



Asia Pacific Human Development Network

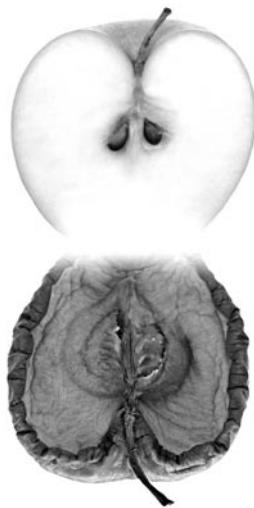


Consolidated Reply E-Discussion on Transforming Corruption Through Human Development

Human Development Report Unit
UNDP Regional Centre in Colombo



AP HDR
*Tackling Corruption,
Transforming Lives*



An apple symbolizes life and prosperity. The rotten and fresh halves of the cover's apple capture the spoiling aspect of corruption and the rejuvenating side of reducing it. The mirror image shows how sectors at the core of the problem can also be part of the solution. The fresh apple at the top conveys the idea that it is possible for clean institutions to stand above corruption. Doing so can yield fruits such as healthy, educated, freer people.

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Through Human Development**

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Regional Centre in Colombo

Human Development Report Unit

23 Independence Avenue, Colombo 7, Sri Lanka

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The Asia Pacific Human Development Network

The Asia Pacific Human Development Network (AP-HDNet) is a platform for the exchange of knowledge and views on human development in the Asia Pacific region. The Network is closely connected with the regional Asia Pacific Human Development Reports initiative. It is a forum where stakeholders in the region can identify and suggest relevant themes for the reports, as well as participate in guiding the direction of a report once a theme has been selected.

Launched in 2005 as a part of the regional consultations on the theme for the Asia Pacific HDR (APHDR) *Trade on Human Terms*, the Network was re-invigorated, following the UNDP Management Board's decision to focus on corruption as the next APHDR. Stakeholders were engaged in a critical discussion on sub-themes, solutions, best practices, measures and indicators in light of the postulated two-way link between corruption and human development. Several new members were added to the Network, regional specialists as well as those with particular interest in anti-corruption work.

The ensuing discussion was lively, intense and covered a range of issues. It generated a wide, deep and rich body of material some of which was subsequently incorporated in the technical background papers and the APHDR, *Tackling Corruption, Transforming Lives*. Given that the AP-HDNet has tangibly demonstrated its usefulness, the Human Development Report Unit will continue to rely on it for discussion and feedback, as well as for advocacy purposes.

The main lessons learned - logistical and technical - from the discussion for *Tackling Corruption, Transforming Lives* were:

- o It is useful to have an initial draft of introduction / questions to guide the discussion for the different themes. However, these have to be revised in line with the evolving discussion and research findings.
- o It is also expedient to have a few contributions ready in addition to some commitments for contribution before each discussion topic is launched. This not only ensures availability of quality contributions to spark off the discussion but it also helps to step up the discussions when there is a slow down.
- o In our experience, it is more efficient to prepare messages in Outlook Express. We spent much more time than expected on the technical aspects of LYRIS.

We would like to acknowledge with many thanks all contributors who gave their time, knowledge and experience so generously. Without them this exercise would not have been so rich and fruitful. We are also very grateful to James Chalmers who facilitated the discussion and contributed in preparing the synthesis. Our thanks are due to Vinita Piyaratna and Manisha Mishra for editing the consolidated discussion. Last but not the least, Gry Ballestad, Elena Borsatti, Ramesh Gampat, Anuradha Rajivan, Renata Rubian and Niranjana Sarangi, all of the Human Development Report Unit, UNDP Regional Centre, Colombo, must be acknowledged for supporting the discussion and the publication of this booklet.

For further information on the AP-HDNet, please contact Elena Borsatti (elena.borsatti@undp.org). To visit the website of the APHDR on Corruption, please visit: <http://www.undprcc.lk/ext/crhdr/home.asp>.

Asia Pacific Human Development Reports

The Asia Pacific Regional Human Development Report (APHDR) is one of UNDP's flagship products. The Human Development Report Unit (HDRU) at the Regional Centre in Colombo (RCC) coordinates the work of this initiative for the Asia Pacific region.

