..	..	8.4	12.5	..	..	17.1	27.0	..	..	2.5	0.8
China	53.4	48.5	46.3	..	19.0	21.0	17.3	..	9.9	12.2	12.7	..	2.5	2.9	3.1	4.2
Hong Kong, China (SAR)	0.9	0.6	0.3	0.3	36.7	27.0	20.3	15.7	62.4	72.4	79.4	84.1	1.3	3.2	4.9	6.8
Indonesia	55.9	44.0	45.1	43.3	13.7	18.4	17.5	18.0	30.2	37.6	37.3	38.7	..	..	6.1	9.9
Japan	7.2	5.7	5.1	4.5	34.1	33.6	31.2	28.4	58.2	60.4	63.1	66.0	2.1	3.2	4.8	4.7
Korea, Rep. of	17.9	12.4	10.6	8.1	35.4	33.3	28.1	27.5	46.7	54.2	61.2	64.3	2.5	2.1	4.1	3.5
Korea, DPR	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	..	85.4	..	..	..	3.5	..	..	..	11.0	..	..	..	2.6	..	..
Macao, China (SAR)	0.2	0.2	0.2	0.3	42.5	32.0	28.2	25.3	57.2	67.6	71.5	74.4	3.2	3.6	6.6	4.8
Malaysia	26.0	20.0	18.4	14.8	27.5	32.3	32.2	30.1	46.5	47.7	49.5	52.5	4.7	3.1	3.0	3.5
Mongolia	..	46.1	48.6	40.2	..	17.9	14.1	16.1	..	35.9	37.2	43.7	..	..	17.5	..
Myanmar	69.7	..	..	..	9.2	..	..	..	21.1	..	..	..	6.0	..	..	..
Philippines	45.2	44.1	37.4	37.1	15.0	15.6	16.0	15.4	39.7	40.3	46.5	47.5	8.1	8.4	10.1	10.9
Singapore	..	0.2	0.2	0.3	..	31.0	34.2	23.3	..	67.9	65.4	76.3	1.7	2.7	4.4	..
Thailand	63.3	51.6	48.5	42.3	13.6	18.9	17.9	20.5	22.4	28.8	32.9	37.1	2.2	..	2.4	1.5
Timor-Leste	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Viet Nam	..	..	65.3	57.9	..	..	12.4	17.4	..	..	22.3	24.7	..	..	..	2.1
<b>South and West Asia</b>																
Afghanistan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Bangladesh	66.4	..	62.1	..	13.0	..	10.3	..	16.2	..	23.5	..	1.9	..	3.3	..
Bhutan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
India	69.1	66.7	..	..	13.6	12.9	..	..	17.3	20.3	..	..	..	..	4.3	5.0
Iran, Islamic Rep. of	26.4	22.1	..	..	28.3	31.4	..	..	45.3	46.5	..	..	..	..	14.3	..
Maldives	..	22.2	13.7	..	..	23.9	19.0	..	..	50.4	50.2	..	..	0.8	2.0	..
Nepal	83.3	78.5	..	..	2.3	5.5	..	..	13.7	21.0	..	..	..	..	..	..
Pakistan	51.1	46.8	48.4	..	19.8	18.5	18.0	..	28.9	34.6	33.5	..	2.6	5.0	7.2	7.7
Sri Lanka	47.8	37.3	..	..	20.6	23.4	..	..	30.0	33.6	..	..	14.4	12.4	7.4	8.5
<b>Pacific</b>																
Australia	5.6	5.0	5.0	3.8	25.1	22.8	21.7	21.2	69.3	72.2	73.3	74.8	7.0	8.1	5.9	5.4
Cook Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Fiji	..	..	..	..	..	..	..	..	..	..	..	..	6.4	5.4	..	..
Kiribati	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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Sub-regions/ Countries	Employment in agriculture (% of total employment)				Employment in industry (% of total employment)				Employment in services (% of total employment)				Unemployment rate (% of total labour force)			
	1990	1995	2000	2004	1990	1995	2000	2004	1990	1995	2000	2004	1990	1995	2000	2004
Marshall Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	10.6	9.7	8.7	7.5	24.6	25.1	23.2	22.7	64.5	65.1	67.7	69.6	7.8	6.3	6.0	3.9
Niue	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Palau	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Papua New Guinea	..	..	72.3	..	..	..	3.6	..	..	..	22.7	..	7.7	..	2.8	..
Samoa	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Solomon Islands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Vanuatu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

Source: World Bank (World Development Indicators online) 2007b.

**Table 13: Access to Improved Water Source and Sanitation Facilities**

Sub-regions/ Countries	MDG											
	Population with sustainable access to an improved water source (%)						Population with access to improved sanitation (%)					
	1990			2004			1990			2004		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
<b>East Asia</b>												
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	64	35	41	..	..	..	53	8	17
China	99	59	70	93	67	77	64	7	23	69	28	44
Hong Kong, China (SAR)	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	92	63	72	87	69	77	65	37	46	73	40	55
Japan	100	100	100	100	100	100	100	100	100	100	100	100
Korea, Rep. of	97	..	..	97	71	92	..	..	..	..	..	..
Korea, DPR	100	100	100	100	100	100	..	..	..	58	60	59
Lao PDR	..	..	..	79	43	51	..	..	..	67	20	30
Macao, China (SAR)	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	100	96	98	100	96	99	95	..	..	95	93	94
Mongolia	87	30	63	87	30	62	..	..	..	75	37	59
Myanmar	86	47	57	80	77	78	48	16	24	88	72	77
Philippines	95	80	87	87	82	85	66	48	57	80	59	72
Singapore	100	..	100	100	..	100	100	..	100	100	..	100
Thailand	98	94	95	98	100	99	95	74	80	98	99	99
Timor-Leste	..	..	..	77	56	58	..	..	..	66	33	36
Viet Nam	90	59	65	99	80	85	58	30	36	92	50	61
<b>South and West Asia</b>												
Afghanistan	10	3	4	63	31	39	7	2	3	49	29	34
Bangladesh	83	69	72	82	72	74	55	12	20	51	35	39
Bhutan	..	..	..	86	60	62	..	..	..	65	70	70
India	89	64	70	95	83	86	45	3	14	59	22	33
Iran, Islamic Rep. of	99	84	92	99	84	94	86	78	83	..	..	..
Maldives	100	95	96	98	76	83	100	..	..	100	42	59
Nepal	95	67	70	96	89	90	48	7	11	62	30	35
Pakistan	95	78	83	96	89	91	82	17	37	92	41	59
Sri Lanka	91	62	68	98	74	79	89	64	69	98	89	91
<b>Pacific</b>												
Australia	100	100	100	100	100	100	100	100	100	100	100	100
Cook Islands	99	87	94	98	88	94	100	91	94	100	100	100
Fiji	..	..	..	43	51	47	87	55	68	87	55	72
Kiribati	76	33	49	77	53	65	33	21	25	59	22	40
Marshall Islands	95	97	96	82	96	87	88	51	74	93	58	82
Micronesia, Fed. Sts.	93	86	88	95	94	94	54	20	29	61	14	28
Nauru	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	100	82	97	100	..	..	..	88	..	..	..	..
Niue	100	100	100	100	100	100	100	100	100	100	100	100
Palau	73	98	80	79	94	85	76	54	67	96	52	80
Papua New Guinea	88	32	39	88	32	39	67	41	44	67	41	44
Samoa	99	89	91	90	87	88	100	98	98	100	100	100
Solomon Islands	..	..	..	94	65	70	98	..	..	98	18	31
Tokelau	..	94	94	..	88	88	..	39	39	78	..	78
Tonga	100	100	100	100	100	100	98	96	96	98	96	96
Tuvalu	92	89	89	94	92	100	83	74	78	93	84	90
Vanuatu	93	53	60	86	52	60	..	..	..	78	42	50

Note: Total is not the average of urban and rural.

Source: UN (United Nations) 2007.

