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***Governance in the  
Least Developed Countries  
in Asia and Pacific***

***An assessment of the current situation***

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## Table of Content

<b>I. Introduction</b> .....	1
<b>II. LDC's: a privileged group or a doomed minority?</b> .....	1
<b>III. Governance, economic growth and development</b> .....	2
III.1. Good governance as a key development paradigm.....	2
III.2. Impediments to economic growth in the LDCs and importance of governance.....	3
<b>IV. Measuring the quality of governance: governance indicators</b> .....	4
IV.1. LDCs in Asia and the Pacific – divergence.....	4
III.2. Governance indicators for the Asia Pacific LDCs.....	5
III.3. Analysis of the ratings and conclusion .....	6
<b>V. Analsis of some key governance dimensions</b> .....	9
V.1. Parliamentary development and Electoral reforms.....	9
IV.4.. Improving public sector performance.....	11
IV.5. Controlling corruption - Accountability, transparency and ethics in governance .....	13
IV.6. Access to information .....	14
IV.7. Decentralisation and local governance.....	15
IV.8. Human rights and access to justice .....	17
IV.9. LDCs in conflict and post-conflict situations .....	20
<b>V. Good governance at the international level: commitments to support LDCs</b> .....	23
<b>VI. Conclusion</b> .....	27
Annex 1: List of Acronyms.....	29
Annex 2: References.....	30

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*The fact that 10% of the world population living in the 49 Least Developed Countries located in four continents contribute only 0.5 % of the world's GDP remains, by any measure, one of the greatest inequities on the planet » (James Wolfensohn, President of the World Bank<sup>1</sup>).*

*“Removing barriers to trade from these countries poses no serious threat to anyone, but it does provide some of the poorest people on earth with the gift of opportunity that is vital to their future growth and development” (Mike Moore, Secretary General of the World Trade Organisation)*

## I. Introduction

Globalisation has manifested itself as a process of growing inequality and social disparity in the world, both between North and South and between the rich and the poor. The latest HDR (2003) points out that in spite of real global economic growth, worldwide, human suffering is growing. More than one third of developing countries have seen their average per capita income fall, leaving 1.2 billion people in poverty, living on less than 1 US dollar per day. Nearly 60 countries are far off track from achieving the MDGs (UNDP HDR 2003).

The countries in the Asia Pacific region have performed relatively well and some of them even achieved the largest decreases in poverty in human history<sup>2</sup>. But sharp contrasts in the performance of individual countries remain and huge challenges still exist regarding the achievement of specific MDGs, in particular in Asia's LDCs (ESCAP 2003). Today, out of the 50 LDCs, 14 are from the Asia-Pacific region<sup>3</sup>. For more than three decades now, these countries continue their struggle for survival. Rather than pursuing rapid growth, focus is now on achieving equitable and pro-poor economic growth.

Since the UN Millennium Summit in September 2000, human poverty in its multi-dimensional aspects became the prime focus of development, calling on the international community to give special attention to the LDCs. In light of this, the Brussels Plan of Action (PoA) 2001-2010, adopted in June 2001 at the 3th UN Conference on LDCs, singles out a number of cross-cutting priority issues and demands an increased focus on good governance at national and international levels. This paper analyses the specific challenges that LDCs in the Asia-Pacific region are currently facing and addresses the complex and context specific nature of governance in its various dimensions.

## II. LDC's: a privileged group or a doomed minority?

In 1971, the UN General Assembly recognised the existence of a category of low-income countries whose distinctness lies in the profound poverty of their people and in the weakness of their economic, institutional and human resources, often compounded by geophysical handicaps and severe vulnerability to external shocks and disasters<sup>4</sup>. Globalization has further deepened their vulnerability. Since the Millennium Summit, these countries have become the target recipients of a new wave of promises for ODA and pro-poor trade agreements. The 3rd UN Conference on LDCs held in Brussels in May 2001 provided an opportunity to turn the ambitious MDGs and global consensus into concrete action.

But despite many initiatives taken in favour of LDCs, results so far have been below expectations; the previous PoA for the 1990's remained basically unattained<sup>5</sup>. The number of LDCs rose from the original 24 to 50<sup>6</sup> and only one of the original members was able to graduate (Botswana - 1984). The development prospects of many LDCs have even diminished

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1. Speech at the UN Conference on Least Developed Countries, Brussels, May 2001.

2. **China** (from 33% to 10%); **Indonesia** (from 60% to 15%); **Malaysia** (from 18% to 6 %); **Pakistan** (from 54% to 26%); **Korea** (from 23% to 8%); **Thailand** (from 26% to 18%).

3. The list of countries defined as "least developed" is established by the UN General Assembly on the recommendation of the Economic and Social Council (ECOSOC). **Timor-Leste** has just joined the ranks.

4. The current criteria for achieving LDC status are the following: (1) low national income; (2) weak human assets and (3) high economic vulnerability.

5. The first UN Conference on LDCs was in Paris in 1981, the second one in Paris in 1990.

6. Thirty-five of these are in Africa, 14 are in Asia and the Pacific, and one in the Latin America and Caribbean region. Of the 50 LDCs, 16 are landlocked countries and 11 are small island development states (SIDS).

during the last decade<sup>7</sup>, mainly because of declining financial aid, increasing debt burden<sup>8</sup> and persisting trade barriers. Both Seattle and Cancun confirmed the state of indecisiveness and tempered the enthusiasm that generated out of the New York and Monterey conferences.

The pessimists among us will conclude that the quickening pace of globalisation and the increasing digital divide between developed countries and LDCs has left the latter increasingly marginalized. Although the proportion of people living on less than 1 US\$ a day decreased from 30% to 23%, when excluding the China figures the number of people living in extreme poverty actually increased by 28 million (Choices September 2003, 6). For the pessimists, most of the LDCs are to be seen as an ill-fated group of countries that have little prospect for elevation.

The optimists among us will note that pro-poor development is back on the global agenda. "Fifty years ago still more than half the world's population lived on less than 1 US\$ per day. Today, despite a much larger population, the portion of poor people has more than halved (1.2 billion people in a world of more than 6 billion). Accelerating progress in poverty reduction is a challenge, but a world free of extreme poverty is now in our reach"<sup>9</sup>. Despite the disappointments of Seattle and Cancun, the multilateral trading system has changed dramatically since the Uruguay Round, with four out of five WTO members now from the developing world and demanding radical reforms. As mentioned by many observers, "the united position of the developing countries was probably the only positive outcome of Cancun".

New trade agreements and increased ODA in favour of the LDCs is important, but so is political commitment for good governance on the domestic front. Despite economic growth in a number of LDCs, the incidence of poverty remains high (Nepal, Cambodia, Laos, Bhutan, Bangladesh, Kiribati, Vanuatu...). This stems basically from inequity in the distribution of resources and opportunities and disparities in the ownership of and access to productive resources<sup>10</sup>. If not complemented by *domestic* policies to improve governance, pro-LDC trade and aid policies will not necessarily benefit the poor.

Monitoring of and reporting on progress is also a shared responsibility between donors and recipient countries. Unfortunately, LDCs also seem to lack voice when it comes to report on their achievements and progress. Only 9 of them provided inputs<sup>11</sup> to the Secretary General's Report on the Implementation of the PoA (May 2003) and only 10 have designated focal points within their governments to monitor the implementation of the PoA (UN 2003, 21).

### **III. Governance, economic growth and development**

#### ***III.1. Good governance as a key development paradigm***

The focus on good governance as a key development paradigm is fairly recent. Within UNDPs portfolio, democratic governance is now the corporate goal that shows the highest concentration of activities and that receives the largest portion of program expenditures, with 148 country offices reporting results in this area (UNDP MYFF Progress Report 2000-2002). The importance of governance was also stressed in the UN Millennium Declaration. The UN Secretary General reaffirmed at various occasions that "good governance was perhaps the single most important factor in eradicating poverty and promoting development". But since the tangible impact of such complex reforms on poverty eradication is not easy to measure, practitioners continue to debate on the prioritisation and sequencing of governance reforms.

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7. UNCTAD's 2002 Report on the LDCs estimates that people living on less than \$1 a day in these LDCS would reach 420 million by 2015 if the present trend continues

8. E.g. **Nepal's** total external debt burden for 2001-2002 is estimated at USD 2.76 billion or more than twice the annual budget ([www.socwatch.org](http://www.socwatch.org))

9. Mark Malloch Brown, Speech at the Royal Institute for International Affairs, London, January 2003.

10. In **Nepal**, as a result of new trade policies, exports grew by 42.4% in 1999-2000. The share of the private sector in non-agricultural GDP rose to 69.7% in 1998-1999. But progress does not seem to benefit the poor and marginalized communities, as the government fails to promote trade for the small and medium-sized producers.

11. Four were from the Asia Pacific Region (**Bhutan, Cambodia, Laos and Samoa**).

Elaborated research confirms the linkages between good governance and economic performance, and between institutional quality and aid effectiveness and investment levels (Linder & Santiso, 6).

### III.2. Impediments to economic growth in the LDCs and importance of governance

Economic growth, which is one of the vehicles to poverty reduction, is usually associated with the development of manufacturing exports (UN MDP). LDCs however face a number of *impediments* that obstruct such a growth scenario, or even prevent the likelihood of developing a competitive manufacturing sector<sup>12</sup>. Some are inherent to their specific location or biophysical conditions, others such as the quality of governance and economic institutions are influenced by political or economic decision-making and are thus much more subject to possible change.

**Key impediments/risk factors** that influence the prospects of growth and development in a given LDC can be summarised as follows:

#### *Internal impediments*

1. Weak governance (e.g. lack of transparency and respect for human rights, lack of participation, inefficient and ineffective public administration, corruption).
2. Human capacity deficits (in the public as well as in the private sector)
3. Gender discrimination
4. Internal and external human conflicts
5. Deficiencies in communication and infrastructure
6. Environmental degradation

#### *External impediments*

7. Low population density and thus limited internal markets
8. Protectionism and reduced trade opportunities
9. Landlockedness<sup>13</sup> and physical isolation
10. Biophysical barriers (e.g. soil infertility, HIV-AIDS, tropical diseases and other challenges)
11. External debt crisis

The Pacific and South Asian LDCs are considered high risk countries as they face many of these impediments. East Asia is a lower risk region, because of its heavily coastal orientation, larger populations, and less adverse ecological conditions (Millennium Development Project).

Weak governance is generally considered a major constraint to economic development and hence poverty alleviation. But as highlighted in the Millennium Development Project, not all economies are equally well placed to achieve the breakthrough to modern economic growth; in contrast to their system of governance, they also face many impediments that are not the product of their own choices. For these, a focus on good governance will not be sufficient; a multi-dimensional approach that allows to address the particular local stresses on each economy is required. Consequently, the Millennium Development Compact proposes six policy clusters that are crucial for LDCs to break out of the poverty trap.

1. *Investing in human development (health, education, sanitation)*
2. *Investing in agricultural productivity* (to help farmers break out of subsistence farming)
3. *Investing in infrastructure*
4. *Investing in industrial development* (support the emergence of a competitive and diversified manufacturing sector - small and medium enterprises)
5. *Emphasizing human rights and social equity* to ensure that all people have the freedom and voice to influence decisions that affect their life.
6. *Promoting environmental sustainability and improving urban management.*

The Millennium development Compact also recommends the creation of several international forums for technological innovation<sup>14</sup>. All these policies should be implemented with respect for

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12. The structure of exports of Asian and Pacific LDCs showed that more than half the exports came from food and agricultural raw materials and only about a third came from the manufacturing sector (ESCAP nr. 1216, p.5).

13. Although landlocked developing countries take up 12.5% of the world's land area and have 4% of the world's population, their combined GDP accounts for only 0.3% of the world total. Only 0.34% of total world foreign direct investment goes to landlocked developing countries (UNDP, Choices, September 2003).

social equity, human rights and environmental sustainability. Other actors also took explicit policy stands on governance issues:

- At the Brussels Conference, governance was singled out as one of the key cross-cutting priorities. The program identified seven areas of action of which four were directly related to governance : (1) fostering people-centred action ; (2) promoting good governance at national and international level ; (3) building human and institutional capacities and (4) mobilising financial resources, including ODA.
- According to ESCAP, four governance attributes are vital for the achievement of the MDGs: (ESCAP 2003): (1) Efficient and effective administration; (2) Control of corruption; (3) Scrutiny of public sector management by an empowered civil society; (4) Decentralization.
- All multilateral development organisations have stressed the importance of governance<sup>15</sup>.

Around the world, discussions on development are thus placing more and more emphasis on accountable institutions and governance<sup>16</sup>. The UNDP HDR 2002 (Deepening Democracy in a Fragmented World) added that “advancing human development requires governance that is democratic both in form and substance” But the HDR also highlighted the difficulties in conceptualizing unambiguous, uncontroversial indicators for measuring the quality of democratic governance in a given context.

## IV. Measuring the quality of governance: governance indicators

### IV.1. LDCs in Asia and the Pacific – divergence

The Asia-Pacific region is the most diverse region in the world, with huge variations in levels of development (see table hereafter). The region also hosts both the most populous (China - 1 billion people) and the least populous country in the world (Tuvalu - 10,500 people). The region currently has 14 of the 50 LDCs ; 4 among these are landlocked countries and 6 are small islands states<sup>17</sup>. Together, they account for 37% of the population and 46% of GNP of all LDCs.

#### **Timor Leste, the 14<sup>th</sup> LDC in Asia-Pacific**

Timor Leste is Asia's poorest, 85 to 90 percent of urban adults have no jobs, up to half of East Timorese are illiterate and 40% live below the poverty line; small-scale coffee production is virtually the only export industry. Even after revenues from offshore oil and gas production (worth \$6 billion over 20 years) come on stream in 2005, the Southeast Asian country is likely to remain heavily dependent on foreign aid. Foreign donors, meanwhile, pledged \$440 million to East Timor through 2005.

The Asia-Pacific LDCs show considerable divergence in terms of social, economic and cultural conditions and natural resources, institutional capacity and geography. Afghanistan, Bhutan, Lao People's Democratic Republic and Nepal are landlocked while Kiribati, Maldives, Samoa, Solomon Islands, Tuvalu and Vanuatu are SIDS. Cambodia and Laos are in economic transition. Some, like Bangladesh, are relatively large and densely populated, while others, like the Pacific Islands are small and remote. Some of them are emerging from or are still facing domestic security issues (Afghanistan, Nepal, Solomon Islands, Timor Leste). A number of them are also classified among the new or restored democracies and are in the difficult process

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14. E.g. The Agreement on Trade related aspects of property rights (WTO) stipulates that developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to LDC Members.