Tackling Corruption Transforming Lives, is the latest Report in a series of regional APHDRs. Themes of previous Reports are:

2006: *Trade on Human Terms: Transforming Trade for Human Development in Asia and the Pacific* (Winner of the 2007 Human Development Award for Excellence and Innovation)

2005: *Promoting ICT for Human Development in Asia: Realizing the Millennium Development Goals*

2003: *HIV/AIDS and Development in South Asia*

The APHDR is considered a regional public good primarily because it serves as an important policy advocacy resource as well as a valuable instrument for stakeholders, enabling them to influence policies across countries in the region. The country utility of the Report stems from the intensive process of consultation with a wide range of stakeholders in theme selection. This process narrows down the focus of the Report, through research, discussion and feedback using the AP-HD Network, developing the main messages, report preparation, launch and advocacy. Any theme for an APHDR must be topical and pass at least one of the three regional tests, which are:

- o It must be of concern to several countries in the region.
- o It must have sensitivities that are better addressed at a regional level.
- o It must have clear cross-border dimensions.

Thus, by the very nature of its mandate, the HDRU works with a wide range of stakeholders who guide the direction of Asia Pacific Human Development Reports. In order to define the scope of the APHDR, identify priorities and decide 'what should be in' and 'what should be out', the HDRU organizes Sub-Regional Stakeholders Consultations in the region and undertakes discussions on the Asia Pacific Human Development Network. Stakeholders include governments, civil society organizations, media, experts, academia, research institutions, UNDP country offices, United Nations Agencies as well as a range of other interested parties.

Table of Contents

The Asia Pacific Human Development Network	iii
Asia Pacific Human Development Reports	iv
I. Transforming Corruption Through Human Development: Synthesis of the E-Discussion	1
1.1 Transforming Corruption Through Human Development	3
1.2 Political Economy	4
1.3 Health and Education	8
1.4 Water, Sanitation and Electricity	10
1.5 Special Development Situations	12
1.6 Natural Resources	14
1.7 Police	17
1.8 References	21
II. Transforming Corruption Through Human Development: Consolidated Reply	23
1. Launch Message	25
2. Political Economy	27
2.1 Discussion Questions	29
2.2 Contributors	29
2.3 Online Discussion	30
2.4 Offline Discussion	80
2.5 References	95
3. Health and Education	97
3.1 Discussion Questions	99
3.2 Contributors	99
3.3 Online Discussion	100
3.4 Offline Discussion	131
3.5 References	133
4. Social Services: Water, Sanitation and Electricity	135
4.1 Discussion Questions	137

4.2 Contributors	137
4.3 Online Discussion	138
4.4 Offline Discussion	149
4.5 References	150
5. Special Development Situations	151
5.1 Discussion Questions	153
5.2 Contributors	153
5.3 Online Discussion	153
6. Natural Resources	157
6.1 Discussion Questions	160
6.2 Contributors	160
6.3 Online Discussion	161
6.4 References	182
7. Police	185
7.1 Discussion Questions	188
7.2 Contributors	188
7.3 Online Discussion	189
7.4 References	210
III. Annex	211

I. Transforming Corruption Through Human Development: Synthesis of the E-Discussion

Contents

1.1 Transforming Corruption Through Human Development	3
1.2 Political Economy	4
1.3 Health and Education	8
1.4 Water, Sanitation and Electricity	10
1.5 Special Development Situations	12
1.6 Natural Resources	14
1.7 Police	17
1.8 References	21

I. Transforming Corruption Through Human Development: Synthesis of the E-Discussion

1. 1 Transforming Corruption Through Human Development

The principal objective of this round of discussion on the AP-HDNet was to engage stakeholders in a constructive and multifaceted debate on corruption for the upcoming Asia Pacific Human Development Report. The results of the discussion enriched the Report and gave it a sharper focus on the poor. The discussion is, of course, a part of a broader process of consultation, which already included three sub-regional stakeholders consultations in Asia and the Pacific [1]. The discussion was moderated by an external expert, supported by the HDRU Team as and when necessary.

The launch message indicated that the discussion would involve four sub-themes (political economy, social services, natural resources, benchmarking) and would conclude with an exchange of views and ideas over the benchmarking of formal anti-corruption agencies and the media. As the debate progressed, the sub-themes evolved in line with the direction of the responses and the shape of the Regional HDR developed alongside the Network discussion. Social services were split into two sub sectors (health and education, and water, sanitation and electricity); benchmarking was abandoned; and two new sub-themes - special development situations and corruption in the police - were added. The discussion also included a final round on 'localisms' and idiomatic expressions of corruption, which, owing to space restrictions, has not been included here.

The HDRU Team decided to restrict the survey on benchmarking to the UNDP country offices in the region and developed a questionnaire towards achieving this purpose. At the close of the discussion, members were asked to respond to a survey on their preferences for the direction and format of the next phase of the AP-HDNet discussion.

While the discussion of each sub-theme was focused and targeted, members were asked to keep the following issues in mind:

- o The postulated two-way link between corruption and human development.
- o The extent to which human development (freedoms, voice, choices, empowerment, access to information, social services, livelihoods etc.) contributes towards curbing corruption.
- o Potentially effective policy solutions and anti-corruption measures.
- o Ideas on innovative and creative solutions to mitigate the effect of corruption, on the poor and disadvantaged groups.