**Table 14: Maternal and Child Health**

Sub-regions/Countries	MDG										
	Maternal mortality rate (per 100,000 live births) <sup>a</sup>			Infant mortality rate (per 1,000 live births) <sup>a</sup>				Child mortality rate under age 5yrs (per 1,000) <sup>b</sup>			
	1990	1995	2000	1990	1995	2000	2005	1990	1995	2000	2005
<b>East Asia</b>											
Brunei Darussalam	60	22	37	10	8	8	8	11	9	9	9
Cambodia	900	590	450	80	88	95	98	115	120	135	143
China	95	60	56	38	37	33	23	49	46	41	27
Hong Kong, China (SAR)	7	..	..	..	..	..	..	..	..	..	..
Indonesia	650	470	230	60	48	36	28	91	66	48	36
Japan	18	12	10	5	4	3	3	6	6	5	4
Korea, Rep. of	130	20	20	8	6	5	5	9	6	5	5
Korea, DPR	70	35	67	42	42	42	42	55	55	55	55
Lao PDR	650	650	650	120	99	77	62	163	131	101	79
Macao, China (SAR)	..	20	..	..	..	..	..	..	..	..	..
Malaysia	80	39	41	16	13	11	10	22	17	14	12
Mongolia	65	65	110	78	64	50	39	108	87	65	49
Myanmar	580	170	360	91	83	78	75	130	117	110	105
Philippines	280	240	200	41	35	30	25	62	49	40	33
Singapore	10	9	30	7	4	3	3	8	..	..	3
Thailand	200	44	44	31	23	19	18	37	26	22	21
Timor-Leste	..	850	660	133	118	85	52	177	154	107	61
Viet Nam	160	95	130	38	32	23	16	53	44	30	19
<b>South and West Asia</b>											
Afghanistan	1700	820	1900	168	165	165	165	..	..	..	..
Bangladesh	850	600	380	100	83	66	54	149	120	92	73
Bhutan	1600	500	420	107	93	77	65	166	133	100	75
India	570	440	540	84	74	69	56	123	104	94	74
Iran, Islamic Rep. of	120	130	76	54	43	36	31	72	55	44	36
Maldives	..	390	110	79	63	45	33	111	86	60	42
Nepal	1500	830	740	100	84	69	56	145	120	95	74
Pakistan	340	200	500	100	93	85	79	130	118	108	99
Sri Lanka	140	60	92	26	21	16	12	32	25	19	14
<b>Pacific</b>											
Australia	9	6	8	8	6	6	5	10	..	..	6
Cook Islands	..	..	..	26	24	20	17	..	..	..	..
Fiji	90	20	75	19	17	16	16	22	19	18	18
Kiribati	..	..	..	65	57	52	48	88	77	70	65
Marshall Islands	..	..	..	63	59	55	51	92	81	68	58
Micronesia, Fed. Sts.	..	..	..	45	41	37	34	58	52	47	42
Nauru	..	..	..	..	25	25	25	..	..	..	..
New Zealand	25	15	7	8	7	6	5	11	8	8	6
Niue	..	..	..	..	..	..	..	..	..	..	..
Palau	..	..	..	18	15	13	10	21	17	14	11
Papua New Guinea	930	390	300	69	64	60	55	94	87	80	74
Samoa	35	15	130	40	33	28	24	50	41	34	29
Solomon Islands	..	60	130	31	29	26	24	38	35	32	29
Tokelau	..	..	..	..	..	..	..	..	..	..	..
Tonga	..	..	..	26	24	22	20	32	29	26	24
Tuvalu	..	..	..	42	38	35	31	..	..	..	..
Vanuatu	280	32	130	48	40	38	31	62	50	48	38

Sources: (a) UN (United Nations) 2007; (b) World Bank (World Development Indicators online) 2007b.

Table 15: Incidence of Major Diseases

Sub-regions/ Countries	MDG											
	Tuberculosis prevalence rate (per 100,000 people) <sup>a</sup>			Tuberculosis death rate per 100,000 <sup>a</sup>			Tuberculosis, DOTS treatment success (%) <sup>a</sup>			Immunization against measles (% of children 1yr old) <sup>a</sup>		
	1990	1995	2000	2005	1990	1995	2000	2005	1990	1995	2000	2005
<b>East Asia</b>												
Brunei Darussalam	113	93	56	63		11	4	5		99	99	99
Cambodia	951	853	806	703	112	109	102	87	91	91	65	79
China	325	304	271	208	24	22	20	16	96	80	85	86
Hong Kong, China (SAR)	138	98	87	77	11	8	7	6				
Indonesia	440	380	327	262	91	75	61	41	91	87	72	72
Japan	70	60	45	38	7	6	4	4		58	63	60
Korea, Rep. of	123	110	142	135	10	10	12	11		73	93	99
Korea, DPR	428	400	368	179	59	57	35	13		93	93	99
Lao PDR	472	407	346	306	37	33	28	24		98	67	96
Macao, China (SAR)	123	95	87	87	12	10	7	9	70	82	42	41
Malaysia	195	154	139	131	22	19	17	16		32	68	41
Mongolia	566	486	285	206	51	45	36	23				
Myanmar	417	385	287	170	50	50	40	15				
Philippines	820	773	554	450	80	74	58	47				
Singapore	52	49	39	28	6	5	4	3				
Thailand	355	327	252	204	27	27	22	19				
Timor-Leste	1200	1111	1111	713	126	121	121	88				
Viet Nam	470	346	251	235	41	31	24	23	91	92	97	95
<b>South and West Asia</b>												
Afghanistan	607	571	449	288	69	65	52	35		20	41	35
Bangladesh	630	575	494	406	76	66	57	47	71	83	79	81
Bhutan	374	272	218	174	40	30	24	19	97	90	85	93
India	570	533	457	299	42	43	42	29	79	84	72	58
Iran, Islamic Rep. of	50	55	40	30	4	5	4	3		56	56	56
Maldives	151	89	90	53	8	5	7	3		85	95	99
Nepal	621	524	310	244	51	45	28	23	97	91	99	94
Pakistan	429	424	416	297	49	49	48	37		57	71	74
Sri Lanka	109	99	109	80	10	10	10	8	70	75	56	78
					10	10	10		79	77	87	99
									80	87	99	99
									86	93	96	95

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Sub-regions/ Countries	MDG																						
	Tuberculosis prevalence rate (per 100,000 people) <sup>a</sup>					Tuberculosis death rate per 100,000 <sup>a</sup>				Tuberculosis, DOTS treatment success (%) <sup>a</sup>				Immunization against measles (% of children 1yr old) <sup>a</sup>				Immunization, DPT (% of children ages 12-23 months) <sup>b</sup>					
	1990	1995	2000	2005		1990	1995	2000	2005		1990	2000	2003		1990	1995	2000	2005		1990	1995	2000	2005
<b>Pacific</b>																							
Australia	7	7	6	6		1	1	1	1		..	74	82		86	87	91	94		95	86	90	92
Cook Islands	49	39	26	26		5	4	3	3		..	..	..		67	96	76	99		..	..	..	..
Fiji	62	42	38	30		7	5	5	4		86	86	86		84	94	85	70		97	97	89	75
Kiribati	1157	928	559	426		115	96	64	49		..	..	..		75	47	80	56		97	60	90	62
Marshall Islands	682	547	430	269		68	56	47	32		..	..	..		52	57	94	86		92	70	39	77
Micronesia, Fed. Sts.	311	216	171	123		33	24	19	14		..	..	..		81	90	82	96		85	83	85	94
Nauru	328	263	206	156		33	27	21	18		..	..	..		..	..	8	80		..	..	..	..
New Zealand	10	11	11	9		1	1	1	1		..	..	..		90	84	85	82		90	89	90	89
Niue	133	106	96	87		13	11	10	9		..	..	..		99	34	99	99		99	99	96	98
Palau	88	64	115	61		6	5	8	7		..	..	..		98	99	83	98		68	62	59	61
Papua New Guinea	789	722	637	475		68	64	59	46		..	63	58		67	42	62	60		90	94	99	64
Samoa	44	31	27	27		5	4	3	3		..	..	..		89	96	93	57		90	94	99	64
Solomon Islands	658	459	289	201		65	47	32	23		..	..	..		70	68	87	72		77	69	82	80
Tokelau	126	112	112	112		9	8	12	12		..	..	..		..	..	..	..		..	..	..	..
Tonga	53	40	34	32		6	5	3	3		..	..	..		86	94	95	99		94	95	95	99
Tuvalu	1146	857	723	495		105	81	73	55		..	..	..		95	94	81	62		..	..	..	..
Vanuatu	212	162	87	84		21	17	7	10		..	..	..		66	60	94	70		76	73	90	66

Sources: (a) UN (United Nations) 2007; (b) World Bank (World Development Indicators online) 2007b.