15. “The MDGs are still achievable but we will only succeed in meeting them if national and global leaders have the vision and courage to first confront the critical issues of Democratic Governance” (Mark M. Brown, HDR 2002). “Which path the international community and emerging countries embark on in the coming years on governance may prove critical for success or failure in providing an appropriate climate for renewed investment and private sector growth in emerging markets, for poverty reduction and, related, for progress towards the MDGs (Daniel Kaufmann, 2002, 3). Good governance is integral to ADB’s strategy to reduce poverty in Asia as it concerns the efficient management of a country’s public resources (ADB website).

16. The introduction of the concept of governance demonstrates the evolution of the idea of development, which from being essentially an economic and technical one, has taken on an increasingly political dimension.

17. In 1971 there were 6 LDCs from Asia (**Afghanistan, Bhutan**, Laos, Maldives, Nepal, Samoa). **Bangladesh** joined in 1975, **Vanuatu** in 1985, **Kiribati** and **Tuvalu** in 1986, **Myanmar** in 1987. **Cambodia** and **Solomon Islands** joined in 1991. **Timor-Leste** joined in 2004.

of nation-building (Afghanistan, Cambodia, Timor Leste). Others, like Myanmar, are authoritarian states that currently show little prospect for democratic reforms.

ODA per capita varies substantively<sup>18</sup>, from 246.6 US\$ in Samoa, to 2.6 US\$ in Myanmar. But except for Myanmar and Solomon Islands, ODA decreased in most countries in the period 1996-2001<sup>19</sup>.

Several LDCs in the region achieved average GDP per capita increases for 1990-2001 of more than 4% (Laos, Bangladesh, Bhutan)<sup>20</sup>. Others, in particular the SIDS, were less well performing<sup>21</sup>. Between 1990 and 2000, export of goods and services as a percentage of GDP increased in almost all LDCs. Exports have doubled in Bangladesh, Nepal and Cambodia. But despite significant economic and social progress, the levels of absolute poverty remain high, indicating that the benefits of such growth are distributed unevenly among the population.

Special attention needs to be given to SIDS. Although these islands states have among the highest GDP per capita and PPP gross national income amongst the Asian LDCs, and the highest life expectancy at birth (from 67.4 in the Maldives to 70 in Samoa), most of them (except Maldives and Samoa) show slow progress on the MDGs<sup>22</sup>. A number of them have also suffered from widespread political unrest and civil disturbances. Poverty levels (in terms of access to basic services and employment opportunities) are particularly high in Kiribati, Vanuatu and Timor Leste. Debt ratios as a percentage of GDP in Maldives and Samoa are among the highest (3.7% and 2.9% respectively). Some of them face very high population growth ratios (3% in the Maldives and 3.3% in Solomon Islands).

### III.2. Governance indicators for the Asia Pacific LDCs.

The Asia Pacific region has many diverse forms of governance. The region historically had strong governments that have steered development from the top down (Indonesia, Malaysia, Singapore, South-Korea, China). These centralised bureaucracies delivered many of the economic rights and achieved a notable reduction in poverty, mainly due to the quality of service delivery, the building up of human resources and professionalism of the public service.

In the 1990's a number of LDCs have been exposed to a crisis in governance manifested by the persistence of corruption, poorly conceived and weakly implemented policies, erosion of social norms and accumulation of political and social conflict. While macro-economic and fiscal performance was strengthened after the Asian crisis, governance and institutional performance remain issues of concern in most of the Asia-Pacific LDCs.

The search for adequate indicators of governance performance has attracted considerable interest from a variety of sources. There exists now a wide variety of country risk ratings and indicators for governance performance<sup>23</sup>, exposing the myth that governance is too hard to define or measure. While most of these indicators do not allow assessing longer-term trends, they all reflect an important shift from the "nature of governing systems" to the "quality of governance" (Linder & Santiso, 17).

The quality of governance in a given country reflects a complex array of factors. Consequently, trying to aggregate a variety of more narrowly focused governance factors into one single indicator for assessing the quality of governance in a country would not be appropriate. The

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18. **Bangladesh** (7.3), **Bhutan** (27.9), **Cambodia** (30.3), **Lao PDR** (45), **Myanmar** (2.6), **Nepal** (16.1), **Maldives** (83.2), **Samoa** (246.6), **Solomon Islands** (130.7) and **Vanuatu** (156.6). (Source: HDR 2003).

19. **Bangladesh** (from 1.2 billion to 1 billion US\$), **Cambodia** (from 422 to 409 million US\$), **Lao PDR** (from 332 million to 243 million US\$). **Myanmar** (from 43 million to 127 million US\$). (Ibid).

20. **Bangladesh** (4.4%), **Bhutan** (7.7%), **Cambodia** (4.5%), **Lao PDR** (5%). **Bhutan** is among the only five LDCs that achieved the growth rate target of 7%. Nine LDCs are likely to reach the investment to GDP ratio of 25% (Lao PDR and **Bhutan** for the Asia-Pacific region). Source: Report of the UN SG on the Implementation of the Brussels PoA.

21. **Nepal** (-0.6%), **Solomon Islands** (-4%), **Tuvalu** (-0.3%). Source : WDR 2004.

22. GDP per capita varies from 614 US\$ in **Kiribati** to 2090 in **Maldives**; in the other LDCs it varies from 236 US\$ in **Nepal** to 644 US\$ in **Bhutan**. PPP Gross National Income varies from 1910 US\$ in **Solomon Islands** to 6180 US\$ in **Samoa** (compared to 1027 US\$ in **Myanmar** and 1860 US\$ in **Cambodia**). (HDR 2003).

23. International Country Risk Guide of the Political Risk Service Group, Freedom House, Transparency International, Polity IV Data Set, Handbook on Democracy Assessment (IDEA), World Bank Indicators, UN Habitat Indicators on Urban Governance, World Competitiveness Yearbook of the Institute for Management Development etc

unbundling of governance into more specific dimensions will better help to highlight the causes, consequences and costs of various forms of governance failures. It also allows to show that there can be a wide variation in institutional quality within a particular country as well as differences in scores between governance indicators within one country<sup>24</sup>. It can also help donors in indentifying key entry points that can operate as true champions for the reforms<sup>25</sup>. But in general, the use of objective and subjective indicators that aim to show the extent of democracy or political and civil rights in countries remains controversial.

Objective indicators (e.g. existence of competitive elections) fail to capture all aspects of democracy. Subjective indicators (e.g. Transparency International, Freedom House<sup>26</sup> or the World Bank) allow capturing more what is meant by the concept of democracy, but because they are subjective, they are open to disagreements and perception biases (HDR 2002, 36). Nonetheless, in order to summarise trends and provide inputs to the debate on the quality of governance, this chapter analyses the 14 Asia Pacific LDCs on the basis of six governance Indicators developed by the World Bank Institute<sup>27</sup> (see table below).

COUNTRY	HDR 2003 Ranking	Voice & Accountability <sup>28</sup>	Political stability	Government effectiveness	Rule of Law	Regulatory quality	Control of corruption
Samoa	70	69.7	74.1	64.4	79.9	52.6	56.2
Maldives	86	25.3	93.5	75.8	66	74.2	59.8
Solomon Isl.	123	60.1	-	6.7	30.4	9.3	22.2
Vanuatu	128	73.2	-	29.4	47.9	20.1	40.2
Cambodia	130	30.3	35.1	33.5	20.1	39.2	20.1
Myanmar	131	1.5	11.9	7.7	2.1	2.1	2.1
Lao PDR	135	3.5	40	22.7	12.9	10.3	3.6
Bhutan	136	13.6	71.9	81.4	58.2	30.9	80.9
Bangladesh	139	29.3	26.5	35.1	26.3	13.9	7.7
Nepal	143	33.3	8.1	36.6	37.6	35.6	46.9
Kiribati	-	82.3	-	60.8	47.9	12.9	40.2
Tuvalu	-	85.9	-	-	-	-	-
Afghanistan	-	11.1	1.1	5.2	2.6	2.6	2.6
East Timor	-	55.6	19.5	24.2	12.4	8.8	37.1
<b>Reg. average</b>		<b>40</b>	<b>43.5</b>	<b>49.3</b>	<b>44.8</b>	<b>39</b>	<b>43</b>

Source: World Bank website (Figures are for the year 2002)

### III.3. Analysis of the ratings and conclusion

#### a) Analysis of ratings

As shown in the table below, for each of the 6 indicators there are two SIDS in the top three performers. On Voice and Accountability, four SIDS countries score highest (Tuvalu, Vanuatu, Kiribati and Samoa). Maldives leads on "political stability"<sup>29</sup> followed by Samoa and Bhutan.

24. A country may score high on control of corruption yet score very low on political freedom and vice-versa.

25. USAID uses a combination of two types of indicators (World Bank and Freedom House) for the purpose of selecting recipient countries for the US Millennium Account.

26. Since 1972, Freedom House has published an annual assessment of the state of freedom (political rights and civil liberties) in 192 countries (www.freedomhouse.org). Its surveys rely on a wide range of sources – including foreign and domestic news reports, publications by NGOs, think tanks and academic analyses etc.

27. The indicators are based on 25 separate data sources at 18 different organizations, including the World Bank itself. The database covers the period 1996-2002 and will be updated regularly (www.info.worldbank.org).

28. E.g. this indicator combines several indicators of the political process (free and fair elections, freedom of the press, civil liberties, political rights, military in politics, change in government, transparency, information to businesses) with indicators on civil liberties and political rights, and press freedom and independence.

29. The **Maldives** are currently facing political turbulence. A country with large number of young people and an employment market that is highly infiltrated by foreign workers, coupled with extremely high population increases (3%) and high population density in the capital Male only, is at risk of explosion. The challenge for the leadership is to decide on the kind of political reforms that will ease these tensions.



“Government effectiveness” is highest in Bhutan and Maldives. Samoa scores high on “rule of law”. Maldives scores high on “regulatory quality”. Bhutan leads on “control of corruption”.

Samoa stands out with top scores in all governance indicators. Maldives is second with a high score in 5 of the 6 governance indicators (lower score on “voice and accountability”). Bhutan is third with a good score on 4 out of the 6 indicators (Bhutan scores lower on “voice and accountability” and on “regulatory quality”).

Not surprising, Afghanistan and Myanmar have the lowest scores on all 6 governance indicators. Laos scores low on 3 indicators and even in the remaining 3, it scores rather weak. Bangladesh, Cambodia and Nepal stand out as being “weak”, with mediocre scores on practically all 6 indicators. Nepal scores very low on “political stability” due to the Maoist insurgence. These are the three countries (with Timor Leste) that receive the largest share of UNDP’s core allocations for the region in the area of democratic governance. Accountability and transparency in Bangladesh seems to have worsened over the past few years. The recent TI Corruption Perceptions Index places the country at the bottom of the list of 133 countries, indicating a high perception of corruption among politicians and public officials. Myanmar is 129 on the list. Laos is not included in the TI index, due to insufficient data.

b) Conclusions on governance indicators in the Asia-Pacific region

The table below summarises the scores on the WB indicators, identifying the stronger and the weaker “governance” performers among the Asia-Pacific LDCs.

<i>Governance Indicator</i>	Afg	Ban	Bhu	Cam	Lao	Mya	Nep	Mal	Kir	Sa	Sol	Tuv	Van
1. Voice & Accountability	▼				▼	▼			□	□		□	□
2. Political stability	▼		□			▼	▼	□		□			
3. Government effectiveness	▼		□			▼		□		□	▼		
4. Rule of law	▼		□		▼	▼		□		□			
5. Regulatory quality	▼					▼		□		□	▼		
6. Control of corruption	▼	▼	□		▼	▼		□		□			

□ : Top performers

▼ : Weakest performers

The two countries that score highest on most governance indicators (Samoa and Maldives) are also the ones that rank highest on the Human Development Index. Bhutan is ranked among the top three with regard to governance indicators, yet has a much lower human development ranking (lower than Cambodia, Myanmar and Laos).

The governance indicators on which both Samoa and Maldives score highest are **(a) political stability, (b) rule of law, (c) government effectiveness, (d) regulatory quality and (e) control of corruption**. But the country that has the highest level of human development (Samoa) also scores high on “voice and accountability”.

The table allows to draw some preliminary conclusions. **First**, for some of the governance indicators, the link to poverty seems to be more obvious than for others. *Corruption* has a negative impact on development, whether it occurs in a post-conflict situation or in a politically stable country. Measures to control corruption therefore benefit development and poverty reduction. Yet for other indicators, the link is less clear. *Regulatory quality* is important, so is adherence to the *rule of law* (rights-based approach with particular attention to disadvantaged groups) and the functioning of an *effective government* apparatus. But the immediate correlation may be less obvious when analysing these general indicators more in detail. Government effectiveness is key, but depending on local circumstances, an effective government can be highly centralised or decentralised; it can be lean or heavily bureaucratic; it

can rely heavily on ICT applications; it can be very participative or it can be more autocratic<sup>30</sup>. Trying to seek a positive correlation between decentralised governance (or fiscal decentralisation) and poverty reduction is more difficult. **Second**, as witnessed in other countries, “voice and accountability”, may not be the key determinant for massive poverty reduction (eg China, Vietnam), but if cultivated in a climate of political stability<sup>31</sup>, it has an impact on the level of human development. **Third**, “political stability” appears to be a key condition for reaching certain development goals. This seems to indicate the need for an incremental process when deciding on the implementation of democratic reforms.