1.2 Political Economy

The discussion was wide-ranging, focussing on a wide range of issues such as justice, values, voice, democracy, civil society participation, media independence, importance of debate, consensus within a community, communication and the human capability to understand the universal value of intolerance towards corruption. One of the key emerging issues is that trust is critical for the holistic development of civil society. Another is the view that people have little confidence in the likelihood of political leaders assuming the social courage associated with shaping public integrity. Even so, the discussion yielded an important message: the search for a single 'root cause' of corruption is basically of no consequence. In and of themselves, neither poverty, illiteracy, weak civil society, nor exploitive institutions are singularly responsible for corruption. They combine to play a major role in the fight against corruption, but each of these factors are derivative, rather than the first principles of what causes (or remedies) corruption.

However, the discussion instead boosted the value of an approach that traces the origins of corruption to the social sites of material production. It is those spheres in which societies produce wealth that need to be targeted by anti-corruption strategies. In other words, *demand* for corruption originates in sites of production, not in exchange transactions, which neoclassical theory focuses on. More specifically, the discussion endorsed the probability that corruption is, in the first place, connected to shortages, under-spending, under-valorisation of public goods and the people who both provide and are entitled to them. For instance, these issues are clearly manifest in scarcities such as M & E mechanisms, which increase the taker's incentives. Hence, it can be surmised that demand originates early in the process of societal production processes – certainly prior to exchange or market transactions, where ostensibly 'persons come together to maximize their respective best interests'.

With regard to the definition of corruption, there was agreement that the conventional definition fails to capture the impact that corruption has on public-decision-making and thus on democratic processes. There was further consensus that this oversight can be addressed by identifying the full range of key players involved in corruption: givers, takers, objectors, and bystanders, with the primary focus on demarcating which side an actor is on, and who initiates and who follows the lead. Such an approach encompasses persons in the private sector who supply the opportunities and reasons for public servants to commit corrupt acts (a shortcoming in the conventional debate). It also includes, again atypically, a range of professional actors who facilitate or legalise corruption. And while criticising passive bystanders who tolerate corruption, very importantly the discussion also emphasises the role of victims who invariably are the poorer sections of society.

In summary, this discussion explored the perspective of an actor's motivation, emphasising the role of incentives in corruption and how incentives link with expectations. Underlying this proposition is the idea that official expectations (trust and rights associated with provision of public goods) ironically tend to operate alongside as well as at odds with unofficial expectations - in essence personal gain that extends to family and allies. From this angle, tolerance of corruption can be described by how greater incentives exist for personal gain than for providing public good. This is a perspective that endorses tolerance for human frailty and human ambivalence. It emphasises that corruption is generated by factors such as regulations and norms of office. These differ according to contexts (incentives, disincentives, strength of institutions, civil society, distribution of wealth and consequent degree of peace, independence of the media and judiciary, and access to information and peoples' grasp of it). The upshot is the view that the goal cannot be zero tolerance of corruption, but rather intolerance of turning a blind eye to it. This approach is closer to the political economy approach advocated by some contributors as it focuses on uncovering motivation within relationships at the level of production.

What explains corruption? The key finding of the discussion is that the explanations differ according to a range of power factors, which again are traceable to sites of production, and attributable largely to factors of shortage in poor countries. In fact, to understand the element of motivation better, the discussion moved on to reflect on integrity defined as 'the use of entrusted power for public good'. The primary motive underlying this shift in focus was to gain a better understanding of the forces that shape integrity, in a bid to identify factors that could be integrated into anti-corruption strategies.

In particular, this included questions about the role of duty and how it is influenced by moral, emotional, or imaginative intelligence. For example, what roles do reputation and leadership play as drivers of integrity? It was noted that in Kant and Nussbaum's studies, there is no requirement according to which acts of integrity are solely motivated by duty. More simply, the motive of public responsibility is sufficient to bring about integrity. Indeed, if an act is solely motivated by duty, then it is possible that a specific action could maximize the social good but still not be right, and therefore ought not to be done, especially if it violates the vital aim to develop capability in all persons.

If duty is an insufficient cause, then what other factors shape integrity? It was noted that Kant and Nussbaum seem to endorse actions shaped by the social emotions (like courage), as against actions that stem purely from an abstract perspective of 'duty'. This is because motivation, like courage, embodies personal commitment, which goes beyond the line of duty. However, since

emotion is fallible, in the same way that objectivity is, it needs to be combined with a sense of duty to ensure a more comprehensive form of motivation.