**Table 16: School Enrolment**

Sub-regions/ Countries	MDG									MDG			
	School enrolment (primary), net (%) <sup>a</sup>			School enrolment (secondary), net (%) <sup>b</sup>		Higher education enrolment, gross (%) <sup>b</sup>			Education: Children reaching grade 5 (% of pupils starting grade 1) <sup>a</sup>			Youth literacy rate (% of people ages 15–24) <sup>c</sup>	
	1990	2000	2004	2000	2005	1991	2000	2004	1990	2000	2003	1990	2004
<b>East Asia</b>													
Brunei Darussalam	89.7	..	..	..	87.3	..	12.6	14.7	..	..	98.0	..	..
Cambodia	66.6	91.1	97.6	15.4	24.5	0.7	2.2	2.9	..	62.8	59.7	73.5	83.4
China	97.4	..	..	..	..	3.0	7.6	19.1	86.0	..	..	95.3	98.9
Hong Kong, China (SAR)	..	..	97.1	..	79.6	..	..	30.4	100.0	..	99.6	..	..
Indonesia	96.7	97.9	99.0	48.6	58.3	9.2	..	16.7	83.6	95.3	92.1	95.0	98.7
Japan	99.7	100.0	99.9	99.5	100.0	29.6	47.4	54.0	100.0	..	..	..	..
Korea, Rep. of	99.7	96.8	99.8	94.5	90.4	38.6	72.6	88.5	99.5	99.5	99.8	..	..
Korea, DPR	..	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	62.6	81.7	84.4	28.6	37.7	..	2.8	5.9	..	53.2	62.6	70.1	78.5
Macao, China (SAR)	81.1	85.7	89.3	65.5	78.2	25.4	26.4	68.8	..	..	..	..	..
Malaysia	93.7	96.9	95.4	69.1	..	8.2	26.3	32.0	98.2	87.1	..	94.8	97.2
Mongolia	90.1	93.8	89.4	59.6	84.2	14.0	28.8	38.9	..	..	..	98.9	97.7
Myanmar	97.8	81.8	87.0	33.6	37.2	4.3	11.3	..	..	55.2	69.0	..	..
Philippines	96.5	..	94.4	..	60.5	27.1	..	28.8	..	79.3	75.3	97.3	95.1
Singapore	96.4	..	..	..	..	20.5	..	..	..	..	..	99.0	..
Thailand	75.9	..	..	..	..	..	34.2	41.0	..	..	..	98.1	98.0
Timor-Leste	..	..	..	..	..	..	..	..	..	..	..	..	..
Viet Nam	90.5	95.4	..	61.0	69.3	1.9	9.5	16.0	..	85.7	..	94.1	93.9
<b>South and West Asia</b>													
Afghanistan	26.5	..	..	..	..	..	..	1.1	..	..	..	..	..
Bangladesh	71.2	93.1	97.6	46.9	..	..	5.8	6.0	..	65.5	65.1	42.0	..
Bhutan	..	..	..	..	..	..	..	..	..	91.0	..	..	..
India	..	87.4	96.1	..	..	6.0	10.2	11.8	..	59.0	78.9	64.3	76.4
Iran, Islamic Rep. of	92.3	79.8	88.7	..	77.0	10.2	19.0	22.5	89.9	97.5	..	..	..
Maldives	86.7	96.5	84.8	40.0	62.6	..	..	0.2	..	..	..	98.1	98.2
Nepal	..	72.7	80.1	..	..	5.6	4.1	5.6	51.3	45.8	67.1	46.6	70.1
Pakistan	..	..	65.7	..	21.0	3.4	..	3.2	..	..	69.7	47.4	65.5
Sri Lanka	89.9	..	97.1	..	..	4.3	..	..	94.4	..	..	95.1	95.6
<b>Pacific</b>													
Australia	99.2	92.7	95.9	88.6	86.4	39.2	65.4	72.2	..	..	..	..	..
Cook Islands	..	78.8	..	..	..	..	..	..	..	..	..	..	..
Fiji	99.6	100.0	98.7	76.6	82.7	11.9	..	15.3	87.0	89.8	98.7	97.8	..
Kiribati	..	..	..	..	67.6	..	..	..	93.4	..	81.4	..	..
Marshall Islands	..	..	..	..	..	..	..	..	..	..	..	..	..
Micronesia, Fed. Sts.	..	..	..	..	..	..	14.1	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	99.6	99.1	99.4	..	..	45.2	68.8	85.8	92.2	..	..	..	..
Niue	..	..	..	..	..	..	..	..	..	..	..	..	..
Palau	..	96.4	..	..	..	..	40.6	..	..	..	..	..	..
Papua New Guinea	66.0	..	..	..	..	..	..	..	59.1	50.6	..	68.6	66.7
Samoa	..	92.2	99.1	64.0	..	..	7.4	..	..	95.9	..	..	99.3
Solomon Islands	83.2	..	..	17.7	..	..	..	..	84.9	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	91.8	..	..	72.2	..	..	4.7	6.1	89.6	94.6	..	..	..
Tuvalu	..	..	..	..	..	..	..	..	..	72.7	..	..	..
Vanuatu	70.6	93.7	95.1	32.5	..	..	4.0	5.0	..	..	..	..	..

Sources: (a) UN (United Nations) 2007; (b) World Bank (World Development Indicators online) 2007b; (c) UNDP (United Nations Development Programme) 2006.

**Table 17: Gender and Development**

Sub-regions/ Countries	MDG																							
	Girls to boys ratio (primary school enrolment) <sup>a</sup>				Girls to boys ratio (secondary school enrolment) <sup>a</sup>				Girls to boys ratio (tertiary enrolment) <sup>a</sup>				Women to men parity index, as ratio of literacy rates, aged 15-24 <sup>a</sup>				Wage employment of women in non-agricul- tural sector as percent- age of total non-agri- culture employees <sup>b</sup>				Proportion of seats held by women in national parlia- ment (%) <sup>b</sup>			
	1990	2000	2001		1990	2000	2001		1990	2000	2001		1990	1995	2000	2004	1990	1995	2000	2004	1990	2000	2006	
<b>East Asia</b>																								
Brunei Darussalam	0.94	0.99	0.99		1.07	1.06	1.06		..	1.87	1.74		..	..	..	..	11.3	17.2	30.3	31.5	..	..	..	
Cambodia	0.81	0.88	0.89		0.43	0.56	0.60		..	0.37	0.40		0.81	0.84	0.89	0.90	53.5	52.8	51.9	51.3	..	8.0	9.8	
China	0.93	1.01	1.00		0.75	0.92			0.52	..	..		0.95	0.97	0.99	0.99	37.7	38.7	39.7	40.9	21.0	22.0	20.3	
Hong Kong, China (SAR)	1.01	0.96	0.95		1.05	..	0.97		..	..	..		..	..	..	..	41.2	42.5	44.8	47.3	..	..	..	
Indonesia	0.98	0.98	0.98		0.83	0.98	0.99		..	0.76	0.86		0.97	0.98	0.99	1.00	29.2	29.0	31.7	31.1	12.0	..	11.3	
Japan	1.00	1.00	1.00		1.02	1.01	1.01		0.65	0.85	0.85		..	..	..	..	38.0	38.9	40.0	41.2	1.0	5.0	9.4	
Korea, Rep. of	1.01	1.01	1.00		0.97	1.00	1.00		0.49	0.57	0.59		..	..	..	..	38.1	38.0	40.1	41.6	2.0	4.0	13.4	
Korea, DPR	..	..	..		..	..	..		..	..	..		..	..	..	..	40.7	..	..	..	21.0	20.0	20.1	
Lao PDR	0.79	0.86	0.86		0.62	0.72	0.73		..	0.59	0.60		0.76	0.80	0.83	0.90	42.1	..	..	..	6.0	21.0	25.2	
Macao, China (SAR)	0.96	0.95	0.95		1.11	1.04	1.04		0.45	0.96	0.72		..	..	..	..	42.7	45.3	49.0	49.5	..	..	..	
Malaysia	1.00	1.00	1.00		1.07	1.11	1.10		0.89	1.09	..		0.99	1.00	1.00	1.00	37.8	35.9	36.7	36.9	5.0	..	9.1	
Mongolia	1.02	1.04	1.03		1.14	1.22	1.20		1.88	1.74	1.74		1.00	..	..	1.01	44.3	47.0	48.5	50.3	25.0	8.0	6.6	
Myanmar	0.95	0.99	1.00		0.98	1.07	0.96		..	1.76	..		..	..	0.98	..	36.4	..	..	..	..	..	..	
Philippines	0.99	1.00	0.99		1.04	1.10	1.10		1.42	..	1.29		1.00	1.00	1.00	1.01	39.7	40.0	41.1	40.4	9.0	12.0	15.7	
Singapore	0.97	1.00	1.00		0.93	1.02	1.02		0.68	..	..		1.00	..	1.00	..	42.5	41.0	45.4	47.0	5.0	4.0	21.2	
Thailand	0.96	0.96	0.96		0.94	0.95			..	1.12	1.09		0.99	0.99	1.00	1.00	45.3	44.0	46.1	46.4	3.0	6.0	..	
Timor-Leste	..	..	..		..	..	..		..	..	..		..	..	..	..	19.0	..	..	..	..	..	25.3	
Viet Nam	0.93	0.94	0.93		0.91	0.91	0.92		..	0.74	0.76		0.99	1.00	..	0.99	52.1	51.2	49.7	49.1	18.0	26.0	27.3	
<b>South and West Asia</b>																								
Afghanistan	0.55	0.00	0.00		0.52	..	0.00		0.48	..	..		..	0.36	..	..	17.8	..	..	..	4.0	..	27.3	
Bangladesh	0.86	1.01	1.02		0.52	1.05	1.10		0.20	0.54	0.50		0.65	0.68	0.70	..	17.6	20.6	22.9	23.1	10.0	9.0	15.1	
Bhutan	0.76	..	..		..	..	..		..	..	..		..	..	..	..	12.0	..	..	..	2.0	2.0	2.7	
India	0.76	0.83	0.85		0.60	0.71	0.74		0.54	0.68	0.70		0.74	0.78	0.81	0.80	12.7	14.4	16.6	17.3	5.0	9.0	8.3	
Iran, Islamic Rep. of	0.90	0.95	0.96		0.75	0.94	0.94		0.48	0.87	0.94		..	..	..	..	11.9	12.5	13.6	13.7	2.0	5.0	4.1	
Maldives	0.97	1.00	0.99		1.02	1.07	1.07		..	..	..		1.00	1.00	1.00	1.00	31.8	31.6	36.7	35.6	6.0	..	12.0	
Nepal	0.61	0.85	0.87		0.44	0.73	0.75		0.32	0.28	0.28		0.41	0.48	0.56	0.59	..	..	..	..	6.0	6.0	5.9	
Pakistan	..	0.74	..		0.48	0.66	..		0.58	..	..		0.49	0.54	..	0.72	6.6	7.5	7.4	8.6	10.0	..	21.3	
Sri Lanka	0.96	..	..		1.09	..	..		0.68	..	..		0.98	0.99	1.00	1.01	39.1	44.0	46.0	43.2	5.0	5.0	4.9	