There is a consensus in the international community that democracy is a universal value shared by all peoples and that good governance is essential to poverty reduction and sustainable development in any country. But a number of studies and international conferences have confirmed that democratic governance is not sustainable, unless (1) there is empowerment of people leading to the sharing of democratic values among a broad segment of the population, (2) there are economic and social underpinnings to sustain and spread the benefits of democratic values, (3) there is a solid partnership and solidarity among different actors of society both at the local and national levels to promote democratic values and institutions and (4) policies, programmes and projects in support of democratic governance both at central and local levels are not imposed by the donor community. ***Without these conditions in place, the benefits of democratic governance may not reach the poor and voiceless.***

Consequently, there is a need for pragmatism, flexibility and caution when measuring the quality of governance in a diverse group of LDCs. Democratic governance relies on strong foundations (economic, social and political) which require time to anchor in society. Building, strengthening and consolidating *the economic foundations* for democratisation includes promoting sustainable growth, employment expansion, skill development, poverty reduction and income distribution. Building, strengthening and consolidating *the social foundations* for democratisation include educating children and adults on democratic values, tolerance for different opinions, a culture of trust and solidarity within the community and adherence to cultural and spiritual values. Building, strengthening and consolidating *the political foundations* for democratisation will include the protection of child and human rights, freedom of beliefs and creed, freedom of association and press, parliamentary representation and fair election<sup>32</sup>.

Based on the above, care should be given not to rush straight to prioritising political reforms without due regard to the political, social and economic foundations for democratisation. The relative weight that is given to various governance components, depends on a country's economic, political, institutional financial, social and physical environment, in a particular period of time. In practice this means that, in a specific LDC, it may be much more important to focus on health and education, even through a top-down bureaucratic approach that promotes efficient allocation of resources and transparent and accountable resources management. In other countries, the key issue may involve access to justice and human rights or the key issue could be civil service and financial reforms. Depending upon different stages of economic, social and political development of the countries concerned, there exist a diversity of approaches and routes to democratisation, and time may be required to build and consolidate all three foundations. The challenge is to maintain political stability while ensuring an incremental path towards further reforms, tailored to the local context. UNDP's definitions of governance and democracy allow enough space to accommodate such a variety of models.<sup>33</sup>

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30. As mentioned above, there have been other countries in the Asia-Pacific region that achieved high performance in many areas under a more centralised and relatively authoritarian regime.

31. Although autocratic polities appear to have had twice the incidence of violent conflict as democratic polities over the past 100 years, transitional polities had twice the incidence of violent conflict as autocratic polities over the same period. Rapid transition from one political state to another tends to increase the level of stress and thus increase the likelihood of instability (UNDP Licus, 3).

32. UNDP, Promoting Democratic Governance in East Asia, Project Document (draft)

33. UNDP defines **governance** as “the exercise of economic political and administrative authority to manage a country's affairs at all levels and comprising the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their rights, meet their obligations and mediate their differences”. **Democracy** is defined as “a set of principles and core values that allow poor people to gain power through participation while protecting them from arbitrary, unaccountable actions in their lives by governments, multinational corporations and other forces (HDR 2002).

While acknowledging the importance of good governance for economic development<sup>34</sup>, the preliminary conclusion is that democratic governance is a complex and multifaceted process the sequencing of which needs to be adapted to the local circumstances. Most importantly, while there are core principles inherent to a good governance programme (transparency, accountability, predictability; equity, rule of law, participation, etc.) their application in a given economic, social and political context requires careful analysis of the environment and adaptation. It may thus be more correct to say that “*depending on the political, economic and social context, some dimensions of governance will stand out to be more important than others for the eradication of poverty*”.

Although a possible correlation between good governance indicators and poverty alleviation remains hard to prove<sup>35</sup> from the table above it would seem that all six governance indicators carry an important weight in furthering human development and in the fight against poverty in LDCs, yet their respective value in a given context will depend on other variables. Hence the call for caution when trying to make comparisons between different countries on the basis of such governance indicators.

Another interesting conclusion is on cultural diversity. The three countries that scored highest on all governance indicators are Maldives, Bhutan and Samoa. Maldives is a Muslim island state. Bhutan is a Buddhist landlocked country and Samoa is a Catholic Pacific Island. All top performers have different social and religious structures and also substantively different governance systems. This would debunk the myth that development successes and failures are driven by culture or religion. It also points to the need for a good understanding of the cultural and social values that inform policy choices for development<sup>36</sup>.

The following chapter will analyse some governance indicators more in detail, through the lens of two of UNDP’s core practices namely “Democratic Governance” and “Conflict Prevention and Recovery”. This additional analysis will allow to deepen the reflection on the kind of governance reforms that would be critical for further development in the LDCs of the Asia-Pacific region. Within a human rights-based approach, UNDP focuses in particular on issues of gender equality, equal access, representation, participation and transparency. Gender is thus no longer a stand-alone indicator but a cross-cutting issue that needs to be mainstreamed through all the different service lines of the governance and conflict prevention practices.

## V. Analysis of some key governance dimensions

### V.1. Parliamentary development and Electoral reforms

*Sustained poverty reduction requires equitable economic growth – but it also requires that poor people have political power. And the best way to achieve that is by building strong and deep forms of democratic governance. We have to recognise that democracy is not an event. It’s not just an election, but a long-term process. ... What is now needed ...is to deepen democratic culture in states that struggle to make it work* (Mark Malloch Brown – UNDP Administrator).

Today, the number of people living in free countries has grown to 2.7 billion people or almost 44% of the global population. But while 121 countries are now considered electoral democracies, only 89 out of these have an environment in which there is broad respect for human rights and a stable rule of law. 32 electoral democracies fail to provide systematic protection for basic civil liberties (Karatnicky, 7). The status of democracy in the 14 LDCs of the

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34. In countries with high levels of transparency, effective parliamentary oversight and high standards of corporate ethics, there was a higher rate of GDP growth than in countries with lower levels (Kaufmann 2002, 19).

35. **Vietnam** and **China** are not model democratic countries (according to Western standards), yet they achieved high GDP growth and were very successful in their poverty alleviation policies. **Gambia** and **Tunisia** have the same score on the governance index (0.47) yet Gambia’s GDP shrunk by 0.2% per year while Tunisia with its proximity to European markets saw an average growth of 2.8%. Thus countries with similar governance scores often witness serious discrepancies in economic performance (McArthur & Sacks, 22).

36 **Bhutan’s** concept of **Gross National Happiness** places the individual at the centre of development, recognising that he/she has material but also spiritual and emotional needs. It asserts that national development can not exclusively be defined in terms of increased consumption of goods & services (HDR Bhutan 2000, 19). The pursuit of GNH calls for a multi-dimensional approach to development that seeks to maintain harmony between four constituents of happiness: economic development, environmental preservation, cultural and spiritual values and good governance

Asia Pacific region also remains fragile<sup>37</sup>. There are different reasons for this: (1) corruption (Cambodia, Nepal and Bangladesh), (2) religious and ethnic tensions, civil war and insurgencies (Nepal), (3) post-conflict (Timor Leste<sup>38</sup>), (4) powerful interest groups and wide discrepancies in income (Bangladesh, Cambodia, Laos) and (5) distance between politicians and their constituencies (Solomon Islands<sup>39</sup>).

The importance of regular and transparent elections and of a well-functioning parliament lies in its role in controlling the effectiveness of government and its contribution to combatting corruption. But in many LDCs, the legislature is either powerless, or disconnected and unaccountable to the poor. UNDP's support includes building the capacities of parliaments and legislators to ensure effective oversight over the government's operations. A more recent approach is to focus interventions on promoting a more "issue-based" engagement of Parliamentarians in areas that have a direct impact on achieving the MDGs: trade, ICT for development, human rights, gender, environmental management and anti-corruption (e.g. Cambodia, Vietnam, Bangladesh, Laos).

Increasingly also, governments are requesting UNDP to go beyond the pre-election coordinating and support role, and to engage in post-election support also at the local levels<sup>40</sup> (e.g. Bhutan, Bangladesh, Cambodia). People's participation should also materialize through the existence of a more vibrant civil society, enabled to monitor government's actions<sup>41</sup>. Indeed, in many LDCs in the region, participative governance remains very weak. So far, the focus of the governance-poverty debate has been largely on the supply side, less attention is paid to the 'demand' for good governance. "Demand" for good governance is hampered by lack of involvement of civil society and weak social mobilisation, often caused by lack of education and lack of information and by the fact that the poor are usually represented by others (political parties and interest groups), each with different agendas and priorities. The deepening of democracy therefore requires a progressive shift from individual-centred democracies to party-centred democracies to people's centred democracies, that provide more scope for direct participation of citizens in decision-making.

Such demand for democratic governance needs to emerge within a given economic, social and political context. Past and recent lessons learned (e.g. Burundi, Afghanistan, Iraq<sup>42</sup>) indicate the need for a careful analysis of the economic, social and political foundations of democratisation, before rushing into political reforms<sup>43</sup>. But there is also the example of Timor-Leste, where political reforms have been launched early in the process. In contrast to Burundi, Afghanistan and Iraq, the relative (albeit still fragile) success of the democratisation process in Timor is probably due to the strong social cohesion and the legacy of broad popular support for the revolutionary movement that now controls the political scene. Nonetheless, such social cohesion may wane rapidly if the new government cannot deliver on its promises for more employment, especially for the younger generation.

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37. In **Cambodia**, between January 2001 and January 2002, 15 opposition members and candidates were killed (Human Rights Watch). The National Assembly does not provide a significant check to executive power. **Bangladesh** remained plagued by lawlessness, corruption, and violent political turbulence during 2002. 140 people were killed during the 2001 elections. In the **Maldives** political parties are officially discouraged, and candidates run as individuals. In 2001, Amnesty International reported that 42 people, including 3 parliamentarians filed a petition for permission to set up the Maldivian Democratic Party. The president decided against the petition. ([www.freedomhouse.org](http://www.freedomhouse.org))

38. Direct elections in **Timor-Leste** led to the country joining the ranks of electoral democracies. But a strong parliamentary opposition and vibrant media and CSOs are still not sufficiently developed (Karatnycky, 10).

39. In the **Solomon Islands**, the national legislature is located in the capital, and is out of direct reach of most of the rural population, except during times of national elections. The Solomon Islanders are now considering moves towards a federal system of government.

40. In **Bangladesh**, UNDP trained a large number of election officials and law enforcement officers and helped to computerise the voter roll and carry out voter education, focusing on women and marginalized groups.

41. In **Nepal**, a nascent democracy, relations between the government and the citizens are crucial as they will help the national government to gain and sustain its legitimacy. But even in one-party regimes, improving people's participation is not impossible, as witnessed recently in **Laos** during the preparation of the NGPES.

42. E.g. the recent UN mission to Baghdad (February 2004) to advise the Secretary General on the right timing for Parliamentary elections in **Iraq**.

43. In November 2001, **Bhutan** began the process of drafting a constitution for the country. The Bhutanese are trying to develop a unique political system that draws upon the strengths of Bhutan's ancient culture and traditions while incorporating useful elements of western democracy.

To conclude, evidence would suggest that countries that improve their rule of law, control corruption and promote voice and accountability can expect about a four-fold increase in incomes per capita in the long term, and major improvement in literacy and in child mortality (World Bank). However, the hypotheses that economic growth accelerates in an environment of political freedom is conditioned by the presence of a climate of relative political stability, and the presence of certain economic, social and political foundations that allow for some form of democracy to consolidate<sup>44</sup>. Democratic governance is not a discipline that can be lectured and then adopted rapidly; for it to become effective, it requires a societal transformation and the development of a new political culture that, depending on local context and history, often takes a few generations to consolidate.

#### IV.4.. Improving public sector performance

*“An efficient, accountable, effective and transparent public administration, at both the national and international levels, has a key role to play in the implementation of internationally agreed goals, including the MDGs” (Resolution 57/277 of the General Assembly on Public Administration and Development).*

The relatively underdeveloped private sector in many of the LDCs requires governments to play a major role in the delivery of services and the provision of much needed economic infrastructure. Yet, apart from Bhutan, Maldives, Samoa and Kiribati all other LDCs in the region score low on “government effectiveness”. On « regulatory quality » also all LDCs, except Samoa and Maldives, score below the regional average. Apart from corruption problems, the lack of fiscal discipline and sound expenditure management and deficient service delivery appear to be the main problems.

Public sector reforms, which are among the cornerstones of government effectiveness, have been undertaken in nearly all the 14 LDCs in the Asia Pacific region. But despite a substantive amount of resources allocated to this sector, results over the years remain mixed, with slow pace of implementation<sup>45</sup>. Lack of political commitment and insufficient acknowledgment, on behalf of the donors, of the highly political nature of civil service reforms are among the main reasons. But still insufficient research is done on how to achieve high performance in government organisations, and even less on how this relates to successes in poverty reduction. While so far, the universal model of civil-service reform espoused the implementation of a depoliticized, merit-based system and discounting political appointments and promotions, increasingly donors now acknowledge the reality that most elected governments tend to secure the services of a cadre of trusted senior personnel. Therefore, merit-based human resource management also needs to ensure that political appointments are linked to merit selections and counterbalanced by an effective system of checks and balances. In many LDCs however, traditional patronage systems remain, checks and balances are weak and politicians maintain important discretionary powers over recruitments and promotions.

Overall, we see three types of public sector reforms in the LDCs in the region. The first one is adjusted to the countries in transition from a centrally planned economy to a market economy (Laos and Cambodia). In these countries, public sector improvement is tackled through incremental reforms, that feature flexibility and pragmatism<sup>46</sup>. The second one applies to countries that are emerging from a crisis or war and that face the massive task of nation building often on the ruins of a devastated public administration (Afghanistan<sup>47</sup> and East

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44 . Several LDCs in the region are slowly moving ahead with various forms of democratic reforms. Late 2003, the Lao Government presented its Policy Paper on Governance “Public Sector reforms, People’s participation, Rule of Law and Sound Financial Management to the Donor Community. The overriding theme of Bhutan’s modernization process today is People’s Participation and Decentralization.

45. E.g. In Bangladesh, the Public Administration Reform Commission was established in 1996. Its recommendations are still under consideration (Keuleers, PAR in Bangladesh, Mission Report, 5).

46. Both the Governance and Public Administration Reform Program (Laos) and the Partnership for Local Governance and the Support to the Committee for Administrative Reform (Cambodia) tackle central government reforms, decentralisation, deconcentration and the modernization of civil service personnel management.