This part of the discussion served to deliver a better understanding on decision-making associated with public trust and rights. Additionally, in turn, it underlined the fact that decisions are informed by capability, which, although inherent, needs to be fostered by public investment. Thus, the 'integrity' part of the discussion assisted the discussants in grasping the importance of public investment in social goods as an integral factor in developing decision related capability. It was further agreed that such initiatives must be broad-based and include all sections of society, given that corrupt acts, in particular, affect those with less opportunity to develop capabilities associated with 'legitimate and appropriate behaviour'.

Who is in a position to judge what is termed as 'legitimate and appropriate' behaviour and what social norms and values is such a judgement based on? The implication here is that defining 'corrupt' behaviour or integrity necessarily involves a sociological component. This raises the question as to what specific kind of 'sociology' is required. Given the group's focus on the poor, discussants touched on the need for a sociology that zeros in, rather than abstracts away from, the political economy of decision-making, or on the sites of economic relationships where incentives originate. Additionally, it requires a sociology, which is able to explain or at least factor in the origins of meanings, values, and social emotions that different actors in different places see in such incentives.

In sum, understanding what is corrupt and what is not goes beyond identifying a particular abstract norm that characterizes a specific situation. In order to know which norm to apply and how to interpret it in a particular instance, requires knowing a great deal more about social emotions and how these are codified or culturally represented in different communities. This, the discussion agreed, further underscored the need to adopt a 'contextualised political economy approach'. An approach of this kind, for example, could blend an analysis of corruption incentives with examples of integrity that express different codes of political courage and other social emotions. Additionally, more value can be acquired by combining this with a description of the actual choices available (especially to poor persons) in particular social situations.

It is important to note that this 'contextualised political economy approach' does not universalize the definition of corruption. On the other hand, this approach avoids the concept of any universal definition applicable to all countries at all times. Instead it emphasises the

importance of different values, norms, and customs of particular cultures and institutions that contribute towards arriving at a definition. Just as importantly, it avoids limiting corruption to the public sector.

The discussion raised other important issues. It touched upon the dimensions of managing corruption, or more specifically, on reducing public tolerance or 'closing our eyes' to corruption. In other words, it refused to pinpoint on society as the chief culprit. Rather, it advocated exploiting the capabilities of individuals to become aware that their interests lie in no longer condoning corruption as the foundation of mainstreaming anti-corruption measures. In response to analysing different forms of corruption (who or what initiates the problem), the discussion explored targeted types of management. For instance, discussants touched on questions of which kinds of anti-corruption institutes are the most effective and under what circumstances and particular political environment. Does this require: a single institute with powers to prevent prosecute and investigate?; single institutes with mostly preventive mandates?; multiple units and mandates interspersed in different government departments and institutions? Beyond policies and procedures, what are the characteristics of the various anti-corruption frameworks that attest to ability to withstand market forces?

Other key questions that surfaced during the discussion included:

- o Are there strong social forces driving integrity (vulnerability-reduction), and what are the key factors that could strengthen these social forces?
- o With regard to the public condoning of corruption, and distrust of leadership, what are the local challenges that will possibly arise in mobilising a new generation of political leaders? What organisational structures hamper women's ability to fight corruption once they achieve significant power?
- o Mainstreaming anti-corruption means individuals taking responsibility for behavioural change. Thus, how vital is the role of decision-making and participation? What specific ways does empowerment, access to information, education, etc. contribute to transformation of corruption? How can decision-making or participation be measured?
- o Diversity with regard to norms does not preclude the need to identify the extent to which values can be embodied in a human development approach to anti-corruption. Although western presumptions tend to under-cut universal experience of corruption, what are the thresholds around specific norms, values, and expectations that could be included in the conceptualization of a human development approach to anti-corruption?

1.3 Health and Education

The leading drivers of administrative corruption in health and education are political and economic factors in all their various cultural expressions. There was a consensus among the participants in the network that under-investment by governments was one of the principal drivers of corruption. One critical consequence of under investment is that wages are too low to enable officials to make a decent living, and this in turn not only increases the likelihood of demand for unofficial payments but also affects the reliability of services. In the final analysis, it is the poor who remain the most vulnerable. They may, for example, make unofficial payments but their children still receive a poor quality of education or in some cases payments are made and no service is provided (ghost schools are common).