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Sub-regions/ Countries	MDG																			
	Girls to boys ratio (primary school enrolment) <sup>a</sup>			Girls to boys ratio (second- ary school enrolment) <sup>a</sup>			Girls to boys ratio (tertiary enrolment) <sup>a</sup>			Women to men parity index, as ratio of literacy rates, aged 15-24 <sup>a</sup>				Wage employment of women in non-agricul- tural sector as percent- age of total non-agri- culture employees <sup>b</sup>			Proportion of seats held by women in national parlia- ment (%) <sup>b</sup>			
	1990	2000	2001	1990	2000	2001	1990	2000	2001	1990	1995	2000	2004	1990	1995	2000	2004	1990	2000	2006
<b>Pacific</b>																				
Australia	0.99	1.00	1.00	1.04	1.00	0.98	1.16	1.23	1.23	..	..	..	..	44.6	46.8	48.1	48.6	6.0	22.0	24.7
Cook Islands	..	0.98	0.95	..	1.10	1.09	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Fiji	1.00	0.98	1.00	..	1.09	1.07	..	1.00	..	1.00	1.00	..	..	29.9	31.3	33.9	35.9	..	11.0	11.3
Kiribati	..	0.99	1.01	..	1.61	1.39	..	..	..	..	..	..	..	..	..	..	..	0.0	5.0	7.1
Marshall Islands	..	0.96	0.95	..	..	..	..	..	1.29	..	..	..	..	..	..	..	..	..	..	3.0
Micronesia, Fed. Sts.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0.0	0.0
Nauru	..	1.16	1.07	..	1.21	1.01	..	..	..	..	..	..	..	..	..	..	..	..	..	..
New Zealand	0.98	1.01	1.00	1.02	1.07	..	1.10	1.45	1.45	..	..	..	..	47.9	48.8	50.5	50.5	14.0	29.0	32.2
Niue	..	0.97	0.94	..	1.03	0.98	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Palau	..	0.97	..	..	1.03	1.00	..	2.35	2.16	..	..	..	..	..	..	..	..	..	0.0	0.0
Papua New Guinea	0.86	0.90	0.90	0.59	0.79	0.77	..	..	..	0.84	0.87	0.89	0.93	20.3	25.0	32.1	35.4	0.0	2.0	0.9
Samoa	1.09	1.00	1.00	1.22	1.14	1.14	1.00	0.93	0.93	..	..	..	1.00	..	..	..	..	0.0	8.0	8.2
Solomon Islands	0.86	0.92	0.94	0.63	0.78	0.81	..	..	..	..	..	..	..	..	..	..	..	0.0	2.0	0.0
Tokelau	..	1.19	1.10	..	0.94	1.22	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	0.96	0.97	0.98	1.01	1.10	1.10	..	1.60	1.62	..	..	..	..	..	..	..	..	0.0	..	3.3
Tuvalu	..	1.04	1.13	..	..	0.93	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Vanuatu	0.98	0.98	0.98	0.79	1.15	0.92	..	..	..	..	..	..	..	..	..	..	..	4.0	0.0	3.8

Sources: (a) UN (United Nations) 2007; (b) World Bank (World Development Indicators online) 2007b.

**Table 18: Environmental Sustainability: Forest Area and Carbon Dioxide Emission**

Sub-regions/ Countries	Forest area (% of land area) <sup>a</sup>			MDG										GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent) <sup>b</sup>			
				Carbon dioxide emissions (CO <sub>2</sub> ), metric tons per capita <sup>a</sup>			Ozone-depleting CFCs consumption in ODP tons <sup>a</sup>										
				1990	2000	2005	1990	1995	2000	2004	1990	1995	2000	2005	1990	1995	2000
East Asia																	
Brunei Darussalam	59.4	54.6	52.8	22.7	17.7	25.6	24.1	..	65.0	47.0	39.0	..	..	..	..	..	
Cambodia	73.3	65.4	59.2	0.05	0.05	0.04	0.04	..	94.0	94.0	45.0	..	..	..	..	..	
China	16.8	19.0	21.2	2.1	2.6	2.6	3.8	41829.0	75291.0	39124.0	13124.0	2.1	3.1	4.4	4.4	4.4	
Hong Kong, China (SAR)	..	..	..	4.6	4.8	5.8	5.4	..	..	..	..	10.5	10.7	11.3	11.2	11.2	
Indonesia	64.3	54.0	48.8	1.2	1.5	1.7	1.7	..	8351.0	5411.0	2385.0	4.1	4.6	4.3	4.1	4.1	
Japan	68.4	68.2	68.2	8.7	9.1	9.5	9.8	97723.0	23064.0	-24.0	0.0	6.5	6.2	6.2	6.2	6.4	
Korea, Rep. of	64.5	63.8	63.5	5.6	8.3	9.2	9.8	..	10039.0	7395.0	2730.0	4.5	4.2	4.0	4.0	4.2	
Korea, DPR	68.1	56.6	51.4	12.2	11.9	3.4	3.4	..	825.0	77.0	92.0	..	..	..	..	..	
Lao PDR	75.0	71.6	69.9	0.1	0.1	0.2	0.2	..	43.0	45.0	19.0	..	..	..	..	..	
Macao, China (SAR)	..	..	..	2.8	3.0	3.7	4.7	..	..	..	..	..	..	..	..	..	
Malaysia	68.1	65.7	63.6	3.1	5.8	5.4	7.0	3384.0	3427.0	1980.0	668.0	4.4	4.1	4.2	4.1	4.1	
Mongolia	7.3	6.8	6.5	4.5	3.3	3.0	3.3	..	7.0	11.0	4.0	..	..	..	..	..	
Myanmar	59.6	52.5	49.0	0.1	0.2	0.2	0.2	..	49.0	26.0	15.0	..	..	..	..	..	
Philippines	35.5	26.7	24.0	0.7	0.9	1.0	1.0	2981.0	3382.0	2905.0	1014.0	9.1	7.5	7.2	7.9	7.9	
Singapore	3.4	3.4	3.4	15.0	13.5	14.1	12.2	3167.0	774.0	22.0	-1.0	3.4	3.2	4.3	4.3	4.6	
Thailand	31.2	29.0	28.4	1.8	3.2	3.3	4.3	6660.0	8248.0	3568.0	1260.0	5.7	5.8	5.2	5.2	4.9	
Timor-Leste	65.0	57.4	53.7	..	..	..	0.2	..	..	..	..	..	..	..	..	..	
Viet Nam	28.8	37.7	41.7	0.3	0.4	0.7	1.2	..	480.0	220.0	235.0	3.3	3.7	4.2	4.2	4.2	
South and West Asia																	
Afghanistan	2.0	1.6	1.3	0.2	0.1	0.04	0.03	..	380.0	..	141.0	..	..	..	..	..	
Bangladesh	6.8	6.8	6.7	0.1	0.2	0.2	0.2	195.0	281.0	805.0	263.0	9.8	9.6	10.2	10.5	10.5	
Bhutan	64.6	66.8	68.0	0.2	0.5	0.7	0.7	..	0.0	0.0	0.0	..	..	..	..	..	
India	21.5	22.7	22.8	0.8	1.0	1.1	1.2	0.0	6402.0	5614.0	1958.0	4.0	4.3	4.8	5.5	5.5	
Iran, Islamic Rep. of	6.8	6.8	6.8	3.9	4.3	5.3	6.3	1366.0	4140.0	4157.0	2221.0	3.7	3.2	3.1	3.2	3.2	
Maldives	3.3	3.3	3.3	0.7	1.1	1.8	2.5	4.0	6.0	5.0	0.0	..	..	..	..	..	
Nepal	33.7	27.3	25.4	0.0	0.1	0.1	0.1	..	25.0	94.0	0.0	3.4	3.8	4.0	4.0	4.0	
Pakistan	3.3	2.7	2.5	0.6	0.7	0.7	0.8	751.0	2104.0	1945.0	453.0	3.9	4.0	4.2	4.2	4.2	
Sri Lanka	36.4	32.2	29.9	0.2	0.3	0.5	0.6	209.0	520.0	220.0	149.0	7.3	8.7	8.7	8.7	8.3	

Contd...



Sub-regions/ Countries	MDG														
	Forest area (% of land area) <sup>a</sup>			Carbon dioxide emissions (CO <sub>2</sub> ), metric tons per capita <sup>a</sup>				Ozone-depleting CFCs consumption in ODP tons <sup>a</sup>				GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent) <sup>b</sup>			
	1990	2000	2005	1990	1995	2000	2004	1990	1995	2000	2005	1990	1995	2000	2003
<b>Pacific</b>															
Australia	21.9	21.4	21.3	16.5	17.3	17.6	16.3	7416.0	2585.0	6.0	-51.0	4.2	4.6	4.7	5.2
Cook Islands	63.9	66.5	66.5	1.2	1.2	1.8	2.0	..	2.0	0.0	0.0	..	..	..	..
Fiji	53.6	54.7	54.7	1.1	1.2	1.1	1.3	38.0	60.0	0.0	0.0	..	..	..	..
Kiribati	3.0	3.0	3.0	0.3	0.3	0.4	0.3	..	1.0	0.0	0.0	..	..	..	..
Marshall Islands	..	..	..	..	..	..	..	1.0	1.0	1.0	0.0	..	..	..	..
Micronesia, Fed. Sts.	90.6	90.6	90.6	..	..	..	..	..	1.0	1.0	0.0	..	..	..	..
Nauru	..	..	..	14.4	14.0	13.5	14.2	..	1.0	0.0	0.0	..	..	..	..
New Zealand	28.8	30.7	31.0	6.6	6.8	8.4	7.8	558.0	189.0	-3.0	0.0	4.3	4.4	4.5	5.1
Niue	66.2	58.1	54.2	1.6	1.6	2.0	2.2	..	0.0	0.0	0.0	..	..	..	..
Palau	82.9	86.1	87.6	15.7	14.0	12.4	11.9	..	2.0	1.0	0.0	..	..	..	..
Papua New Guinea	69.6	66.5	65.0	0.6	0.5	0.5	0.4	..	10.0	48.0	15.0	..	..	..	..
Samoa	45.9	60.4	60.4	0.8	0.8	0.8	0.8	..	4.0	1.0	0.0	..	..	..	..
Solomon Islands	98.9	84.7	77.6	0.5	0.4	0.4	0.4	2.0	2.0	0.0	1.0	..	..	..	..
Tokelau	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tonga	5.0	5.0	5.0	0.8	1.1	1.2	1.2	..	2.0	0.0	0.0	..	..	..	..
Tuvalu	33.3	33.3	33.3	..	..	..	..	..	0.0	0.0	0.0	..	..	..	..
Vanuatu	36.1	36.1	36.1	0.4	0.4	0.4	0.4	..	0.0	0.0	0.0	..	..	..	..