47. Key elements of the public administration reform sub- component of the UNDP program include civil service legal framework, personnel management, institutional and functional streamlining, financial management and accountability, policy management and machinery of government and physical infrastructure. The program will further support in-

Timor). Rehabilitating basic social services and restoring law and order are part of the priorities. In the third category of LDCs management has deteriorated so badly that crisis-management requires an almost exclusive focus on restoring fiscal and monetary discipline, and measures to restore civil service performance and cost-effectiveness. This situation prevailed in several of the Pacific Islands<sup>48</sup>. Most of the reforms focused on redressing macro-economic stability through the introduction of output-based budgeting, public sector downsizing<sup>49</sup>, performance accountability, improved revenue collection, privatisation of SOE, regulatory reforms and the strengthening of parliamentary oversight.

But despite massive support, government effectiveness and regulatory quality in most of these Pacific Islands remains weak. The main reason is probably the lack of national ownership over the reforms, that essentially mirrored the New Zealand model (featuring extensive privatization, output based budgeting and the introduction of private sector management approaches)<sup>50</sup>. Overall, there has been a bias towards the macro-economic aspects of reforms and reducing public expenditures, sometimes even at the expense of public sector effectiveness (ADB 1999). Questions related to equitable service delivery, mechanisms for client feedback and clear and transparent regulations seems to have been less prioritised. Cultural aspects also seem to have been overlooked<sup>51</sup>.

Caution with privatization in LDCs, with small internal markets, distant external markets and high vulnerability to economic and natural risks is thus required<sup>52</sup>. "What matters is not so much who delivers, but whether the mechanism that delivers key services also strengthens poor people's ability to monitor and discipline providers, raises their voice in policy making and gets them the effective services they need for their families" (WDR 2004). The problem in many LDCs is that, whatever the delivery mechanism chosen, funds for service delivery and poverty reduction often fail to reach the poor<sup>53</sup>. Therefore, while tax reforms and expenditure management reforms are important, it is equally important to get in place internal and external systems for control and monitoring, including, where feasible, mechanisms for public participation in monitoring the quality of service delivery<sup>54</sup> and "Public Expenditure Tracking Systems (PETS)"<sup>55</sup>. No size fits all and the type of service delivery mechanism needs to be tailored to the characteristics of the service and circumstances of the country. Also, changes in management approaches and attitudes need time for the people to acquire new skills and to integrate new values and motivations<sup>56</sup>. Without these accompanying measures, the reforms can not be sustainable.

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service training and formal training of civil servants and capacity building of Government training institutes (Note of the Administrator on **Afghanistan**, 2003)

48. In the **Solomon Islands** in the 1980's government expenditures as a percentage of GDP grew to one of the highest in the world. A ballooning public sector (consuming up to 90% of the total recurrent revenue – NHDR 2000) led to unsustainable budget deficits funded by domestic and external borrowing that led to unmanageable debt burdens. In **Vanuatu** also, external debt grew rapidly between the mid 1980's and mid 1990's. **Samoa** is an exception. In Samoa, reforms were largely local initiatives, undertaken out of conviction of their appropriateness and formulated through a broad consultative and participative process

49. In The **Solomon Islands** the payroll was reduced by 9% between 1998-2000, in **Vanuatu** the government workforce was reduced by 10% in 1996.

50. The cost of introducing the new system has not been explicitly weighed against the purported benefits (ADB, **Tuvalu**, p. 60). "To attempt output based budgeting was to strain administrative and technical capacities further... Introducing these new and over-ambitious systems may have been counterproductive ... and may even have crowded out existing good practice" (ADB, 2002, **Tuvalu**, p. 61).

51. It is not clear how departmental autonomy on hiring and wages combined with fixed-term contracts would work in practice in a small society (**Samoa**) where family and kinship ties are particularly strong (ADB 1999, 120).

52. "While there are frequent problems with public services, it would be wrong to conclude that government should give up and leave everything to the private sector. No country has achieved significant improvement in child mortality and primary education without government involvement". (WDR, 2004).

53. **Nepal** saw only small increase in primary enrolment and completion rates despite the fact that expenditure on education had increased. The Middle East and North Africa region spend more on public education than any other developing region, yet it has some of the highest rates of youth illiteracy in the world (WDR 2004).

54. Participatory budgeting and gender-responsive budgeting have helped to reallocate spending to HD priorities and led to the inclusion of gender-sensitive analysis in policy making. Gender sensitive budgeting helps to ensure consistency between social commitments to achieve gender equality goals, and the resources being allocated.

55. The Center on Budget and Policy Priorities, a Washington-based NGO, has adopted the fiscal transparency code to review budget transparency in a number of countries, including **Nepal** and **Bangladesh**. The centre aims to increase civil participation in the budget process with a pro-poor and pro-environment focus ([www.internationalbudget.org](http://www.internationalbudget.org)).

56. In **Bangladesh**, UNDP will focus its support on recruitment practices and training of civil servants, including the mainstreaming of ethics in civil service training programs.

To conclude, where there is a need to restore greater efficiency in resource management, the quality of service delivery should not be overlooked. In other LDCs where the bureaucracy is characterized by red tape and inertia the focus has to be much more on changing attitudes, aiming to create a transparent, accountable and more client-oriented public service. Strengthening control mechanisms is imperative before one can move on to fiscal decentralisation. More ambitious reforms aiming for the development of a democratic culture, will require more time to develop. But democracy has many faces and even a one-party state can find innovative ways to boost participative governance, beyond the traditional mass organisations. Finally, while reforms have been slow, donors need to understand that PAR is a long-term political process. Increasing the speed of the reforms risks jeopardizing national ownership and long-term sustainability.

#### IV.5. Controlling corruption - Accountability, transparency and ethics in governance

Corruption remains a serious problem worldwide and in the Asia-Pacific region. LDCs seem to be particularly affected. The most recent TI Corruption Perceptions Index 2003<sup>57</sup> highlights that nine out of ten developing countries urgently need support to fight corruption. **Bangladesh** now has the sad privilege to be listed at the bottom end of the 133 country-list.

A number of studies have investigated the impact of corruption on growth inequality and poverty. High levels of corruption significantly aggravate poverty. Corruption reduces expenditures for social services, feeds inequality and injustice, discourages foreign investment<sup>58</sup> and aid and fosters the decline of moral values and respect for democratic institutions. The Brussels PoA therefore calls for the strengthening of efforts to fight corruption by strengthening anti-corruption laws and their effective application.

Corruption is a very politicised problem that is essentially grounded on vested interests. Democracy does not automatically curb corruption<sup>59</sup>. Therefore, strong political will and a strong anti-corruption and ethical culture<sup>60</sup> are considered crucial. An ethical infrastructure includes, inter alia, regulations aiming for the establishment of a professional and client-oriented civil service, mechanisms for financial, administrative and political accountability, systems to promote sound financial management, increased capacity for systematic auditing<sup>61</sup>, accountable aid management, higher standards for transparency and predictability in procedures, in particular procurement, licensing and contracting services.

Combatting corruption is thus one of the key governance indicators that has a direct impact on poverty. Anti-corruption measures, including aspects of accountability, transparency and ethics and integrity cut across all other dimensions of any governance and economic reform program and affect all other measures and institutions of good governance<sup>62</sup>. A free independent media is another pillar of accountability. Unfortunately, the transparency record of the LDCs in the Asia-Pacific region is not encouraging (see next section).

Most LDCs in the region also face serious constraints related to the quality of social indicators and economic and financial data<sup>63</sup>. While lack of capacity is one of the reasons, deliberate

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57. The TI Index 2003 ranks 133 countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is based on surveys carried out among business people, academics and analysts.

58. If **Bangladesh** were able to reduce corruption levels, average annual growth rates would most probably increase by more than 2 percentage points. An extra 2-3 % increase in economic growth could cut the incidence of extreme poverty from the current 36% to 11% by the year 2020. (in Raghav, p. 39).

59. **Bangladesh** is a democratic country that scores very poorly on the corruption index. In contrast, **Cuba** scores relatively high on the TI Index (43). Authoritarian rule does not curb corruption either. **Myanmar** is only 4 places behind Bangladesh on the TI Index.

60. In **Bangladesh**, a survey of primary health care facilities found the absenteeism rate among doctors to be 74%. In random visits to 200 primary schools in India, investigators found no teaching activity in half of them (WDR 2004).

61. 88% of the countries surveyed have inactive and/or ineffective internal audit systems. 88% also are not capable to produce timely, functionally-based expenditure reports from core accounting data (IMF, March 2002, 13).

62. Several toolkits to support accountability and transparency assessments are currently available. UNDP has the CONTACT manual (Country Assessment in Accountability and Transparency); the World Bank and the EU have recently launched a Public Expenditure and Financial Accountability Program; the IMF uses its « Reports on Observance of Standards and Codes – ROSCs » which aim to examine the clarity of fiscal management; the ADB carries out governance assessments, which also cover some of the same ground as the other instruments.

63. Using data from the IMF Kaufmann was able to identify only 13 out of the 74 potential candidates for support under the US Millennium Challenge Account that had complete budget deficit data for 1998-2000.

information hoarding by governments is also frequent. For this reason, the Brussels PoA stressed the need to support the LDCs in creating and promoting a comprehensive and integrated information base.

While there is no single model to fight corruption, and the traditional approach of establishing anti-corruption agencies and voting anti-corruption laws may not yield the desired outcome in countries where institutional charisma is weak, the following are some suggestions for supporting LDCs in anti-corruption campaigns:

- A four pronged approach to fighting corruption is usually suggested covering: prevention, enforcement, public awareness and coalition building.
- Identification of key champions within government, civil society and the private sector and creation of a coalition of stakeholders who would lead anti-corruption efforts (also at the local level).
- An in-depth assessment of the governance institutions, systems and processes is needed to determine areas and target groups most vulnerable to corruption. « Irrespective of what the data collection may reveal, the very fact and process of embarking on these diagnostics is in itself an important pro-governance and pro-transparency move ». (Kaufmann & Kaay, 14).
- Continue to seek coalition with the leadership (elected officials as well as the traditional chiefs).
- Building checks and balances within the reform process that span government as well as non-government actors: e.g. monitoring by independent think tanks and advocacy groups (e.g. report cards); social audits performed by CSOs; Public Expenditure Tracking Systems (PETS<sup>64</sup>).
- Focus attention on the political aspects of the reform (transparency and access to information, diminishing of discretion, clarity regarding lines of accountability and space for citizens to hold officials and service providers accountable) and strengthen prevention within institutions.

The UN Convention against Corruption (UNCAC) was signed in December 2003 by 95 countries. Efforts to secure ratifications are underway, and the Convention will enter into force when thirty ratifications have been obtained. The UNCAC provides a comprehensive framework for dealing with international and domestic corruption in the public and private sectors. UNCAC recognizes the need for capacity building and technical assistance and provides opportunities for collaboration between different UN agencies. The most challenging phase will be to transform treaty provisions into action programs.

#### IV.6. Access to information

##### **Freedom of the Press in Asia and the Pacific**

In **Cambodia**, a press law from 1995 permits the Information Ministry to suspend newspapers and broadly prohibits publishing articles that affect national security or political stability. In **Bangladesh**, journalists face considerable pressure from organized-crime groups, political parties, etc. A report published by Reporters Sans Frontieres in June 2003 alleged that Bangladesh had the highest incidence worldwide of violence against members of the press. In **Bhutan** criticism of the political system is not tolerated. In **Myanmar**, the junta sharply restricts press freedom, owning or tightly controlling all daily newspapers and radio and television stations and jailing dissident journalists. In the **Maldives** the law allows authorities to shut newspapers and sanction journalists for articles containing unfounded criticism of the government. In **Nepal**, conditions for journalists deteriorated sharply in 2002, due to emergency regulations that restricted press and publication rights as well as free access to information. In **Laos**, all newspapers are state controlled. The Anti-corruption decree stipulates that journalist, prior to reporting on corrupt practices, must first seek authorisation from relevant organisations. (*Freedom House*).

In many developing countries, restrictions remain on basic civil liberties – the rights to free speech, assembly and information. Access to information (one of UNDP's new service lines) and freedom of expression are basic human rights which are considered prerequisites for ensuring voice and participation and thus a key weapon in the fight against poverty and corruption. A healthy democratic culture, whatever its form, depends on an open society.

Access to information laws are critical tools but these also require certain foundations to be meaningful and applicable. Although the Constitutions of many LDCs guarantee the right to information, the denial of such right remains widespread. Recent health concerns (such as HIV-AIDS and SARS) as well as environmental degradation have somewhat fueled the demand for

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64. In **Uganda**, the first PETS (early 90's) indicated that 90% of funds intended for primary schools were diverted before they reached the schools. Ten years later that figure was reduced to only 10%. All transfers of funds are now advertised and school committees have been trained on how to use that information and take action if necessary.



access to information but in traditionally secretive bureaucracies information itself remains a source of power which people do not want to share. Certain foundations need to be in place (appeals mechanisms, an information-sharing culture, whistleblower protection etc.) many of which are still lacking in LDCs. Freedom of Information laws may be premature for certain countries, but a more vigorous culture of openness, a strong civil society and government supported public information campaigns can produce real advances even without a law being in place. Also important is the training of media personnel and increasing the number of female media professionals. The internet offers many new opportunities to facilitate government's interaction with citizens and the private sector. Internet users are rapidly increasing in many LDCs, especially in the urban centers. The majority of the 14 governments have seized the opportunities and now have websites with official information.

But most of these technologies are inaccessible to the poor. In several countries, UNDP therefore supports efforts to make media outlets freely available to the poor. Budget hearings, PETS as well as "one-stop-shops"<sup>65</sup> also offer a valid mechanism for facilitating access to information on government services and benefits.

#### IV.7. Decentralisation and local governance<sup>66</sup>

In line with the democratization wave of the past 15 years, an increasing number of countries, including LDCs are narrowing the gap between urban and rural areas and between central government and local communities through the implementation of various decentralisation policies<sup>67</sup>. This explains the steep rise in local governance issues in many LDCs. Because decentralisation and good local governance increase the possibility of people's participation in the development process, it is generally assumed that there is a positive correlation between decentralization and poverty reduction. But despite considerable decentralization in the Asian region over the past decade, the benefits of development still haven't been distributed equitably for the benefit of the poor. While links between decentralization and poverty reduction have been noted<sup>68</sup>, a serious debate continues on whether the two are necessarily mutually supportive<sup>69</sup>.

The success of decentralisation policies depends mainly upon the existence of an appropriate set of conditions (political, social, cultural, economic and physical) and capacity of institutions both at central and local levels<sup>70</sup>. In many LDCs, such favorable conditions are not in place<sup>71</sup>. To limit the risks, the Brussels Programme of Action proposes to « *promote broad based popular participation in development, inter alia through decentralization, where appropriate* ».