One of the principal hazards in the health sector (an outcome of supply-demand dynamics) is fake and unsafe medicines. Another major problem that continues to plague poor communities is the prevalence of predators in areas of semi-urban and rural health services, in the form of 'quacks' or fraudulently qualified providers. In addition, properly-qualified doctors in the public system often illegally moonlight in private practices. Under-the-counter payments are also common, sometimes just to get care. One survey in South East (SE) Asia showed more than a third of 'artesunate' anti-malarial drugs contained none of this active ingredient. The survey estimated that Indonesia's pharmaceutical market contains 25 per cent fake drugs, in India, the relevant number was 20 per cent of the market, and in the Philippines, nearly a third of drug outlets were estimated at carrying fake drugs. To counter this, legislative efforts are being initiated to make counterfeiting drugs a crime against human security. Another contributor decried the lack of anti-corruption measures in India's public health service. He urged much greater systemic vigilance to ensure due diligence by the clinicians, as in the absence of this, it remains impossible 'to differentiate between a malarial death from disease burden/delay in initiation of treatment/drug resistance/poor drug quality/poor compliance' etc. Another contributor warned that a major challenge in the Federated States of Micronesia is that it is being used as a clearinghouse for imported drugs.

Contributors increasingly agreed that a 'contextualized political economy approach' is a powerful tool to help explicate the varieties of corruption in health and education. An important benefit of this was seen to be that political economy traces its starting point not to exchange dealings, which is the case with established theory, but to workplace relations where production actually happens, since this is the site where the impact of inadequate wage levels are felt and thus is important for anti-corruption measures. From this standpoint, decision-making in spheres where exchange transactions take place become important: are the 'informal' exchanges that are invariably required between doctors and patients or teachers and parents, rational

in character, as theory would have us believe? Can these really be viewed simply as dealings between persons maximizing their respective interests? The views expressed suggested this is unlikely; and this raised the further question that much more needs to be discussed about the complex kind of logic or coherence that is evident when social goods are in short supply.

The subsequent implication is that the context of decision-making needs to be understood as a process that is strongly shaped by the prevailing mode of production. Specifically, it was highlighted that the impact of corruption on people's access to social services in Polynesian and Melanesian States can be traced to a distorted form of gift-giving. In turn, this is rooted in the contemporary interface that characterises the extraction of tributes that persists as a residue of customary systems, and the market system that now operates in tandem with but predominates over the customary modality. Important distinctions were noted between market forces and gift-giving. While customary rulers established themselves on the basis of successful claims on the labour (gifts, loans) in the tributary or gift-giving system; they did not take direct control over the tools of production, which a market economy does. This difference introduced by markets puts new pressures on the regime resourcing the machinery of production. Hence, although in states like Tonga, Fiji, Papua New Guinea, there are at least three main modes of production that operate simultaneously (tributary, market, and household), market forces are particularly distorting because what leaders take as tributes or gifts are used by them in markets, and this in turn raises the amounts that need to be paid in the tribute system. It is this particular dynamism that is the source of corruption associated with gift transactions, not the gift in itself.

Insights from a contributor provided some explanation for anti-corruption strategies in the Pacific countries. It basically revolved around how Melanesians perceive gift-giving. This has its foundations in how Melanesians see the way in which the world works. They work with a logic that things are alike in all ways if they are alike in any. This logic typically seems odd to Western minds. But it needs to be grasped that Melanesians do not split nature, culture, recognition of facts, construction of interventions, natural facts or social interpretations. This means that when discussing topics of private property, commodities, and market exchange, the Melanesian instinct is to combine rather than split persons-things or subjects-objects. The salient point is that although a gift economy no longer operates in isolation from market forces (indeed it is shaped in magnitude and quality by the end use of gifts in markets), in Melanesian gift production systems, all commodities and public goods and social services, symbolize or express human relationships. They represent persons or facets of individuals. The upshot, for capacity-building purposes, is that production is underpinned by a collective social identity – which encompasses givers, receivers, facilitators, etc. Along with public goods, goods primarily reflect

human identities and relationships. Thus, a 'big man' has given a bit of himself when handing-out special 'preferences' in education access or health access to a relative or clansperson. The cultural perception is that his 'mana' or spirit accompanies the gift, and more importantly good spirit is circulated by the transaction. A key implication for transforming this, in the context of how it has become distorted by market forces, is that research needs to assess the quality of the impact on collective life by the distorted 'spirit of the gift'. A further implication is that as long as the 'big man' system of hereditary leadership persists, fighting corruption in these communities requires the complicity of, or championing by, 'big men', along with awareness-raising to actually disclose the true nature (the circulating spirit) of the distorted (corrupt) transaction.

More specifically, it was highlighted that Civil Society Organizations (CSOs), together with independent teacher unions, could play a crucial role in the monitoring and evaluation of the education sector. In China, it was pointed out, that illegal profiting related to the commoditization of education presents serious challenges to ancient traditions expressed by the 'veneration of knowledge'. Commercialisation of education blocks many poor students from formal schooling. Moreover, the evidence that urban-rural inequality is growing is supported by findings such as 'the more prestigious the institutions are, the lower the percentage of rural students'.