Note: GDP per unit of energy use is the PPP GDP per kilogram of oil equivalent of energy use.

Sources: (a) UN (United Nations) 2007; (b) World Bank (World Development Indicators online) 2007b.

**Table 19: Poverty, Inequality and Undernourishment**

Sub-regions/ Countries	MDG				MDG		MDG	
	<i>Inequality:<sup>a</sup> Ratio of expenditure shares of richest 20% to poorest 20%</i>	<i>Inequality: Ratio of expenditure shares of richest 10% 10% to poorest 10%<sup>a</sup></i>	<i>Inequality: Gini index<sup>a</sup></i>	<i>Gini (Land)<sup>c</sup></i>	<i>Poverty headcount ratio at \$1 per day (PPP) (%) of popula- tion)<sup>a</sup></i>	<i>Poverty headcount ratio at \$2 per day (PPP) (%) of popula- tion)<sup>a</sup></i>	<i>Poverty gap at \$1 a day (PPP) (%)<sup>b</sup></i>	<i>Prevalence of undernourish- ment (% of population)<sup>b</sup></i>
	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	1960-1994 <sup>1</sup>	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	2004
<b>East Asia</b>								
Brunei Darussalam	..	..	..	..	..	..	..	4.0
Cambodia	6.9	11.6	40.4	..	34.1	77.7	..	33.0
China	10.7	18.4	44.7	43.8	16.6	46.7	2.1	12.0
Hong Kong, China (SAR)	9.7	17.8	43.4	..	..	..	..	..
Indonesia	5.2	7.8	34.3	45.4	7.5	52.4	1.0	6.0
Japan	3.4	4.5	24.9	51.1	..	..	..	2.5
Korea, Rep. of	4.7	7.8	31.6	37.2	2.0	< 2	0.5	2.5
Korea, DPR	..	..	..	..	..	..	..	33.0
Lao PDR	5.4	8.3	34.6	..	27.0	74.1	..	19.0
Macao, China (SAR)	..	..	..	..	..	..	..	..
Malaysia	12.4*	22.1*	49.2*	38.2	2.0	9.3	0.5	3.0
Mongolia	9.1	17.8	30.3	68.0	27.0	74.9	3.1	27.0
Myanmar	..	..	..	..	..	..	..	5.0
Philippines	9.7	16.5	46.1	54.7	15.5	47.5	2.9	18.0
Singapore	9.7	17.7	42.5	29.1	..	..	..	..
Thailand	7.7	12.6	42.0	44.7	2.0	25.2	0.5	22.0
Timor-Leste	..	..	..	..	..	..	..	9.0
Viet Nam	6.0	9.4	37.0	47.4	..	..	..	16.0
<b>South and West Asia</b>								
Afghanistan	..	..	..	..	..	..	..	..
Bangladesh	4.6	6.8	31.8	41.7	36.0	82.8	10.3	30.0
Bhutan	..	..	..	..	..	..	..	..
India	4.9	7.3	32.5	57.9	34.7	79.9	7.9	20.0
Iran, Islamic Rep. of	9.7	17.2	43.0	67.7	2.0	7.3	0.5	4.0
Maldives	..	..	..	..	..	..	..	10.0
Nepal	9.1	15.8	47.2	54.2	24.1	68.5	5.4	17.0
Pakistan	4.3	6.5	30.6	55.0	17.0	73.6	2.4	24.0
Sri Lanka	5.1	8.1	33.2	62.3	5.6	41.6	1.0	22.0
<b>Pacific</b>								
Australia	7.0	12.5	35.2	80.5	..	..	..	2.5
Cook Islands	..	..	..	..	..	..	..	..
Fiji	..	..	..	..	..	..	..	5.0
Kiribati	..	..	..	..	..	..	..	7.0
Marshall Islands	..	..	..	..	..	..	..	..

Contd...

Contd...

Sub-regions/ Countries	MDG				MDG		MDG	
	<i>Inequality:<sup>a</sup> Ratio of expenditure shares of richest 20% to poorest 20%</i>	<i>Inequality: Ratio of expenditure shares of richest 10% 10% to poorest 10%<sup>a</sup></i>	<i>Inequality: Gini index<sup>a</sup></i>	<i>Gini (Land)<sup>c</sup></i>	<i>Poverty headcount ratio at \$1 per day (PPP) (%) of popula- tion)<sup>a</sup></i>	<i>Poverty headcount ratio at \$2 per day (PPP) (%) of popula- tion)<sup>a</sup></i>	<i>Poverty gap at \$1 a day (PPP) (%)<sup>b</sup></i>	<i>Prevalence of undernourish- ment (% of population)<sup>b</sup></i>
	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	1960-1994 <sup>1</sup>	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	1990-2004 <sup>1</sup>	2004
<b>Pacific</b>								
Micronesia, Fed. Sts.	..	..	..	..	..	..	..	..
Nauru	..	..	..	..	..	..	..	..
New Zealand	6.8	12.5	36.2	71.2	..	..	..	2.5
Niue	..	..	..	..	..	..	..	..
Palau	..	..	..	..	..	..	..	..
Papua New Guinea	12.6	23.8	50.9	..	..	..	..	..
Samoa	..	..	..	..	..	..	..	4.0
Solomon Islands	..	..	..	..	..	..	..	21.0
Tokelau	..	..	..	..	..	..	..	..
Tonga	..	..	..	..	..	..	..	..
Tuvalu	..	..	..	..	..	..	..	..
Vanuatu	..	..	..	..	..	..	..	11.0

*Notes:* <sup>1</sup> Data refer to the most recent year available during the period specified. \* Malaysia data refers to income shares by percentile of population. Data for all other countries refer to expenditure shares. *Gini index* varies between 0 and 100. A value of 100 implies perfect inequality and 0 implies perfect equality. *Prevalence of undernourishment* indicates population below minimum level of dietary energy consumption.

*Sources:* (a) UNDP (United Nations Development Programme) 2006; (b) World Bank (World Development Indicators online) 2007b; (c) Frankema 2006.

**Table 20: Access to Information**

	MDG										
Sub-regions/ Countries	Telephone lines and cellular subscribers (per 100 people) <sup>a</sup>				Internet users (per 100 people) <sup>a</sup>			Households with television (%) <sup>b</sup>			
	1990	1995	2000	2004	1995	2000	2005	1990	1995	2000	2001
East Asia											
Brunei Darussalam	14.3	36.6	52.9	..	1.10	9.00	36.10	..	98.0	97.9	98.3
Cambodia	..	0.2	1.2	6.2	..	0.05	0.31	4.7	..	32.5	..
China	0.6	3.6	18.1	49.4	0.00	1.77	8.44	53.8	77.2	86.1	87.3
Hong Kong, China (SAR)	47.5	66.2	140.6	173.2	3.30	27.80	50.10	..	97.9	98.0	99.0
Indonesia	0.6	1.8	5.0	18.1	0.03	0.92	7.18	25.2	43.8	53.8	54.5
Japan	44.8	58.9	101.4	118.2	1.60	29.90	66.60	81.7	80.2	99.2	99.0
Korea, Rep. of	30.8	45.4	114.6	131.4	0.80	41.40	68.30	92.5	98.0	..	..
Korea, DPR	2.5	2.3	2.2	..	..	..	..	..	..	..	..
Lao PDR	0.2	0.4	1.0	4.8	..	0.11	0.42	..	5.6	30.0	29.9
Macao, China (SAR)	26.1	45.6	73.6	130.3	0.30	13.90	37.00	..	80.4	79.2	92.5
Malaysia	9.4	21.6	41.9	74.5	0.15	21.39	42.37	64.0	73.3	82.5	85.9
Mongolia	3.2	3.5	11.5	21.9	0.01	1.26	10.14	..	28.7	28.4	28.4
Myanmar	0.2	0.4	0.6	1.0	..	..	0.10	1.4	2.4	3.0	3.0
Philippines	1.0	2.8	12.4	44.0	0.03	2.01	5.48	..	46.5	52.8	61.5
Singapore	36.3	49.2	116.8	132.7	2.80	32.40	39.80	84.3	98.3	98.6	99.4
Thailand	2.5	8.2	14.1	53.7	0.09	3.74	11.34	72.3	84.4	90.6	90.6
Timor-Leste	..	..	..	..	..	..	..	..	..	..	..
Viet Nam	0.2	1.1	4.2	18.2	..	0.25	12.72	..	67.3	77.6	79.6
South and West Asia											
Afghanistan	0.2	0.1	0.1	2.6	..	..	1.00	..	..	6.2	6.3
Bangladesh	0.2	0.3	0.6	2.6	..	0.08	0.26	3.8	9.3	17.5	17.2
Bhutan	0.4	0.9	2.2	6.3	..	0.34	3.09	..	..	..	..
India	0.6	1.3	3.5	9.1	0.03	0.54	5.44	7.4	23.0	30.0	31.6
Iran, Islamic Rep. of	4.0	8.6	16.4	..	0.00	1.00	10.90	..	65.3	67.8	67.4
Maldives	2.9	5.7	11.9	44.1	..	2.22	..	19.7	34.5	56.7	61.5
Nepal	0.3	0.4	1.2	2.2	0.00	0.22	0.83	..	1.6	3.5	13.2
Pakistan	0.8	1.7	2.4	6.2	0.00	0.22	6.82	13.7	27.0	37.4	38.5
Sri Lanka	0.7	1.5	6.5	16.5	0.01	0.66	1.69	..	23.8	22.4	20.6
Pacific											
Australia	46.7	61.7	98.7	141.3	2.80	34.50	70.40	98.3	97.2	96.6	96.3
Cook Islands	..	..	..	..	..	..	..	..	..	..	..
Fiji	5.8	8.7	17.5	29.2	0.01	1.48	8.25	..	39.1	53.7	55.1
Kiribati	1.7	2.6	4.3	..	..	1.80	2.20	..	11.9	22.4	23.3
Marshall Islands	1.1	7.2	8.6	..	..	1.60	..	..	..	..	..
Micronesia, Fed. Sts.	2.5	7.4	9.0	22.3	..	3.70	12.60	..	..	14.0	13.9
Nauru	..	18.6	26.1	..	..	..	..	..	..	..	..
New Zealand	45.0	56.7	87.4	123.6	4.90	39.30	68.30	72.5	86.7	98.0	98.1
Niue	..	..	..	..	..	..	..	..	..	..	..
Palau	..	..	..	..	..	..	..	..	..	..	..
Papua New Guinea	0.8	1.0	1.4	1.9	..	0.88	1.78	..	13.6	7.8	8.1
Samoa	2.6	4.6	6.2	..	..	0.60	3.40	..	96.4	93.3	96.6
Solomon Islands	1.5	1.8	2.1	..	0.00	0.50	0.80	..	1.8	4.1	4.3
Tokelau	..	..	..	..	..	..	..	..	..	..	..
Tonga	4.6	7.1	10.0	..	0.10	2.40	3.00	..	..	..	..
Tuvalu	1.3	5.5	7.0	..	..	1.00	..	..	..	..	..
Vanuatu	1.8	2.6	3.7	8.1	..	2.10	3.50	..	5.0	5.6	5.6