For example, devolution seems to increase the risks of local misuse of funds or corruption as more funds and more powers are devolved to a new untrained local leadership and local administration (Fjeldstad 20). Capacity demands and constraints<sup>72</sup>, especially for financial

65. Learning from Vietnam where the one-stop-shop concept was piloted in Ho Chi Minh City and then replicated throughout the country, **Laos** is now also starting to test the one-stop-shop idea in two pilot provinces.

66. Decentralisation usually falls into two main categories : (1) deconcentration or administrative decentralisation and (2) devolution or political decentralisation. *Local governance* comprises "a set of institutions, mechanisms and processes through which citizens and their groups can articulate their interests and needs, mediate their differences and exercise their rights and obligations, at the local level".

67. Most LDCs in the region are involved in some form of decentralisation. **Tuvalu** has a population of some 10,000 people but there is strong popular pressure to transfer powers and resources from the capital to the outer islands.

68. The ESCAP Report (2003) also mentions « decentralisation » as vital for the achievement of the MDGs.

69. To feed this debate, UNDP's Regional Governance Programme for Asia in 2003 launched a project « Decentralised Governance and Poverty Reduction in Asia ».

70. E.g. although both countries were centralised, **South Korea** achieved far better service delivery at the local level than **India**, because of the existence of stronger communication and monitoring mechanisms (Fjeldstad 2003, 11).

71. In **Bhutan** there is a need to clarify service delivery responsibilities before one can decide on the amount of funding required to execute those functions (Larsen p. 5). In **Cambodia**, an important gap in the decentralisation process is the absence of a strategy for implementing the deconcentration policies. In **Laos**, the decentralisation policy launched in the 1980's failed for two reasons: (1) key macro-economic functions such had also been devolved to or shared with the local authorities; (2) no control systems had been put in place to ensure the safeguarding of national interests. Since 2000, the government launched a policy of improved deconcentration (Laos NHDR 2000).

72. The constraints that hamper the embryonic decentralised system in **Cambodia** include tight budgets, limited financial autonomy, over-reliance on external funds, bureaucratic resistance, a lack of social cohesion, limited community involvement in decision-making and the prevailing power structure in the villages. The benefits to the poor from decentralised initiatives in the short term are likely to be limited

management are also much more stringent<sup>73</sup>. Based on cross-country data of 78 countries, de Melo & Barenstein concluded that the higher the share of grants from central (or provincial) government, the stronger the correlation between decentralisation and good governance (de Melo & Barenstein, 14). Crook adds that locally raised revenues in LDCs are almost by definition inadequate (Crook, 10). But most interesting, research reveals that “governments of countries that are administratively decentralized (deconcentration) tend to spend a higher proportion of their revenues on pro-poor social spending while politically decentralized states spend little on social sectors. The research concludes that “there is no consistent, significant statistical association between the degree of fiscal decentralization and pro-poor public spending”<sup>74</sup>.

Another problem is the over-reliance on donor funding to support the decentralization and local governance programs<sup>75</sup>. Also important is to carefully study the political context<sup>76</sup> as well as social implications of poverty such as migration to the urban areas to escape rural poverty, creating additional urban poverty problems<sup>77</sup> (social exclusion, unemployment and lack of social networks, childlabour, environmental and sanitary degradation, violence and juvenal crime, prostitution and HIV-AIDS exposure). It is also common for local self-governing institutions to be captured by the local elites, so that little or no redistribution in favor of the poor takes place<sup>78</sup>. The extent of capture depends on the level of social inequality, regularity and fairness of elections<sup>79</sup>, transparency in decision making and media attention. Many of these apply to the LDCs in the region<sup>80</sup>. Where the potential for capture is serious, decentralization programs need to focus first on strengthening local accountability (Fjeldstad, 21).

But there is growing evidence that improved local governance practices such as the adoption of local-level participatory planning and budgeting practices, do result in gains of efficiency and effectiveness in the delivery of local infrastructure and services (Romeo,8). In addition to the “formal” institutions involved in local governance, special attention also needs to be paid to the effective participation of the local communities, through social mobilization, taking into account local culture and social fabric<sup>81</sup>. Even the poorest communities are capable of organising themselves to improve their well-being<sup>82</sup>. Opponents will argue that many LDCs do not have the resources required to support such empowerment policies. However, case studies described in Rhagav’s study « Decentralisation and Poverty Alleviation in Asia » all suggest

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73. Of the 24 HIPCs, half are actively pursuing decentralisation strategies (IMF, March 2002), but the IMF acknowledges that capacities for public expenditure management at those levels are very weak.

74. Institute of Development Studies, University of Sussex: [www.id21.org/society/s8aas1g1.html](http://www.id21.org/society/s8aas1g1.html)

75. In **Cambodia** it is unclear how the capacity and functions currently performed by the multi-donor Partnership for Local Governance Project can be internalised at the provincial and national levels. With a Provincial Investment Fund entirely funded by donors, it remains to be seen whether in the absence of the PIF the provincial administration would be able to respond to commune and inter-commune priorities. In **Bhutan**, capital development expenditures are funded solely by donor agencies and even recurrent costs are partly covered from external sources. Plans to allocate block grants to the Dzongkhags and Geogs will depend on donor commitment.

76. In **Solomon Islands** the history of political movements seeking greater devolution and decentralisation has continued into the independence area. It explains the current debate on a federal form of government.

77. Urban population growth has been high in a number of LDCs in the Asia-Pacific region. In **Myanmar** 28% of the population lives in the city. In **Bangladesh** 25.5%. The SIDS also face problems due to urban migration : **Maldives** (28%), **Samoa** and **Vanuatu** (22%) and **Solomon Islands** (20%). Source : HDR 2003. The population of **Bhutan**’s capital Thimpu is growing at an alarming annual rate of 10% (NHDR Bhutan 2000).

78. Different scenarios are possible. If the central authority seeks to build its power base in the country side through an alliance with the local elite, then devolution of power and allocation of resources will occur, but pro-poor outcomes are very unlikely. If the central authority challenges or circumvents powerful local groups, then this may result in a centrally-funded poverty reduction strategy, implemented through decentralised bodies in a tightly controlled framework. The third scenario is where local elites exert no significant autonomous power. Decentralisation then primarily takes the form of deconcentration, but pro-poor outcomes can be achieved (Crook, 6).

79. The ability to sustain a system of fair and competitive elections emerges a key factor in the most successful cases of decentralisation (Crook, 31).

80. The **Nepalese** society comprises of many castes and ethnic groups. Strong patrimonial and patriarchal systems have long existed to perpetuate the dominance of the elite. (NHDR Nepal). In **Bangladesh**, rural works programs serve the interests of a narrow elite (Turner (Ed.), p.27).

81. In **Papua New Guinea**, social mobilization failed because of significant ethnic diversity and weak civil society groups. Social mobilisation was more successful in Bougainville where communities are much smaller. In **Cambodia**, as a consequence of the Khmer Rouge’s disastrous experiment in mass mobilisation, there is a general lack of cohesion, trust and solidarity, which impacts on the level of community participation (Raghav, 17). In **Laos**, where villages are small and homogenous, the demonstrated success of village forestry committees in managing forest resources show that poor communities are capable to take a more long-term view on the use of their environment.

82. In **Afghanistan**, during the years of severe national upheaval, social mobilization helped many communities organise themselves into informal structures of local governance, at various levels of the Afghan society.

that resources are actually less important than attitudes and accountability of those who are to deliver the services, whether they are teachers, nurses or tax collectors. “Over time, the greater transparency offered by increased participation of poorer groups, and their developing skills at influencing decision-making at the local levels may well assist them in curbing the power of rural elites to appropriate benefits (Manor, 1999).

With the necessary foundations in place, properly designed decentralization reforms (involving varying degrees of administrative, fiscal and political decentralisation), may indeed result in improved local governance: (i) more legitimate, transparent, and accountable local authorities and an active and inclusive local political process, (ii) institutional mechanisms for citizens information, consultation and participation in all stages of the local public resources management cycle (iii) efficiency gains in local services delivery, and (iv) greater security for citizens (Romeo, 7).

To conclude, while decentralization can contribute significantly to governance effectiveness, political stability and voice and accountability, the links between policy changes for decentralisation and impact are yet to be fully captured. In the meantime, the following conclusions can be drawn on decentralization as a possible enabling factor for poverty eradication and achieving the MDGs:

- Decentralization is not a technically neutral device that can be implemented regardless of social and political context. Decentralisation is a political processes that deals essentially with the distribution of power and resources. There is no “one-size-fits-all” solution for the region<sup>83</sup>.
- Decentralisation is not a quick-fix. It is a long-term process of transformation that requires long-term strategies and a coordinated approach<sup>84</sup>.
- The pace of decentralisation should be incremental and care should be given not to rush into fiscal devolution without having all conditions in place.
- Concepts of fiscal, administrative and political decentralization are distinct in practice; it is thus appropriate to design decentralization policies that combine different degrees of centralization/decentralization.
- Capacity development of central and local levels, and civil society is important .

#### IV.8. Human rights and access to justice

##### a) Human rights and Access to Justice in Asia Pacific

Poverty cannot be simply measured in terms of per capita income; it is a multidimensional concept that also includes deprivations in access to basic services and knowledge. Poverty is thus the most crucial denial of human rights as it implies discrimination and injustice and destroys human dignity. This explains why an increased emphasis on human rights (especially for women and excluded groups) is key in the strategy to achieve the MDGs (HDR 2003)<sup>85</sup>.

Human rights provide a framework for equality and non-discrimination. Until recently, UNDP’s support to justice programmes focused mainly on building institutional capacities. Insufficient attention was paid to facilitating access to justice and promoting human rights as a means to protect the freedom of choices, combat poverty and prevent conflicts<sup>86</sup>. The rights-based approach to development is radically changing the way UNDP is designing its legal reform programmes.

Except for Samoa, Maldives, Bhutan, Vanuatu and Kiribati, all LDCs score below the regional average on the « *rule of law* » indicator<sup>87</sup>. Countries like Afghanistan, Laos, Myanmar and

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83. Study of the South Pacific shows that demands for decentralisation are not related simply to the size of a country. Even the smallest country can be perceived as being too centralised (Turner (Ed.), 163).

84. With regard to a number of LDCs in the region who only recently embarked on decentralisation, it is simply too soon to evaluate the impact of these policies on the lives of the poor.

85. At the Millennium Summit the world leaders resolved to spare no effort to promote democracy and strengthen the rule of law as well as respect for all internationally recognised human rights and fundamental freedoms, including the right to development.

86. Jointly with OHCHR, UNDP has created a special program to support the implementation of a human rights policy (HURIST – Human Rights Strengthening). In partnership with the NGO network “the People’s Movement for Human Rights Education”, UNDP also undertook a global program for Human Rights Cities.

87. But a strong legal system does not necessarily imply tolerance of political freedoms and civic rights. An autocratic regime can adhere strictly to a consistent legal system that is anti-democratic in its foundations.

Cambodia score particularly low. As to the respect for *human rights* in the LDCs in the region, an analysis of the reports of the UNHCHR and other documents point to the following problems: weak justice sectors and related problems of impunity (Laos, Cambodia, Bangladesh, Myanmar, Nepal, Afghanistan, Timor-Leste); widespread corruption of judges and the police (Laos, Cambodia, Myanmar<sup>88</sup>, Bangladesh); weak access to justice and lack of legal support systems (Afghanistan, Cambodia, Laos, Pacific Islands, Solomon Islands, Timor-Leste); trafficking of women and children and related problems of child prostitution, child labour and HIV/AIDS exposure<sup>89</sup> (Cambodia, Bangladesh, Laos, Nepal); access to land<sup>90</sup> and related human rights abuses (Cambodia, Afghanistan, some Pacific Islands, Timor-Leste); gender discrimination and sexual abuse of women and girls (Afghanistan<sup>91</sup>, Cambodia).

*b) The rights-based approach to development and to access to justice*

Upholding human rights is crucial for securing a humane and non-discriminatory society, and hence, for eradicating poverty. The *rights-based approach* integrates human rights principles and human rights obligations in development policies and programmes, aiming to strengthen (1) the capacities of rights holders to claim and exercise their rights and (2) the capacities of duty bearers to fulfil human rights obligations.

*Access to justice* refers to the ability of individuals to seek and obtain remedies for their grievances. The rights-based approach puts the poor and the marginalized groups at the core of policy and at the focus of development strategies. A *rights-based approach to access to justice* thus concentrates on the rights of disadvantaged groups (women, minorities, persons with HIV/AIDS etc.), ensuring that their rights are safeguarded and respected. Therefore, it also focuses on the capacities and accountability of duty bearers (police, judges etc.) to fulfil human rights obligations.

Access to justice and justice sector reform priorities will obviously vary in different country contexts. In countries where there is already a functioning, judicial system (e.g. Samoa) access to justice provides an entry point to further justice sector reform. In countries that are undergoing reconstruction after conflicts and crises<sup>92</sup>, access to justice is essential to eliminate impunity and ensure accountability. Here the promotion of democracy requires first the putting in place of laws, policies and institutions that guarantee respect for all human rights and fundamental freedoms. But in many of the other LDC countries, where the justice sector still lacks integrity, focusing on access for the poor to a corrupt and/or poorly trusted justice system may not be the appropriate starting point. Problems related to access to justice in the LDCs in the region include the following:

- *Lack of understanding of the rule of law*

Rule of law refers to the foundation of a legal system where (1) no person can be above the law, (2) all persons are equally protected under the law and (3) justice is secured for all through access to effective remedies. Rule of law is not synonymous with "rule by law". It is also more than the sum of laws, courts and other formal institutions. It is a normative system that resides

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88. In April 2003, a UNCHR Resolution accused **Myanmar** of "a continuing pattern of gross and systematic violations of human rights" including extra judicial or arbitrary executions, enforced disappearances; rape, torture, inhuman treatment, forced labour; forced relocation and the denial of freedom of assembly, association and religion, the lack of an independent judiciary; and delaying the process of national reconciliation and democratisation.