1.4 Water, Sanitation and Electricity

The discussion acknowledged that corruption in Water, Sanitation and Electricity (WSE) is complex and widespread. They also agreed that an anti-corruption strategy must be equally multifaceted, if it is to be credible. Indeed, the discussion placed a strong emphasis on ways to blend public awareness and collective action about rights and prices to contest unequal power relationships. Contributors explained how inequalities are exacerbated by the ruinous effect of corruption on access; indeed, there is a shared perception that the problem of access could explode into much broader inequalities unless solutions can be found for the prevailing supply and demand imbalance and stagnant monopoly situations. In fact, the discussion underscored the need for an 'equal force' to counter such situations. As a backdrop to this, it was noted that, for many well-heeled persons, corruption is a leverage situation that they are happy to preserve. Nevertheless, this should not prevent citizens from tackling corruption, by insisting on more space for public participation and third-party monitoring through the media, and civil society organisations, as well as through decentralisation, enforcement of the rule of law, and transparent decision-making processes.

The discussion highlighted that India in particular needs more civil society actors dedicated to helping people without 'text literacy' to understand government schemes and resources. This would make them less vulnerable to being cheated by public servants. It was emphasised that

poor people can indeed play an active role in checking corruption, if they understand the issues at stake. However at present, the existence of several laws and checks and balances, tends to hinder poor peoples' fight against bullies who randomly hike the price of bribes whenever government schemes increase public entitlements.

Contributors underscored the need for support by development actors as an essential element of strengthening citizen capability to resist. This support includes insisting on more space for public participation, third party monitoring through the media and civil society organisations, decentralisation, enforcement of the rule of law, and transparent decision-making processes. None of these forces can work in isolation, but combined together they could result in more citizen capability and human freedoms.

With respect to how these perceptions actually play out (as highlighted by postings from members of the Network), a contributor highlighted a case of good local practice in Pakistan that has helped to reduce the considerable risks of elite-capture of decentralization processes that occur in the context of privatization and result in the creation of monopolies of big international companies. Another contributor shared a cross-country statistical assessment on the WSE sector that revealed the following:

- o Community access to sanitation is lower at higher levels of corruption (and vice versa).
- o Improved access is causally related to government effectiveness.
- o Investment to expand supply is inadequate without associated actions.

The implication is that issues such as lack of awareness of rights and prices, collective action problems, asymmetric information need to be urgently addressed. Without this combination of actions, unequal power relationships and inequalities appear to thrive. In the final analysis, the linkage between access and corruption could surge from a problem of corruption to even greater inequality.

In the Federated States of Micronesia, it was pointed out how personal enrichment and private resource use and other forms of out-of-sight favouritism are the chief reasons for the stagnation of public WSE monopolies.

Privatisation was commonly seen as a contributing factor to corruption in this sector, with the World Bank sometimes cited as a controlling influence in changing the long-held perception that water is a common property resource. A contesting view was that efficient use of water could be promoted by taxing the corporations who exploit it for commercial purposes. This would help in widening access to water, unlike privatisation which would constrain access.

A contributor suggested that a missing element of the discussion was the role of the poor in both exacerbating as well as having the potential to curb corruption related to the delivery of goods in this sector. This refers to the issue of 'illegal' connections, which often generates opportunities for corrupt practices. Given its impact on service delivery, the rich are clearly in a better position to pay and get illegal connections, while the poor are disadvantaged in trying to follow suit. However, there are effective remedies. In Cambodia, for example this involved control through a blend of inspections, penalties and education. This resulted not only in improving efficiency but also facilitated an increase in salaries, which was seen as instrumental in curbing employees' own corrupt tendencies. The case study is available online at <http://www.rmaf.org.ph/Awardees/Lecture/LectureEkSon.htm>.

1.5 Special Development Situations

The backdrop to this discussion is the awareness that corruption occurs at all stages in special development situations projects: selection, design, procurement, implementation, financial management, and final evaluation. The discussion panel was asked to consider what would be the impact on corruption if the approach at the *initial* phase (project selection) was dedicated to people-centred development? Could this effectively mitigate risks in subsequent stages? The key point is that the project selection process is particularly vulnerable to persuasion. As a consequence of judgment errors made here, primarily because such situations require a speedy response, selected projects often end up diverting resources away from the social sectors in favour of defence and major infrastructure projects. In defence and infrastructure projects, the opportunities for financial kickbacks and political patronage are particularly high. This is due to opportunities to limit competition through inadequate bidding processes, and permitting collusion with private firms. This results in the escalation of risks of corruption in subsequent phases of procuring goods and services and other activity phases further downstream. A contributor distilled these risks in the notion of 'the means corrupting the end'. This refers to the ultimate risk of exacerbating the existing problems of institutions being suddenly torn apart through expediency, which inclines donors to turn a blind eye, simply keep chaos at bay and try to save lives.