Sources: (a) UN (United Nations) 2007; (b) World Bank (World Development Indicators online) 2007b.

# Technical Note 1

## Measuring Corruption

Just as it is difficult to define corruption across different cultures and political environments, it is also very difficult to measure it. Some of the existing efforts to assess corruption are summarized below:

### Corruption: Some Popular Measures

<i>Indicator/ index</i>	<i>Source</i>	<i>Survey respondents</i>	<i>Available for years</i>	<i>Countries</i>	<i>Scope</i>
Control of Corruption Index (CCI)	World Bank ( <a href="http://info.worldbank.org/governance/wgi2007/resources.htm">http://info.worldbank.org/governance/wgi2007/resources.htm</a> )	Business leaders, opinion of general public and assessments by country analysts	1996, 1998, 2000, 2002 to 2006	212 countries and territories in 2006	The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests
Corruption Perceptions Index (CPI)	Transparency International ( <a href="http://www.transparency.org/policy_research/surveys_indices/cpi">http://www.transparency.org/policy_research/surveys_indices/cpi</a> )	Business leaders and assessments by country analysts	1995 to 2007	180 countries in 2007	CPI ask questions that relate to the misuse of public power for private benefit, for example bribery of public officials, kickbacks in public procurement, embezzlement of public funds) or questions that probe the strength of anti-corruption policies, thereby encompassing both administrative and political corruption.
ICRG Corruption Risk Scores	The PRS (Political Risk Service) group ( <a href="https://www.prsgroup.com">https://www.prsgroup.com</a> )	Assessments of staff	1984 to 2006	140 countries in 2006	Potential corruption risks to international business operations which includes actual and potential corruption in the form of excessive patronage, nepotism, job reservations, 'favour-for-favours', secret party funding, and suspiciously close ties between politics and business.



<i>Indicator/ index</i>	<i>Source</i>	<i>Survey respondents</i>	<i>Available for years</i>	<i>Countries</i>	<i>Scope</i>
Corruption Index	World Economic Forum ( <a href="http://www.weforum.org">www.weforum.org</a> )	Executive opinion survey (expert opinions of over 11,000 business leaders and entrepreneurs)	Yearly (1996–2007-08)	131 economies in 2007-08	To the extent that corruption affects business (Bribes for import and export permits, bribes for getting connected with public utilities, bribes in connection with annual tax payments)
Corporate Corruption/Ethics Indices	Daniel Kaufmann ( <a href="http://www.worldbank.org/wbi/governance/pubs/gcr2004.html">http://www.worldbank.org/wbi/governance/pubs/gcr2004.html</a> )	Based on the analysis of the 2004 survey of enterprises by the World Economic Forum	2004	104 countries	Corporate Illegal Corruption Index, Corporate legal Corruption Index
Global Integrity Index	Global Integrity ( <a href="http://www.globalintegrity.org/data/downloads.cfm">http://www.globalintegrity.org/data/downloads.cfm</a> )	Based on independent social scientists and investigative journalists in respective countries	2006	41 countries	The index measures the existence and effectiveness of practices that prevent corruption
Global Corruption Barometer (GCB)	Transparency International ( <a href="http://www.transparency.org/policy_research/surveys_indices/gcb">http://www.transparency.org/policy_research/surveys_indices/gcb</a> )	Based on Gallup International's Voice of the People Survey which covers opinion of 59,661 people	2003 to 2006	62 countries in 2006	Measures both perception of corruption and experience of bribery through public opinion survey
Bribe Payers Index (BPI)	Transparency International ( <a href="http://www.transparency.org/policy_research/surveys_indices/bpi">http://www.transparency.org/policy_research/surveys_indices/bpi</a> )	The 2006 BPI based on the responses of 11,232 business executives from companies in 125 countries to two questions about the business practices of foreign firms operating in their country, as part of the World Economic Forum's Executive Opinion Survey 2006	1999, 2002, 2006	Ranks 30 leading international or regional exporting countries in 2006	Captures the supply side of corruption – the propensity of firms from industrialized countries to bribe when operating abroad
Country Policy Institutional Assessment (CPIA)	The World Bank ( <a href="http://go.worldbank.org/74EDY81YU0">http://go.worldbank.org/74EDY81YU0</a> )	Expert rating	Yearly. The latest CPIA is 2006	International development association (IDA) eligible countries; 77 countries in 2006	Transparency, accountability and corruption in public sector; primarily used to link IDA resource allocation
Country Performance Assessment (CPAs)	Asian Development Bank ( <a href="http://www.adb.org/Documents/Reports/Country-Performance-Assessment-Exercise/IN76-07.pdf">http://www.adb.org/Documents/Reports/Country-Performance-Assessment-Exercise/IN76-07.pdf</a> )	Expert rating, using same framework of the World Bank's Country Policy and Institutional Assessment (CPIA)	2005 and 2006	ADB's developing member countries with access to Asian Development Fund (25 countries in 2006)	Transparency, accountability and corruption ratings; primarily used to link allocation of resources

Source: Based on Hawken and Munck 2007.

# Technical Note 2

## Mapping Vulnerability to Corruption

The most popular measures of corruption are based, at least in part, on perception but in any country corruption can be a response to structural and objective factors. This report has attempted to select some appropriate indicators.<sup>1</sup>

A list of 21 observable indicators was selected, based on theoretical and empirical justification and data availability. The summary data for the 21 observable indicators based on 17 Asia-Pacific countries are presented below.

What are the links between these indicators and corruption?

*High marginal tax rate.* A high marginal tax rate creates incentives for unscrupulous behaviour, including bribing of tax officials by individuals and business to avoid compliance. Indeed, low tax revenue (to GDP) in many developing countries is partly explained by tax evasion. 'Government imposes taxes to finance public services. But taxes must first be collected, and high tax rates do not always lead to high tax revenues. Between 1982 and 1999 the average profit tax rate worldwide fell from 46 per cent to 33 per cent, while profit tax collection rose from 2.1 per cent to 2.4 per cent of national income.'<sup>2</sup> A recent public opinion survey by Global Corruption Barometer 2006

Indicators of Vulnerability to Corruption				
	Max	Min	Mean	Std Dev
Highest marginal tax rate, individual rate (%)	47	20	33.7	6.24
Highest marginal tax rate, corporate rate (%)	41	20	30.0	4.28
Trade restrictiveness index [Tariff and NTF manufacturing]	0.22	0.04	0.1	0.06
Start-up procedures to register a business (number)	13	7	9.5	1.84
Procedures to enforce a contract (number)	56	20	34.6	11.68
Procedures to register property (number)	9	2	5.5	2.12
Military expenditure (% of GDP)	4.0	0.6	1.9	0.83
Public investment (% of GDP)	16.2	2.4	7.4	3.81
Ratio of the top 20% to bottom 20%	12.6	4.3	7.6	2.67
Improved water source (% of population with access)	99	39	73.2	19.48
Physicians (per 1,000 people)	2.6	0.1	0.6	0.66
Combined primary, secondary and tertiary gross enrolment ratio (%)	82	38	62.9	12.21
Mining (% of GDP)	19.5	0.4	5.2	6.34
Literacy rate, adult total (% of people ages 15 and above)	97.8	41.1	75.0	20.05
Internet users (per 1,000 people)	396.8	2.2	64.3	91.75
Fixed line and mobile phone subscribers (per 1,000 people)	765.6	14.6	214.1	220.42
Military personnel expenditure per capita/per capita income	12.1	0.5	4.8	3.25
FDI (% of GDP)	5.8	0.1	1.8	1.64
ODA (% of GDP)	16.2	0.1	5.8	9.01
Share of informal sector (trade + const + other) % of GDP	52.4	22.6	41.4	8.14
Currency in circulation (% of money supply)	25.5	4.9	13.9	5.67