89. Many of **Cambodia's** estimated 80,000 to 100,000 prostitutes, 1/3 of whom are under 18, are trafficking victims. According to ILO, organized gangs in **Nepal** traffic some 5,000 to 7,000 women and girls per year to work in Indian brothels. The majority of prostitutes who return to Nepal are HIV-positive.

90. According to **Cambodian** human rights groups, military and civilian officials have in recent years forcibly evicted several thousand families from their land. The dispute resolution procedures set up to settle land disputes are plagued by inconsistency, a lack of transparency, and conflicts of interest among committee members.

91. In **Afghanistan**, improvements in human rights, particularly in the areas of media freedom, were tempered by reports of continuing violations of women's rights and violence against ethnic minorities (Freedom House).

92. In **Afghanistan** UNDP established the Law and Order Trust Fund, which accords first priority to covering police salaries. Further, UNDP will promote introduction of human rights into Afghan law and strengthening of judicial institutions. It will also help the HR Commission to implement a program of public education on HR, and build its capacity to process complaints and petitions to solve conflicts. In **Timor-Leste**, there is dissatisfaction with the functioning of the justice system, pointing to a mounting backlog of cases, inconsistent ruling and illegal orders as proof. UNDP's support program to the Justice Sector aims to enhance the effectiveness and efficiency of the justice system including the use of technology. A project to support capacity building in the Police Institution is also in the pipeline.

in the members of a society (Carothers, 8). But despite common use of the term worldwide, its content remains abstract, and little concrete knowledge is available on how rule of law actually develops in a society (Carothers, 6). Links between the predictability of the legal system and levels of investment, or quality of democracy, appear less evident than commonly thought<sup>93</sup> and too often, a one-size-fits-all solution to affect the rule of law in a country seems to be applied.

- *Corruption and abuse of power*

The reports of the HR Commissioner point to serious problems of corruption in the judiciary (Cambodia, Bangladesh, Laos, Myanmar), directly affecting the institutions that are to provide legal protection for all other human rights, in particular the right to a fair trial and to protection from discrimination.

- *Distance*

In a number of LDCs access to the court system and to the formal institutions for the protection of human rights is difficult, simply because they are miles away from the local communities (South Pacific, Laos, Afghanistan, Nepal, Maldives). Similar problems apply to legal enforcement agencies, adding to the climate of impunity<sup>94</sup>.

- *Lack of capacities*

Newly created institutions often find themselves with insufficient resources to operate<sup>95</sup>. Special Human Rights Institutions or Ombudsmen are not yet available in some LDCs (e.g. Laos, Myanmar). Because of the paucity of locally trained manpower a number of judges sitting in the High/Supreme Court or Court of Appeal of South Pacific Island states are expatriate judges<sup>96</sup>.

- *Lack of legal aid facilities*

In a number of LDCs, legal aid services are rare and where they exist they are often weak<sup>97</sup>. CSOs working on access to justice promote awareness of rights and remedies; they may be equipped to provide legal aid, or otherwise facilitate access to the institutions of the justice system. But in a number of LDCs such NGOs are either not available or there is no legal framework that allows them to operate (e.g. Laos).

**The barefoot lawyers from South Africa** are lawyers who have not completed their degrees. They run advice offices in areas that are inaccessible. They educate poor people about their rights, help them access state services, act as a conduit for access to free legal services, and provide mediation services and lobbying for people's rights. The government took them seriously. There are now some 400 active members but after 15 years they still remain dependent on donors (Carothers, 39).

- *Conflict between the formal law system and the customary law system*

Focusing technical assistance mainly on Institutional capacity building and support to legislative drafting is being questioned (Hugh, 6). The problem seems to be particularly stringent in the South Pacific, where formal laws are misunderstood or ignored by the local population<sup>98</sup>. As a result, formal legal systems operate side by side with customary tribunals<sup>99</sup>, formal legislation

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93. **China**, the largest recipient of FDI in the developing world is a country known for its lack of Western-style rule of law (Carothers, 6). In some established Western democracies, there are shortcomings in the rule of law also. (id. 7).

94. The local court of Isabel province in the **Solomon Islands** only sat once throughout the year 2002. The police is not operational due to lack of fuel for their boats (UNDP Fiji, 2002, 7) and also because of severe understaffing.

95. E.g. the **Afghan** Human Rights Commission established after the Bonn agreements does not yet have sufficient resources to effectively carry out its mandate. Judges in Isabel province in the **Solomon Islands** have no legal training and key government officials, judges, police officers and prison staff lack understanding of HR concepts.

96. Numerous countries have employed expatriate Judges at one point or another in their histories. usually for reasons of legitimacy, because of the lack of local capacity or both (the Seychelles, Hong Kong, Macau, Namibia, etc.). The general trend in all of these countries has been to phase out the services of expatriate Judges and prescribe the requirement of citizenship for appointment to judicial office (Bangkok SURF, 2002).

97. In **Vanuatu** the office of the Public Solicitor has two staff to serve the whole country (Hugh, 23). In **Laos**, the Ministry of Justice issued licenses to 19 BAR members. 17 members are currently under probation for one year.

98. Many law practitioners in the **South Pacific** were trained in Australia, New Zealand and the USA. Only in 1994 a Bachelor of Law programme was established in the University of South Pacific.

99. In some islands these indigenous courts (such as customary land tribunals) have been institutionalised (**Vanuatu, Solomon Islands, Tuvalu**) and appeals against traditional court verdicts can be lodged with the formal courts. In **Vanuatu**, customary land tribunals are supervised by the Supreme Court.

and international treaties exist alongside customary traditions and universal human rights compete with local values and customs<sup>100</sup> (Hugh, 6).

Under a rights-based approach, improving access to justice requires that both formal and informal (customary) systems must be made to work justly, equitably, and effectively. There are certainly merits and constraints<sup>101</sup> in marrying the two systems. But to allow them to operate in a complementary manner, a legal framework for the coordination of the various kinds of legal authority, including customary authority, is required, especially for land disputes (Hugh, 6). Care should be taken to ensure that traditional systems observe fundamental human rights standards<sup>102</sup>. Alternative dispute resolution mechanisms are also options to be considered<sup>103</sup>.

To conclude, rule of law and access to justice appear to be one of the cornerstones of a governance strategy to support poverty eradication in the LDCs. The approach to promote rule of law should be comprehensive and inclusive aiming at incorporating socio-cultural norms and traditional systems. Under the new rights-based approach, donor support to increase human rights education for both duty holders and duty bearers will be an important trend in the near future. Since violence and crime have a negative impact on poverty, special attention needs to be paid to strengthening security while applying a rights-based approach to capacity development programs for security forces. But while substantive progress was made over the past years, the security dilemmas that countries around the globe are facing since September 11, the growth of international terrorist networks and the risk of nuclear proliferation have now triggered the debate on the danger of compromising the rule of law and human rights for national security reasons. Measures taken in response to these security threats risk violating human rights such as the presumption of innocence, prohibition of torture, the right to a fair trial and rights to freedom of expression and association (HDR 2002, 99)<sup>104</sup>.

#### IV.9. LDCs in conflict and post-conflict situations

##### a) Crisis in the Asia-Pacific region

In the 1990's a number of LDCs have been exposed to a crisis in governance manifested by the persistence of corruption, poorly conceived and weakly implemented policies, erosion of social norms and accumulation of political and social conflict. Today, out of the 14 LDCs, at least 4 are in a conflict-post-conflict situation (Afghanistan, Nepal, Solomon Islands and Timor-Leste) and no less than 9 of them have been defined by the World Bank as being Low Income Countries under Stress (LICUS).

Armed conflict and terrorism often have deep developmental roots in human poverty issues. Given that the Asia Pacific region contains the largest number of people living in income poverty and that 36% of the world's poor reside in South Asia, it is not surprising that both intra-nation and inter-nation conflict is growing in this sub-region. Equally disrupting is the growing incidence of HIV/AIDS making the South Asian region the second highest infected after South Africa. The burden of achieving humane security in all corners of the Asia Pacific region thus represents a very heavy challenge for the coming ten years. Consequently, the Brussels Plan of Action contains the goal of *pursuing national policies and strategies to promote confidence*

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100. In **Vanuatu**, traditional courts lack independence in decision-making and there is confusion as to the basis upon which the traditional courts exercise their jurisdiction (Hugh, 33). The extended family system and other societal obligations also tend to influence the administration of justice.

101. The customary law system is often seen to be more accessible at the grassroots level, and it can bring disputes to a rapid close (Hugh, 37). But while in some islands these tribunals operate fairly well, in others they are very weak as the chiefs lack experience, knowledge of the law and of human rights (**Vanuatu, Solomon Islands**).

102. In **Samoa, Solomon Islands** and **Vanuatu** human rights education and awareness-raising with respect to formal and informal systems is undertaken by governmental bodies (human rights commissions and ombudsmen).

103. Except for **Vanuatu**, where the Civil Procedure Rules make it part of the adjudication system in the country, other countries in the region have left it to individual discretion to decide on whether or not to go to arbitration. But in the Pacific, chiefs play an important arbitration role especially when land issues are involved.

104. Torture is prohibited under all circumstances by international human right law. But some governments have suggested that exceptional measures can be necessary in the public interest to obtain information from alleged terrorists. There are also concerns about governments taking advantage of the war against terrorism to constrain liberties, suppress political criticism or ill-treat those in retention (Global Governance Initiative, 2004 Report).

*building and conflict prevention in countries affected by conflict, to promote peaceful settlement of disputes, reconciliation<sup>105</sup> and post-conflict peace building<sup>106</sup>.*

With its focus on democratic governance for poverty reduction, UNDP is clearly at the centre of United Nations conflict prevention and peace building activities and plays a central role in UN peace building efforts in the region<sup>107</sup>.

#### b) Challenges in post-conflict countries

Experiences in conflict and post conflict countries in the region and beyond indicate the following key areas of intervention (the relative importance of different factors varies considerably between countries, so targeted responses will need to be tailored to the specific needs and context of the country):

- Rule of law and access to justice: including security sector reforms<sup>108</sup>, collection of small arms, establishment of courts and key human rights institutions;
- Strengthening mechanisms at the local level that empower local communities<sup>109</sup>;
- Effective delivery of services in an inclusive manner;
- Creation of new economic opportunities for manufacturing leading to economic diversification beyond the traditional agricultural production base;
- Creation of employment opportunities (and special attention to youth<sup>110</sup>);
- Strengthening of key public sector institutions<sup>111</sup> at the local and national level (for HR management/pay-roll and sound financial management systems<sup>112</sup>).

Decentralisation policies may seem easier to implement in post conflict countries than in established centralised bureaucracies, because of the pressure for change and possible “overload” at the centre, pushing for local communities to get involved in the nation-building process. In some cases, decentralisation is seen as a possible solution to the conflict situation<sup>113</sup>. In the case of Afghanistan, extending authority and accountability beyond the centre remains one barrier to overcome to achieve sustainable peace (UNDP Democratic Governance Network Discussion, June 2003). But the challenges are daunting, because of security threats, a weak resource base and lack of capacity<sup>114</sup>.

Programs in post conflict countries always include a risk that too many efforts are directed to institutions and reconstruction processes without sufficient attention to reconciliation and political consensus building. To avoid this, the following actions need to be taken (ibid.):

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105. UNDP **Nepal** established a Trust Fund project “Support for Peace and Development Initiative” that supports innovative local initiatives envisioned by civil society organizations in addressing the various causes of social unrest and violence through community mobilization. All activities must be initiated and carried out by Nepali actors, they must be non-political in nature and they must encourage collaboration of two or more civil society organizations.

106. Initially conceived as a post-conflict activity, the definition of peace building was expanded by the Security Council (February 2001) to encompass “preventing the outbreak, the recurrence or continuation of armed conflict.” It was further noted that peace building efforts should “focus on fostering sustainable institutions and processes to support the eradication of poverty and inequalities, governance, the promotion of democracy, respect for human rights and the rule of law and the promotion of a culture of peace and non-violence.”

107. In 2001, the Emergency Response Division became the “Bureau for Crisis Prevention and Recovery (BCPR)”.

108. Priority in **Afghanistan** is the creation of a well-trained, well-equipped and regularly paid national police service, with a genuinely integrated ethnic composition and a solid understanding of human rights principles.

109. The challenge, where state institutions are weak, is to carry out rapid community support projects without further undermining existing state institutions. Authorities at central and local level must be engaged in these programmes.

110. The Brussels PoA pointed to a further need to engage the energies of the young people who currently form more than 50% of the population of the LDCs. The higher the proportion of young men in a society, the higher the risk of conflict. However, each year of education reduces this risk by around 20%. (UNDP, *Licus Position paper*, 3). Youth and Governance projects, such as the one piloted by UNDP with the Thai Ministry of Education merit attention.

111. UNDP assisted the **Afghan** Interim Authority with the establishment of a payroll system for the 240,000 civil servants in 32 provinces, basic repairs for government buildings and the establishment of national commissions as mandated by the Bonn Agreements (Constitutional commission, Judicial Reform Commission, Civil Service Commission, Human Rights Commission). (Note of the Administrator on Afghanistan)

112. More centralised/controlled financial management is required during the initial years of post-conflict process.

113. The **Solomon Islands** are currently exploring the possibility of a Constitutional change in favour of a Federal system. The process is risky as it is generally acknowledged that the capacity for governance at the sub-national levels is highly deficient. Also, the situation in the Pacific has highlighted that a devolved system is as open to conflict as a deconcentrated one (Turner (ed), 158).

114. In **Nepal**, security threats from the Maoist insurgency has disrupted the decentralisation process seriously forcing a number of local government representatives to resign and close their offices. In more than 10 districts, parallel district and village governments have been declared and in at least 7 the government introduced the Security Act, which shifts all development initiatives away from the DCCs (NHDR 2002).

- Consultations with broadest possible community of stakeholders.
- A careful study of power sharing (looking also at cultural and traditional patterns of decision-making and land issues<sup>115</sup>)
- Options should be provided rather than predefined/imported solutions<sup>116</sup>.
- Create a transitional government that appreciates ethnic and regional balance.
- Justice building needs to be addressed early in the process.
- The process of establishing a Constitution is a powerful opportunity for nation building linking local communities with political leaders. It can provide a critical process for empowerment, informing and including people in the political process.