A second view focused on 'cronyism' that was seen to characterise processes of recruitment to public bodies engaged for special development situations. It was highlighted that such situations erode public trust and undermine systemic integrity and independence. All this can eventually be attributed to incompetence caused by influence that rich people can buy. Would it be enough to publish more information on recruitment policies? What special methods are needed to enhance the prospect that politically motivated complaints could be handled on a local basis, where cronyism finds it harder to hide?

A somewhat contrasting view, however, maintained that we should avoid seeing disaster situations as inherently risky in terms of corruption. In fact, the opportunity to rebuild after disaster situations could actually present opportunities for transforming corrupt situations. This is because of the distinctive environment of social emotions that surround post-disaster scenarios. The view expressed was that this quality of emotionally charged environment could be exploited. As a footnote, another contribution involving Banda Aceh, gave evidence of successful results that were visible, partly due to the effective exploitation of the post-conflict emotional intelligence that tends to prevail.

Overall, the relatively small number of postings reflected the difficulty of this particular topic for many agency persons. The topic is a sensitive one primarily because situations like the Indian Ocean Tsunami are acutely painful environments to work through; difficult because handling massive amounts of cash (including personal donations) transfers enormous responsibility, heightened when the work is in countries that have a reputation for corruption; difficult because there is acute time pressure on spending the money, requiring too-quick decisions about who to recruit and procure from, with limited data and local knowledge (under intense media spotlight); difficult because the transfer of goods is invariably in volatile security environments; and difficult because of competition between different agencies in contesting shares in an intense donation market.

What actions can be taken to develop policies and mobilise funds to promote agencies and staff who decide to tackle corruption? Additionally, what measures need to be taken to ensure the groundwork and risk assessments are effective and not too hasty? Although transparency, consistent application of rules and publicity will help, these administrative processes in isolation will not win the fight. Local communities' involvement is essential for transparency and for rules and publicity to work. Only when combined with systematic community engagement (particularly that of recipients), administrative actions will be effective in tackling the diversion of resources. Local engagement is critical for monitoring who receives benefits and how much, and who gets the jobs or takes the kickbacks. Another equally important measure involves communicating easily understood information to communities about the projects; about what relief they can expect, and what compensation they are entitled to. These measures cannot guarantee that the military will not levy taxes on vehicles trucking in supplies, or that officials will not inflate how many people need aid in their districts. Nor will it deter people from reselling the goods in the market, or prevent expatriates from diverting assets or taking kickbacks. However, if the interim goal is to get agencies talking about this problem, and to support those who do something, then we could expect the beginnings of a different culture or set of expectations when the next \$11 billion or so flows into an emergency situation. Corruption is inevitable only

if people deny it is happening. Accepting that it occurs, and providing support to agencies or people who take the first steps against it will enable environments far less conducive to corruption; and this could save more lives.

1.6 Natural Resources

The key findings on natural resources are important. Members have grappled with issues related to land management, which is perceived as the most corrupt 'sector' in Asian economies. Contributors discussed the issue of the resource curse, making the case that corruption is not an issue of abundance. Rather, it is about weak public management and under-valuation of natural resources. In the timber industry, for example, this generates opportunities for rent capture at both local and state levels in a 'legalised' form of corruption. This involves a major shift in the permit allocation process. Previously, the management of timber permits was controlled by expert state institutions. However, now the allocation process is increasingly shaped by politicians, resulting in the erosion of customary land rights and, more importantly contributing to climate change. Contributors offered an explanation as to why monopolies in the private sector point to 'legitimacy'. This is primarily because corporations probably drafted the law in the first place, with an eye to opening up avenues to make 'legal payments' through such clauses as 'geologist training' (subsequently tapped by a local elite to pay the overseas school fees of their family). Add to this contract secrecy, and the monitoring challenges take on extreme proportions.

Contributors highlighted the consequences for the poorest citizens, which primarily are focused on insecurity about access to their land. This generates a vicious circle marked by administrative loopholes that enable others (the military, and business persons in cohorts with local officials) to grab land and to grant illegal approval for activities such as construction. These situations exploit the absence of 'an integrated formal system of property rights' (that underpin market economies), and as a consequence puts local food security at great risk.

A suggestion was made that a better way to categorize key differences in how corruption manifests across sub-regions, could be based on the different stages that mark different countries sectoral engagement, within the following areas: environmental/natural resource management, governance, policy and regulatory development, utilization of environmental resources, permit and certification processes, and environmental enforcement (inspections and policing).