Source: Gampat, Sarangi, Wickramaratne and Senarathne 2007.

found tax institutions to be the third most corrupt public institution in Asia-Pacific countries.<sup>3</sup>

*Trade policy.* The literature suggests that restrictions generate a significant amount of rents and rent-seeking activities (Bhagwati 1982), including evasion of tariffs 'but also efforts at *premium seeking* when agents compete for premium-fetching licenses, revenue seeking when agents try to appropriate a share of the revenue resulting from *import restrictions*, and tariff seeking when agents lobby for the imposition of protectionist tariffs . . . rents accruing from the imposition of trade regulations are both theoretically and quantitatively significant. . . . It follows that the degree of openness to foreign trade should be an important factor in determining the level of rent-seeking activities, or the extent of corruption.'<sup>4</sup> Thus, regulatory trade policies that restrict exports and imports or, more generally, that restrict market access to the rest of the world, affect business and the allocation of resources. Restrictions imposed by the rest of the world often induce exporters to adopt corrupt practices to gain market access in other countries.

*Regulatory and transaction costs.* Multiple procedures (numerous gatekeepers) and high transaction costs can encourage corruption. Regulations create opportunities for rent-seeking, which mean that bureaucrats have to be bribed 'to do what they are supposed to do' (to avoid delays in processing of documents) and also 'to do what they are not supposed to do' (to bypass rules and regulations that have high transaction costs).<sup>5</sup> In terms of starting up a business, World Bank (2006) notes, '[C]umbersome entry procedures mean more hassle for entrepreneurs and more corruption, particularly in a developing country. . . . Each procedure is a point of contact – an opportunity to extract a bribe.' Similarly, if the registration of property is a complex, time-consuming and difficult task, it is, in effect, an incentive for assets to remain in the informal sector. Such assets cannot be used as collateral; property values are also lower if formal titles do not exist. Similarly, if contracts can easily be enforced this encourages entrepreneurs, since it narrows the space

for corruption. 'Enforcing a simple contract in India takes 56 procedures and almost 4 years. We do not have any lawsuits pending – we simply avoid the courts. By the time the judge decides the case, the defendant's assets have disappeared.'<sup>6</sup>

*Level and nature of public expenditure.* A high share of public investment could also be an indicator of high vulnerability to corruption among public officials: there is considerable evidence of massive corruption in public procurement (contracts), poor quality of materials and work and widespread petty corruption in the public sector.

Because military expenditures are exogenously determined and are out of public scrutiny, this is an area that offers much opportunities for rent-seeking behaviour, including grand corruption stemming from military deals.

*Inequality.* The literature suggests that inequality and corruption are linked: 'High inequality and strong and distinct differences in power define the structural and cultural setting in which corruption takes place – grand corruption as well as corrupt exchanges at the lower ranks of society.'<sup>7</sup> Further, it seems that the link between corruption and inequality is not direct: 'There is a causal spiral from inequality to corruption (and back) and from both inequality and corruption to low levels of trust and from low levels of . . . trust to corruption.'<sup>8</sup> To capture this phenomenon, inequality is proxied by the ratio of the income share of the top 20 per cent to that of the bottom 20 per cent.

*Access to services.* The empirical literature suggests that there is pervasive corruption in basic public services, such education and health: 'Cross-national studies on the relationship between corruption and health and education outcomes find that health and education outcomes are worse in countries with high levels of corruption.'<sup>9</sup> There is a significant relationship between corruption and child mortality. People who do not have access to safe drinking water source are likely to indulge in corrupt transactions to secure this basic necessity. Similarly, scarcity of medical practitioners

and of essential medicines creates fertile grounds for corruption. Corruption in the education sector is widespread and may take many forms, including procurement of basic materials and services, contracting, poor quality of services, absenteeism and 'ghost teachers', bribes for admission and even certificates, etc. Gupta et al. (2000), using univariate regressions, show that corruption is correlated with school enrolment, repeater (failure) rates, dropout rates, continued schooling through grade five and illiteracy. The coefficient for dropout rate is 0.36; for illiteracy and the repeater rate, it is 0.24.

Education is also critical for access to resources and opportunities. Higher access to public institutions increases awareness about public programmes creates pressure among the public officials for improving transparency and accountability and encourages public debates about policies. There is also some evidence that improvement in education increases pressure (voice) from below. A fine example of this is work of a grass root, mass-based initiative organization in India, known as Mazdoor Kisan Shakti Sangathan (MKSS), which was instrumental in the creation of Right to Information Act. MKSS 'walked from village to village asking simple questions: Did the people know the amount of funds that was coming to their village for development? How was the money that came from different sources actually spent? Although these questions were simple, the poor and impoverished of India had never dared to ask.'<sup>10</sup> In short, MKSS armed the poor with knowledge that led to greater access to information, which, hopefully, will have a negative impact on corruption. The other side of the coin is also true: a high rate of illiteracy mean that people will not be able to scrutinize public programmes, and therefore, vulnerability to corruption is high.

*Dependence on natural resources.* Natural resources exploration is an extremely high rent-seeking activity, possibly because a significant share of the revenues accrues direct to the government. Collier (2007), discussing what he calls the natural-resource dependence trap, pointed out that a centralized source of easy and unaccountable cash is detrimental to a

fledgling democracy because it creates patronage machines and lowers the pressure to develop a social contract that comes with effective taxation. The associated increase in rent-seeking opportunities may help to explain the paradox Sachs and Warner (1995) noted: a negative relationship between natural resource abundance and long-run economic growth. Using data for some 70 countries, their estimates imply that an increase of one standard deviation in natural resource intensity (on average, 16 per cent of GNP), leads to a reduction of about 1 per cent per year in economic growth. Leite and Weidmann (1999) obtained results that are consistent with theoretical predictions: capital-intensive natural resource industries tend to induce a higher level of corruption.<sup>11</sup>

*Access to knowledge and information.* The information revolution (internet, telephone and mobile phones) has substantially improved access to information in most Asia-Pacific countries, particularly during the last decade. The diffusion of technology increases public awareness about the government programmes and helps to increase access to public services and reduces irregularities in distribution.

*Relative wages in the public sector.* Much has been said about the link between low public sector wages and corruption. Mauro (1997) noted that 'when civil service pay is low, civil servants may be obliged to use their positions to collect bribes as a way of making ends meet, particularly when the expected cost of being caught is low.' Incentive structures thus become critical in the fight against corruption. One such incentive is efficiency wages according to which firms sometimes pay above-equilibrium wages to boost worker productivity.<sup>12</sup> Van Reickenghem and Weder (1997) uses efficiency wages to argue that, under certain circumstances, higher wages in the public sector can deter corruption by increasing the potential loss resulting from detection. Using data on some 25 countries, this study finds a significant impact of the public-private wage differential on the level of corruption. Rauch and Evans (1999), in a study covering 35 developing countries, present quantitative evidence to demons-

trate that corruption is higher in countries where civil service recruitment and promotion procedures rely less on merit-based considerations.

*Importance of FDI/ODA.* High foreign investments may make a country more vulnerable to corruption, especially 'grand corruption' involving businesses and politicians. In fact there is a high correlation between corruption and FDI in countries with high levels of centralized corruption and state capture. Eggar and Winner (2005), studying 73 developed and less developed economies, observed that 'corruption is a stimulus for FDI, on the grounds that corruption can be beneficial in circumventing regulatory and administrative restrictions.' In other words, there is 'a clear positive relationship between corruption and FDI'. Wu (2006), studying cross-border direct investment, used a distance measure of corruption between host and source countries and finds that 'corruption distance' deters cross-border investment. Multinational firms with the capacity to engage in bribery do so whether or not there is transparency; those accustomed to operating in transparent environments find it difficult to overcome the administrative complexities in corrupt environments. Others find a negative relationship between corruption and FDI (using the CPI as the measure of corruption) Lambsdorff (2005) argues that grand corruption deters investors for less than petty corruption because the former is more predictable than the latter. It is plausible that 'tax heavens' and 'special economic zones', which are prevalent in Asia, create adequate space for corruption because they invite investors with a series of concessions. Nevertheless, the jury is still out on link between corruption and FDI. ODA is also prone to corruption, as the literature on the link between ODA and growth suggests. If aid is given to corrupt regimes, then it can – and does – lead to corruption. 'Too often, aid money is diverted for personal use. But some of it also ends up funding subversive activities – including unjust wars – in sub-Saharan Africa.'<sup>13</sup>

*Informal sector.* The 'informal sector', for the purposes of this discussion, encompasses small-scale manufac-

turing, trade and transport services and other services that are not counted by the formal sector. Particularly in less developed countries, and even in developed ones, a relatively large number of firms operate in an informal fringe. While these firms have the capacity to place their products in the markets, they do not pay taxes and go largely unnoticed by the authorities. The very existence of the informal sector suggests that entry into the formal sector is regulated or excessively costly. 'This immediately suggests that corruption or administrative inefficiency could be on the basis of such phenomenon. Anecdotal as well as documented evidence suggests that corruption, the informal sector and government behaviour play an important role in the determination of welfare and growth in a developing economy, if not an advanced one.'<sup>14</sup> De Soto (1989, 2000) notes that start-up costs and red tape are a major determinant of the size of the informal sector. Bureaucrats, in an effort to maximize private gains, often have an incentive to set costly artificial barriers, which not only push firms underground but also has a negative effect on growth.