### c) Lessons learned from interventions in post-conflict countries

During the decade following conflict, absorptive capacity of post-conflict countries may be as much as double that of normal low-income countries, with the peak capacity being in the middle of the decade. But actual aid disbursements to post-conflict countries don't seem to reflect these needs and absorptive capacity. "Aid flows are too small and arrive in a rush in the first few years of peace, tapering out just as they should be accelerating" (Licus, p. 6)<sup>117</sup>.

The following are some lessons learned from activities in conflict and post-conflict countries<sup>118</sup>:

- *National ownership*: Ownership needs to be addressed in any capacity building activity, and should be sought as early as possible, including information to the larger public. Building consensus around the diversity of concepts and ideas is one of the most important challenges when developing the governance system in a post-conflict country.
- *Simplicity*: First world solutions cannot be imposed on third world conditions.
- *Flexibility and adaptation*: because of frequent changes in political, economic and social environment, there is a need for flexibility in programme management.
- *Stability and security* is a constant concern. The early years of building a democratic state tend to be most perilous (HDR 2000, p. 85). Rapid transition from one political state to another tends to increase the level of stress and thus increase the likelihood of tension<sup>119</sup>. Priority is thus to set up institutions of government that will contribute to national stability. Traditional structures can play a key role in conflict management and resolution. Adequate attention needs to be paid to political realities<sup>120</sup>.
- *Strong field presence* with sufficient decentralised decision-making powers is required<sup>121</sup>.
- *Tangible results*: comprehensive reforms are usually not well understood by the population. While there are no quick fixes, early visible successes, well communicated to all stakeholders, can sustain popular support for the long and difficult change process.
- *Timeliness*: delivering timely assistance is one of the most critical elements of success. The initial years of post-conflict offer opportunities that need to be acted upon rapidly.
- *Increased representation of women* at all decision-making levels in institutions and mechanisms for preventing, managing and resolving conflict<sup>122</sup>.

### d) Licus and difficult partnership

Lack of progress made over the years, and the perpetuating decline of governance in a number of countries raised questions among donors as to whether they should disengage totally from these countries or, if not, how then to better ensure the effectiveness of their assistance. LICUS and the Difficult Partnership Policy are donor responses to these questions.

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115. In the **Solomon Islands** ownership of land is vested in the clan. It is a source of political and economic power and fundamental for an islander's identity. This explains the influence of land tenure on social conflict.

116. E.g. UNDP & Ireland Aid, **Timor-Leste**, Local Government Options Study, Final Report, June 2003.

117 **Mozambique** received massive aid after the civil war along with policy reform and institutional reform; this has led to a high rate of economic growth.

118 . See also in Randolph, P. "the Red Zone" (2000) and in Keuleers, P. "Building the Public Administration in a Post-Conflict situation, The case of Timor-Leste", UNDP 2004.

119. Over the past 100 years, transitional polities had twice more violent conflicts than did autocratic polities (Freedom House Annual Report 2003).

120. In Cambodia, the WB pushed for downsizing the civil service even though the political coalition created by the peace accords was partly based on expanding the civil service to absorb a large number of functionaries from incoming parties (WB Operations Evaluation Department 1998 – Prem Notes, Oct. 2003, nr 79).

121. Many of the donor agency staff in post-conflict countries are volunteers and junior officers, often with limited experience in the area of conflict and post conflict management.

122. In October 2000 the UN Security Council adopted a Resolution in this regard. In **Afghanistan**, women were included in the Bonn talks in December 2001 and two women serve on the interim government.



The LICUS group has been defined as countries that feature an unfriendly environment for private sector activity, have exclusive rather than inclusive policies, have high levels of corruption and arbitrariness in public sector decision-making<sup>123</sup> (WB, Licus, 3). Some of these countries already benefit from Bank support related to the HIPC initiative. According to the WDR 2004, the following LDCs from the region are identified as LICUS countries: Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Myanmar, Nepal, Solomon Islands and Timor-Leste.

The strategy adopted towards these countries goes along two lines:

- (1) Sustained improvement in policies, institutions and governance (seeking reforms that are likely to result in a rapid and substantial payoff, and
- (2) Improvement in the provision of basic social services.

The focus is on service delivery, but given the high risk of corruption and opportunism, the LICUS taskforce had proposed the use of "Independent Service Authorities"<sup>124</sup>, transitional bodies with special incentives that would be largely autonomous from government and accountable for performance to a board with strong donor presence (Ibid, 8). Another key feature in the LICUS is the need for stronger partnerships and donor coordination. An agreement has already been reached with UNDP for joint piloting of the LICUS approach in a few countries.

The DAC/OECD approaches this group as the "Difficult partnerships". The DAC approach to these fragile countries points to the importance of governance, political development and institution building. Strategies to address the problem of difficult partnerships are comparable to the LICUS initiative<sup>125</sup>.

From the above, it appears that the task is daunting with much more attention to be paid to the political aspects of anti-corruption strategies, introduction of methods for people's participation and related training, training of parliamentarians on topics that have a direct impact on achieving the MDGs, improving professionalism in the civil service and increasing responsiveness of social services, improving access to justice and training of the media, introducing E-government where possible, sensitisation to the rights-based approach to development etc. This requires efforts and resources which are beyond the LDCs' capacities. Therefore, the Brussels Conference had identified the promotion of good governance at the international level and the mobilisation of financial resources (including ODA) among the key components of the PoA. Section 5 will address issues of international governance and look at the status of international commitments to support the LDCs.

## **V. Good governance at the international level: commitments to support LDCs**

*A World Bank study indicates "that the 49 poorest countries could boost their exports by about 11 % if the USA, Canada and Japan followed the EU in granting them exemption from customs duties. That would mean extra earnings for the LDCs in the order of US\$ 3 billion per year".*<sup>126</sup>

The post-cold-war world was a globalised and interdependent one, yet one of the key dimensions of globalization had been overlooked, namely that of *shared responsibility*. That shared responsibility was consolidated in the Millennium Declaration and reiterated at the International Conference on Financing for Development (Monterrey March 2002) where, in exchange for the developing countries' commitments to governance improvements, the developed nations committed themselves to reverse the declining trends of ODA.

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123. Some of these countries are resource-rich but policy-poor; they are clearly in need of public resource management. Other countries have exceptionally weak government capacity. In these countries capacities for basic service delivery need to be strengthened, if needed by NGOs. Other LICUS have just recently emerged from conflict.

124. There is a risk that such bypassing may undermine the legitimacy and effectiveness of the designated state (central or local) institutions, and making it harder for mechanisms of local accountability to come into play.

125. The DAC/OECD approach focuses on support for social services through both state and non-state entities - recognizing their comparative advantages and their complementary role, enhancing effective donor coordination, development of early warning indicators for deteriorating governance and failed states).

126. Success for Least Developed Countries, Development and Cooperation (No. 5, Sept./Oct. 2001, p. 27-28)

Unfortunately, the number of commitments made at international conferences stands in sharp contrast with the figures provided by Vandemoortele and Tostensen in « Progress on Doha, Monterrey and HIPC - A review ». According to this paper, aid as a percentage of GDP has fallen by 1/3 in the 1990's from an average of 0.33% in 1990 to 0.23% in 2002-2003 (V&T, 5)<sup>127</sup>. This is far below the targeted 0.7% suggested in Monterrey, which so far, only 5 countries have surpassed (Denmark, Luxemburg, the Netherlands, Norway and Sweden). Military expenditures and agricultural subsidies still outweigh development aid<sup>128</sup>.

The lack of democratic decision-making in some key international institutions also remains subject to controversy. Although developing countries are deeply affected by the decisions of the IFIS and the WTO, they have little power in their decision-making<sup>129</sup>. Therefore, recommendations have been made to publish decisions made by the executive boards of the IFIs<sup>130</sup> and to make WTO decisions more inclusive and transparent.

But despite remaining concerns, today multilateral and bilateral donors are focusing their programs increasingly on the LDCs. In June 2002, UNICEF and UNDP decided to mainstream the Brussels PoA within their respective work programmes. This section summarises some of the main Initiatives taken by the bilateral and multilateral donors in favour of the LDCs.

#### ❖ Highly Indebted Poor Countries (HIPC)<sup>131</sup>

The initiative covers those (42) poorest countries<sup>132</sup> which are already entitled to concessional assistance from the World Bank and the IMF, and whose debt burdens are deemed to be unsustainable. The total cost of the initiative is now estimated at US \$34 billion. To qualify for relief, HIPC candidates must adopt adjustment programmes supported by the IMF/World Bank, including PRSPs (demonstrating their intention to use the freed resources for poverty-reduction purposes). Only two Asia Pacific LDCs (Laos and Myanmar) are being considered.

It was estimated that social expenditure in the HIPC countries would increase by 2 billion in the period 2001-2002. But the results of the HIPC initiative remain contested (V&T, 9), also because of similarities with the previous Structural Adjustment Programs. Many countries are unable to meet the conditions or to handle the social conflicts related to the reform programs. But the quality is improving; the PRSP process is a step in the right direction of seeking greater involvement of recipient countries (Radelet, 4). However, as the HIPC initiative progresses, new loans are being signed throughout the developing world<sup>133</sup> even in areas that were previously not considered typical loan areas<sup>134</sup>. Some governments need to consider whether they need to borrow as much as they currently do (UN Secretary General's Report on LDCs).

#### ❖ The European Union's « All but arms program »

In February 2001 the EU launched the 'Everything but Arms' initiative, granting the LDCs full access to the EU market by abolishing restrictive duties and quotas for all but arms. The "All but

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127. Except for South Asia, net ODA flows were lower in 2001 than in 1995 for all developing regions. Most notable is the low and deteriorating ratio of the G7 members – from 0.31% in 1990 to 0.18 % in 2002. Italy and the US have the lowest ratio among the DAC countries – 0.2 and 0.12 % respectively (V&T, 5).

128. World development help is running at about 56 billion US\$ per year, while military expenditures are almost 20 times higher at more than 900 billion US\$. Agricultural subsidies and tariff protections reach about 350 billion per year (WB President Wolfensohn, quoted in Global Development Briefing, March 11 2004).

129. The executive directors representing France, UK, USA, Germany, Saudi Arabia, Japan and Russia account for 46% of the voting rights in the WB and 48% in the IMF.

130. Their economic advice and policy has been criticized because based too much on a narrow world view that reflects the interests of the most powerful members. Since 1993, the WB publishes its Annual Review of Development Effectiveness. The IMF also created a semi-independent Office of Independent Evaluation (HDR, 2002, 113).

131. The HIPC Initiative (known since 1999 as the 'Enhanced HIPC Initiative') is an international debt relief mechanism that provides special assistance to the world's poorest countries. It was launched in 1996 at the G7 summit, following a proposal from the World Bank and the IMF. It is fully supported by the European Union and its Member States.

132. In 2000, developing countries spent nearly 400 billion US\$ in debt servicing, or about 6% of their GDP. Sub-Saharan countries spend about twice as much to comply with their financial commitments vis-à-vis external creditors than to comply with their social obligations vis-à-vis their population (V&T, 8).

133. International donors resumed aid to **Cambodia** in 1999, and their grants and soft loans now make up more than half of the government's annual budget. Government debt reached USD 558 million, or 17% of GDP, by the end of 2001. Most of the debt is from loans from the WB and the ADB. **Nepal**: from 1975-1976 through 1996-1997 the share of external loans in total aid expanded about 71 times. During 1997-1998 it reached 62.2% of total aid flow. Multilateral loans now constitute 88.1% of the loans received.

134. In **Vietnam**, the ADB provided a loan of over US\$ 50 million to support the PAR programme (Turner 2002, 7).

Arms” initiative is laudable, but big farm lobbyists have successfully been able to remove from the list such commodities as beef and rice. Since 99% of EU imports from the LDCs are in products which were already liberalized, the impact of the initiative is minor resulting in the initiative being ironically called the « *all but farms* » initiative (Brenton). The EU has now announced its commitment to increase its assistance to an average of 0.39% of national income by 2006, which is expected to increase ODA by about 7 billion US\$ (V&T, 5).

❖ The Integrated Approach to Trade-related Technical Assistance

The « Integrated approach to trade-related technical assistance » is a cooperation initiative between six multilateral organizations (WTO, World Bank, IMF, ITC, UNDP and UNCTAD<sup>135</sup>) The approach calls for coordinated efforts in order to help the poorest countries benefit from the trading system, improve their capacity to trade, and respond better to world market demand shifts. A pilot phase was launched in three countries, which included Bangladesh.

❖ The US Millennium Challenge Account (MCA)

The Millennium Challenge Account aims at increasingly raising aid levels from 5 billion US\$ per year to 15 billion US\$ by 2006. The allocation rule for funds is designed to ensure selection of low-income countries with relatively sound policies and institutions. Countries will be rated according to three performance dimensions: (1) governing justly, (2) investing in people and (3) promoting economic freedom. The selection criteria include 5 of the 6 World Bank indicators for good governance and two indicators from Freedom House (political rights and civil liberties).

❖ The United Nations Millennium Project<sup>136</sup>

The Millennium Project was commissioned by the UN Secretary General and is supported by the UN Development Group (UN agencies and Breton Woods Institutions). Its mandate is to recommend operational frameworks that will allow countries to accelerate their poverty reduction strategies by aligning them with needs assessments to achieve the MDGs. Pilot countries include Cambodia. In each of these countries the project will identify the detailed input targets needed for the country to achieve the MDGs by 2015, including domestic and external resources required. The report to the UN Secretary General is due for June 2005.

❖ The OECD-DAC « Tied versus Untied aid » agreement<sup>137</sup>

Bilateral aid to LDCs stands at around 8 billion US\$ or 17% of total bilateral aid<sup>138</sup>. About half of this is to be considered tied aid<sup>139</sup>. In April 2001, the DAC adopted a Recommendation to untie aid to LDCs (except for food and technical assistance)<sup>140</sup>. Sound procurement in LDCs and a competitive private sector are important criteria. The latest report from the Secretary General on the Implementation of the Brussels PoA confirms that the majority of DAC members have untied all categories of ODA to the LDCs. Savings by the LDCs are put at 20-25 per cent<sup>141</sup>.

❖ CDI (Commitment to development Index)<sup>142</sup>

This is a recent initiative that ranks the 21 richest countries according to how much their policies help or hinder the economic and social development of poor countries. The CDI looks

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135 . UNCTAD has a Special Programme for Least Developed, Landlocked and Island Developing Countries, which promotes the socioeconomic development of these countries through research, policy analysis and technical assistance. The Special Programme is striving to serve as the main source of statistical information on the LDCs.