*Extent of cash transactions.* Many empirical studies have shown that cash in circulation, especially if it constitutes a high share of money supply, is an indicator of a sizeable black economy, corruption and money laundering. Currency in circulation as a percentage of money supply is thus a reasonable indicator of vulnerability to corruption.

## Notes

1. Gampat, Sarangi, Wickramaratne and Senarathne 2007.
2. World Bank 2006.
3. Tran 2007.
4. Leite and Weidmann 1999.
5. Bardhan 2006.
6. World Bank 2006b.
7. Karstedt n.d.
8. Uslaner 2006.
9. Azfar and Azfar 2007.
10. Kumar 2007.
11. Leite and Weidmann (1999) use the ICRG index as a measure of corruption.
12. Mookherjee and Png 1995; Basu et al. 1992.
13. Okoye 2007.
14. Antunes 2007.



## Definitions of Technical Terms

**Accession** The act whereby a state accepts the offer or the opportunity to become party to a treaty already negotiated and signed by other states. It has the same legal effect as ratification. Accession usually occurs after the treaty has entered into force.

**Anti-corruption agencies** Separate, permanent agencies with the primary function of providing centralized leadership in core areas of anti-corruption activity, including policy analysis and technical assistance in prevention, public outreach and information, monitoring, investigation, and prosecution.

**Bribery** The act of offering someone money, goods or services in order to persuade him or her to perform an action, often illegal, in the interests of the person offering the bribe.

**Civil service** Refers to the civilian employees of a government in the various ministries and includes teachers and policemen but not the military, judiciary or those employed in statutory boards or public enterprises.

**Clientelism** An informal form of social organization characterized by 'patron-client' relationships between people of different social and economic status: a 'patron' (relatively powerful and wealthy) and his/her 'clients' (relatively less powerful and wealthy). The relationship includes a mutual but unequal exchange of favours, which can be corrupt. (Patrimonial and clientelist

practices can institutionalize hegemonic elites and political corruption, often reaching the highest ranks of state power).

**Collusion** A usually secretive act of cooperation or collaboration among two or more parties to mislead or defraud others (of their rights).

**Counterfeit drugs** Medicines, which have been deliberately and fraudulently mislabelled with respect to identity and or source. Counterfeiting can apply to both branded and generic products and counterfeit products may include products with the correct ingredients or with the wrong ingredients, without active ingredients, with insufficient active ingredients or with fake packaging.

**Cronyism** Favouritism shown in treatment of friends and associates, without regard to their objective qualifications; could be treated as a form of corruption.

**Cultural determinism** Refers to a conviction that culture determines and dominates our behavioural and emotional approaches to issues of society and existence.

**Cultural pluralism** A term used when small groups within a larger society maintain their unique cultural identities. In a pluralist culture, unique groups not only coexist side by side, but also consider qualities of other groups as traits worth incorporating into their own culture.

**Cultural relativism** The principle that an individual human's beliefs and activities should be interpreted in terms of his or her own culture.

**Dry departments** Government offices that do traditional administrative work and have little contact with the public. Hence dry departments have reduced opportunities for corruption compared with 'wet departments'.

**e-Governance** Refers to government agencies' use of information technology (such as internet and mobile computing) that have the anticipated ability to transform and improve relations with citizens, businesses and other arms of government, as well as reducing corruption.

**Embezzlement** The misappropriation of property or money by a person in a formal position of trust or responsibility over those assets. Could also be a form of corruption, depending on the definition adopted.

**Extortion** Unlawful demand or receipt of money or favour through the use of force or intimidation.

**Extradition** Legal surrender by one country to another of an individual accused or convicted of an offence within the jurisdiction of the other country.

**Favouritism** Abuse of power to favour friends and relatives over others. It can be a form of corruption, for example when a public officer gives priority to his/her family members.

**Fraud** An economic crime involving misrepresentation done to obtain unlawful gains.

**Free-riders** In the context of this report: individuals, concluding that reduced corruption will benefit nearly everyone, leave the hard work and risks of reform to others, knowing they stand to benefit from any successes whether they have participated or not.

**Gift economy** An 'economic system' in which goods and services are given without any explicit agreement for immediate or future *quid pro quo*. Typically, a 'gift economy' occurs in a culture or subculture that emphasizes social or intangible rewards for generosity and gratitude. In some cases, simultaneous or recurring giving serves to circulate and redistribute valuables within a community. This can be considered a form of reciprocal altruism. Sometimes, there is an implicit expectation of the return of comparable goods or services, political support, or the gift being later passed on to a third party.

**Ghost institutions** Institutions that show up on account books but do not actually exist anywhere. Examples include 'ghost schools' that process vouchers without providing education; a form of corruption.

**Ghost workers** Staff that show up on account books but do not actually exist in reality. They are fictitious workers invented to siphon off resources by corrupt persons.

**Graft** (Verb) To obtain money dishonestly by exploiting one's position of power or authority. (Noun) The rewards of corruption: the loot, booty, payoffs, or spoils.

**Grand corruption** Corruption involving substantial amounts of money and usually high-level officials to secure commercial contracts or some other business advantage.

**Grease money** Facilitation payments, usually small amounts of money given to officials to make things move more smoothly and speedily. Usually associated with petty corruption.

**Integrity system** An integrity system is a political and administrative arrangement that encourages integrity (adherence to a set of moral or ethical principles). A country's *National Integrity System* (NIS) comprises the whole of government and non-governmental institutions, laws and practices that can, if functioning properly, minimize levels of corruption and mismanagement. The concept of NIS has been developed and promoted by Transparency International as a framework with which to analyse corruption in a given national context, as well as the adequacy and effectiveness of national anti-corruption efforts.

**Kickback** An illegal secret payment made as a return for a favour or service rendered; a form of corruption.

**Lobbying** An attempt to influence an outcome in favour of or against a specific cause, typically directed at government and elected officials.

**Money laundering** The process whereby the origin of funds generated by illegal means is concealed so that it appears to come from a legitimate source. Money laundering is often used to disguise the proceeds of corruption, and aims at inserting them into economic circulation.

**Nepotism** Granting offices, contracts and benefits to friends and relatives, regardless of merit.

**Perks** Refer to entitlements or favours

bestowed upon an individual based on the office/position held.

**Petty corruption** Corruption involving smaller sums and typically involving more junior officials; also known as administrative corruption or retail corruption. It covers everyday corruption that takes place at the implementation end of policies, where public officials interact with the public. Petty corruption is bribery in connection with the implementation of existing laws, rules and regulations.

**Political will** The demonstrated and credible intent of political actors to attack perceived causes or effects of corruption at a systemic level.

**Principal-agent model** Explains how corruption occurs when an agent betrays the power entrusted in him/her by a principal to pursue his/her own interest by accepting or seeking a benefit from a service seeker, the client.

**Ratification** Defines the international act whereby a state indicates its consent to be bound to a treaty if the parties intended to show their consent by such an act.

**Red tape** Excessive formal rules and procedures, which increases the potential for corrupt interactions and impedes/retards people's access to public services. 'Speed money' is often paid to bypass red tape and speed up transactions.

**Relationship banking** A long-term, intimate and relatively open relationship established between a corporation and its banks. Banks often supply a range of tailor-made services rather than one-off services. In Japan, Relationship Banking is known as

*Kairetsu* – a term also used in many other East Asian countries during and following the economic crisis.

**Rent seeking** Rent seeking generally implies the extraction of uncompensated value from others without making any contribution to productivity, such as by gaining control of land and other pre-existing natural resources, or by imposing burdensome regulations or other government decisions that may affect consumers or businesses. Rent seeking in the aggregate may impose substantial losses on society.

**Right to information legislation** Legislation that gives all citizens and organizations a legal right to demand and obtain information from public bodies and those who are performing public functions, and an obligation on all public bodies to publish, on a proactive or routine basis, key categories of information.

**Speed money** Bribes paid to quicken the delivery of services delayed by bureaucratic holdup (red tape) and shortage of resources.

**State capture** Where the state is held captive to the actions of individuals, groups, or firms who influence the formation of laws, rules, and regulations to serve their private

interests by offering private benefits to public officials, changing the rules of the game. It is a way of ‘legalizing’ corruption.

**System of checks and balances** A mechanism that allows each branch of a government to amend or veto acts of another branch so as to prevent any other branch from exerting too much power.

**Tax haven** A country or independent region where there are no or nominal taxes and there is lack of transparency and minimal exchange of information.

**Wet departments** Government offices that deal with many people outside government and are typically concerned with money, planning, banking, or public enterprises. They are also usually generous with honoraria, allowances, service on committees and boards, and carry many opportunities for foreign training ‘wet’ departments are more vulnerable to corruption than ‘dry’ departments because of their bigger budgets and access to the public.

**Whistle-blower protection** Measures (administrative or legislative) to protect people who alert the public or the authorities about corrupt transactions they have witnessed or uncovered. Whistle-blower protection shields these people from reprisals, from those they expose.

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