136. <http://www.unmillenniumproject.org>

137. Untying aid would remove a distortion to world commerce and enhance the dignity of the aid process that has been sullied by the mercantilist attitudes of some in the developed world » (SG Donald Johnston, OECD 2001, 2).

138. Currently, ODA stands at 58.3 billion US\$ annually compared to 52.3 billion in 2001. Part of this increase is however due to the weakening of the dollar and inflation and from US aid to allies in the war on terror. But in real terms, this represents a 7.2% increase bringing ODA back to the nominal level of 1991-1992 (Radelet, 2)

139. There are a variety of reasons why donors prefer tied aid packages: it increases exports and thus impacts on the balance of payments; it provides employment and contracts to domestic companies in the donor country; it helps strengthening domestic support for the aid effort, it contributes to making bilateral aid more visible (OECD 2001, 2). E.g. in the late 1990's, USAID reassured the US Congress that almost 80% of the Agency's resources went to purchasing goods and services from the US.

140. Initial discussions on this subject go back as far as 1969.

141. Apart from the administrative burden it creates on donors and recipients, it is estimated that tied aid raises the cost of goods and services by 15 to 30%. It also tends to favour projects that require capital-intensive imports or donor-based technical expertise rather than smaller and more poverty-focused programmes.

142. "Ranking the Rich", Center for Global Development and the Journal for Foreign Policy (2003).

beyond foreign aid flows to encompass also trade<sup>143</sup>, environment, investment, migration policies<sup>144</sup> and contributions to peacekeeping<sup>145</sup>. The index covers most countries of Western Europe, the USA, Canada, Australia, Japan and New Zealand. The Netherlands ranks at the top, due to strong performances in aid, trade, migration<sup>146</sup>, investment and environmental policies. Japan and the USA rank very low in the index<sup>147</sup>. The CDI confirms the inadequate state of affairs on the MDG-8. Despite some criticism, the CDI also rectifies the mental construct according to which the shortfalls in achieving the MDGs are attributed solely to ineffective aid, poor governance and weak policies in developing countries.

#### ❖ Global Governance Initiative – First Annual Report 2004

The report is an initiative of the World Economic Forum<sup>148</sup> and its Global Institute for Partnership and Governance. The initiative brought together some of the world's leading experts on the most pertinent issues of global governance: security, human right, environment, poverty, hunger health and education, to assess the level of effort that humanity is putting into achieving the MDGs. The assessments take the form of a numerical score on a zero to ten scale. The scores are relatively low: peace and security (3), poverty<sup>149</sup> (4), hunger (3), education<sup>150</sup> (3) health (4), environment (3) and human rights (3). The warning is thus clear<sup>151</sup>: the world community is devoting less than half the effort necessary to meet any of the goals.

To conclude, strong advocacy and lobbying directed at donor countries will be required to increase the current levels of ODA to the amount needed to achieve the MDGs<sup>152</sup>. Fulfilling previous promises made by the economic giants alone would raise ODA by 31% (OECD). But the ongoing war on terror and the reconstruction of Iraq are likely to deprive the LDCs once again from long promised aid packages<sup>153</sup>. These trends and recent events highlight once again that governance has also profound international dimensions. While there is certainly a renewal of interest in providing assistance to the LDCs<sup>154</sup>, there is clearly a need for an international monitoring mechanism to clarify aid policies and attract public attention on global development issues.

The patterns are certainly shifting. Many of the faster growing developing countries are receiving substantial quantities of FDI and so have less need for ODA. More aid could thus be directed towards the LDCs. Middle income countries in the region need to build up their

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143. Future versions of the CDI should also take into account intellectual property policies in particular the degree to which developed countries contribute to the transfer of science, technology and knowledge (Global policy project).

144. This component only takes into account legal migration. Countries like France and the US would display higher CDI ratings if the migration component would also take into account illegal migration, which represents about a third of total migration from developing countries.

145. This component of the scorecard has been contested because of the massive arms trade flows originating in the same countries that contribute to the peacekeeping operations. Insufficient attention is also paid to the enormous waste of resources associated with military expenditures. E.g. In 2001, global military expenditures amounted to US\$ 839 billion (the UN budget is US\$ 10 billion). The US defence budget alone amounts to 300 billion US\$.

146. The International Convention on the Protection of the Rights of all Migrant Workers and members of their families which entered into force on 1 July 2003 after a 12-year ratification process protects many of the rights of migrants. Not one single industrialized country has ratified it yet.

147. The US is now the only OECD country with ODA disbursements less than 0.20% of GDP (0.13% of GDP).

148. The World Economic Forum is a Geneva-based, independent not-for-profit international organisation that provides a collaborative framework for world leaders to address global issues. It has consultative status with ECOSOC.

149. The report stresses that the poverty goal will not be met. The number of poor people is actually rising in much of Africa, Latin America and South Asia.

150. Total aid for education is 1.5 billion US\$/year. It is estimated that an additional 5.6 billion US\$/year is needed.

151. On current trends, far from Africa meeting the goal of halving poverty by 2015, it wouldn't achieve it until 2147 (2003 HDR).

152. The 0.7% of GDP which was committed by the rich countries in Monterrey would represent about 175 billion US\$ per year as of 2003, or an increase of 120 billion US\$ over the current levels (Millennium project, 6).

153. The US alone has recently appropriated an extra 87 billion US\$ for Iraq and Afghanistan alone. This amount stands in shrill contrast with the 14 billion US\$ of ODA that the whole of Africa receives every year.

154. The EU as the biggest market for LDCs exports is extending duty-free access to those countries which were previously not eligible. The USA has added more than 1.700 duty-free tariff lines under its generalized system of preferences. Morocco, South Korea, Thailand, Turkey and Egypt also announced LDCs preferential access to their markets. Germany had increased the LDCs' share of its bilateral cooperation from 25 percent (DM 603 million) in 2000 to about 30 percent (DM 744 million) for 2001. The countries covered included Cambodia, Nepal and Bangladesh. To balance these extra inputs, funds for countries like Malaysia, Argentina and Venezuela were reduced.

capacities to help the LDCs increase their gains from trade<sup>155</sup>. Other donors should also be encouraged to support middle-income countries in expanding their role as knowledge providers in the field of development policies. As these middle-income countries become more and more engaged in providing ODA, the CDI should gradually be adapted to include also non-OECD countries and to become a global instrument for monitoring aid commitments and ODA. At the same time, the idea of a “development dividend” (Kaufman) needs to be further examined: LDCs that have shown serious efforts to improve their system of governance should be granted special incentives.

## **VI. Conclusion**

There are alarming signs from various corners that, unless there is a dramatic change in attitudes and approaches, the MDGs will not be met. Many LDCs have undertaken wide-ranging reform policies and measures to improve their economic situation, but without increased support, LDCs will become further marginalized as the process of globalization gains further momentum.

There is a broad consensus in the international community that good governance is essential to achieve sustainable development and poverty reduction and that better policies and institutions can double aid effectiveness. But societal transformation to improve governance in conditions of widespread poverty is a major challenge. While there are indicators to measure the status of education and health in a given country or region, there exist today no “objective” standards to decide, in a given political and socio-economic context, exactly what types of governance efforts will bring about the kind of progress needed towards the achievement of the MDGs. It is equally difficult to decide on the kind of reform approaches and instruments that are most effective in instilling and propagating democratic values under different economic, social and political conditions and environments. In addition, while the concept of “good” governance has now been accepted as a model for adjusting state-society relations, a number of countries still do not acknowledge the concept of “democratic” governance. Analysing the impact of governance policies on poverty alleviation remains thus a very difficult task, which this paper does not claim to have completed<sup>156</sup>. Nonetheless, the general assessment on the status of governance in LDCs in Asia-Pacific is certainly useful and allows to make certain conclusions.

*First*, while democratic governance can play a critical role in achieving the MDGs, the links between the two are neither automatic nor unidirectional. The examples of Vietnam and China provide evidence that massive reductions in poverty can be achieved under a single-party people’s democracy. In the past, countries like Malaysia, South-Korea and Singapore have shown the diverse approaches and routes to democratisation, depending upon different stages of economic, social and political development of the countries concerned.

*Second*, all governance indicators analysed in this paper carry an important weight in furthering human development and poverty reduction in LDCs, yet context and other variables will influence the sequencing of opportunities for reforms in each of the governance dimensions. The MDGs are outcomes to be aimed at, not a prescription of how to get there. It requires choices and tradeoffs to be made, and the design of development strategies that will help to achieve those goals. There is thus no clear and universal answer to the question on the kind of governance efforts all LDCs should focus on to make progress. The concept of governance is simply too broad and too grey, thus requiring greater precision in terms of its use in a given context. Different countries have different needs and therefore use different entry points to promote and support good governance. Nonetheless, in line with Maslow’s theory, people’s aspirations tend to increase as basic needs become more and more satisfied. The demand for democratic governance will thus gradually intensify in most LDCs, as basic social services improve, employment rates go up, security improves and overall poverty and hunger are being addressed.

*Third*, reforms to instil democratic governance in LDCs are not sustainable, unless (1) these reforms are thoroughly owned by the people themselves and not imposed upon them by the

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155. E.g. the new partnership between UNDP and Thailand aims at promoting Thailand’s expertise to other countries in the South, as Thailand’s contribution to the 8<sup>th</sup> MDG. Priority countries are Timor-Leste, Sri Lanka & Afghanistan.

156. The Global Governance Initiative Report 2004 also concluded that there are currently no objective standards to measure exactly what types of efforts will bring about exactly what degree of progress towards the MDGs.

donor community; (2) there are political, legislative and administrative institutions and processes ensuring that democratic governance is based on a solid partnership and solidarity among different actors of society both at the local and national levels, (3) democratic values (transparency, accountability, participation and respect for human rights) are ensured and shared among a broad segment of the population, (4) there are economic and social underpinnings to sustain and spread the benefits of democratic values to reach the poor.

*Fourth*, rushing straight to prioritising political reforms without due regard to the social, economic and political foundations for democratisation may be risky as it could spawn a chain of events that could compromise achievement of poverty reduction goals. Enjoying political freedom is a fundamental human right, but so is the right to a secure environment, emphasized as a crucial condition for achieving the MDGs (Global Governance Initiative, 2004). A democratic culture guarantees political and civil freedoms, but throughout history, people have paid a high cost to gain that freedom. Democracy is not a panacea and elections alone will not ensure automatic success in development. Just like privatisation requires certain prerequisites so does democracy also need certain conditions to be in place.

*Fifth*, a new trend now seems to be the selection of countries on the basis of governance indicators, allowing to shift the allocation of aid resources over time to countries with greater improvements in governance. But while these efforts to utilise governance indicators for more transparent eligibility criteria for aid assistance ought to be welcomed<sup>157</sup>, caution is needed as many of them still rely on subjective data with certain margins of error, and sovereign countries continue to reject measurement of their performance in securing political freedoms and civil rights. This explains why progress towards the development of unambiguous, un-controversial and widely accepted governance indicators for measuring the quality of democratic governance has been slow<sup>158</sup>. Several international institutions and civil society actors are now in the process of developing new governance indicators (World Bank, DFID, CIDA, SIDA, CIVICUS and others)<sup>159</sup>. UNDP's Centre on Governance in Oslo is also undertaking research to create governance indicators from a *pro-poor* and *gender sensitive* perspective, reflecting the particularities of developing countries.

Given the considerable interest from developing countries in cooperating for the publication of governance indicators, there is prospect that some governance indicators will ultimately join the MDGs. But until such indicators are available, specific country-focused surveys are required to provide more insights on the governance context in each country and to measure possible trends that may give rise to additional incentives for further reforms. These insights will also help donors to gain a better understanding of the various positions on governance and prevent them from penalising LDCs for impediments that lie outside their control.

With 1.8 billion people living in Asia and the Pacific, what happens in the region will matter greatly for the eradication of poverty and global prosperity. The implementation of the Brussels Programme of Action in favour of the Least Developed Countries is one of the many steps on that long and difficult journey.

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157. Setting clear criteria for selection or membership can speed up the process of reform. E.g. the leading candidates for European Union Accession have all been relatively successful in clarifying the role of government and improving transparency. In most cases, more rapidly than other transition economies (IMF, March 2003, 7).

158. Since the early 90's, the OECD/DAC has been working on indicators to measure progress in meeting major UN conference goals, but no consensus was reached so far on a meaningful set of indicators of participatory democracy and good governance that are politically acceptable to governments.

159. With funding from DFID, and with the support of the OECD DAC secretariat, work on identifying meaningful and acceptable indicators, that can be linked to valued outcomes, has now continued under the "second generation indicators" project, led by the World Bank (<http://www1.oecd.org/dac/indicators>).

## **Annex 1: List of Acronyms**

ADB	Asian Development Bank
BCPR	Bureau for Crisis Prevention and Recovery (UNDP)
BDP	Bureau for Development Policy (UNDP)
CDI	Commitment to Development Index
CSO	Civil Society Organisation
DAC	Development Assistance Committee of the OECD
ECOSOC	Economic and Social Council
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNH	Gross National Happiness
GNP	Gross National Product
HDR	Human Development Report
HIPC	High Indebted Poor Countries
HR	Human Rights
ICT	Information and Communication Technology
IMF	International Monetary Fund
LDC	Least Developed Countries
LICUS	Low Income Countries under Stress
MCA	Millennium Challenge Account
MDGs	Millennium Development Goals
MDS	Millennium Development Strategy
MYFF	Multi Year Funding Framework
NGO	Non Governmental Organisation
NGPES	National Growth and Poverty Eradication Strategy
OECD	Organisation for Economic Development
ODA	Official Development Assistance
PAR	Public Administration Reform
PETS	Public Expenditure Tracking System
PoA	Plan of Action
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
ROCs	Reports on Observance of Standards and Codes
SIDS	Small Island Development States
SOE	State Owned Enterprises
SURF	Sub-Regional Resource Facility (UNDP)
TI	Transparency International
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNCTAD	United Nations Commission for Trade and Development
UNDP	United Nations Development Program
UNHCHR	United Nations High Commission for Human Right
USAID	United States Agency for International Development
WB	World Bank
WDR	World Development Report
WTO	World Trade Organisation

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