A further point was introduced concerning legitimacy. This involves the social fact that people respond to the legitimacy of a government's authority on the basis of how it deals with natural

resource issues. These observations draw out a thread running through the entire discussion, differentiating it from the approach favoured by established economic theory to anti-corruption. This centres on the notion that governance is both about being governed and how it feels to be governed. It was explained that the basis of modern systems of representational government is rooted in a social agreement about what rules to follow. Importantly, governance has its basis in trust, not power, as the election process demonstrates. The exercise of authority is always a negotiation measurable in people's perception as to whether a government is operating under democratic principles and is being subject to their will.

It is this context that civil society organizations have increasingly been contesting public decision-making processes and the whole broader issue of power relations between those who govern and those who are governed. It was pointed out that recently, one method employed by international NGOs is by creating non-state governance systems based on 'certification'. The aim is to develop and implement environmentally sound and socially responsible management practices. Turning away from traditional state-based authority (rejecting its legitimacy), these civil society systems and their advocates gather the various actors in the supply chain (i.e. producers, and those who generate the flow of resources into and out of the combined operations constituting the respective livelihoods of the actors), with the purpose of creating a different set of incentives, and promoting the a new legitimacy, on the basis of which citizens ask companies and governments to operate. Simply stated, this process, in essence, redefines the conditions under which people in democratic states grant authority.

Thus, although the monitoring challenges facing civil society organisations are difficult, CSOs have taken a pro active stance in developing and implementing environmentally and socially responsible management practices. In sum, contributors endorsed the need for public decision-making based on principles of self-governing individuals and collective management of natural resources.

The political economy approach has played a central role in contributors' explanations that corruption is a major cause of resource sector inefficiencies. They have tracked its origins to such interactions as private sector actors competing for favours from public officials, who come with their own set of incentives and constraints. Contributors unanimously agreed that the term 'competing' is a misnomer, primarily because a level playing field rarely exists. Governments find it easier to conserve power by simply distributing resource privileges to their allies. This generation of a secure revenue stream means that instead of developing sturdy strategies with action plans, governments are not motivated to frame strong and effective strategies. As a consequence, resource abundance impacts very negatively on public decision-making.

The extent of this, as the initial phase of this discussion has led us to expect, depends on the political system: authoritarian regimes have a significantly higher negative impact on growth than democratic regimes.

Contributors emphasised that Asia Pacific countries face the prospect of vastly increased income from minerals, oil and gas in coming years. However, reservations were expressed as to whether the revenues will be channelled towards advancing human freedoms and capabilities or be used for repression. Contributors strongly advocated supporting community actors in an endeavour to transform tolerance, by insisting companies publish what they pay, since companies are unlikely to do it voluntarily. Part of a strategy to combat corruption in this sector, it was noted, could be support for the environmental protection movement with the aim of enhancing public awareness of its connections with human livelihoods. The key idea is, to make development more people-centred by basing it on principles of self-governing individuals and mutual aid. It is believed that such a strategy of mutual protection would be less open to exploitation by middlemen. Complementarities in this logic were noted with Nussbaum's vision of democracy with its foundation of self-aware, self-governing citizens with a compassionate imagination 'capable of respecting the humanity of all our fellow human beings..... who can think for themselves rather than simply deferring to authority, who can reason together about their choices' (Nussbaum 2004); and with Amartya Sen's image of agency focused on community initiatives that 'redress the crippling effects of an exclusive dependence upon the state agency' (Muralidharan 1999). Further, and attesting to the value of harnessing collective wisdom, cases were noted of villagers in India who collectively manage resources including forests and wells, and of Bougainvilleans who mutually protect themselves and their natural surroundings by dedicating a day in the week to managing their ecosystems as a whole community.

There was also a valuable discussion on the shift in permit processes. Increasingly, the administration of timber permits, which was formerly managed by expert state institutions, is being shaped by politicians. In Papua New Guinea, more than half the rainforest areas are designated to be logged. In 2006, a study of 14 logging projects in Papua New Guinea published by the Forest Trends group (2006) revealed that all projects were operating in a form of legalised corruption. This includes transfer pricing based on complicity between companies and the political elite. Transfer pricing is currently 'remedied' by monitoring log export volumes. However, at the other end where processed timber is received – in Europe, and the US – there is no monitoring. Even at the point of logging, monitoring is ineffective, given that the principal logging group provides the government monitor(s) with a car and 'privileges' that include a school that his children attend. The standard view endorsed by the panel was that a more effective remedy would be to extend support to local landowners by empowering them to

better understand and defend their rights to access the forests through which they earn their livelihoods.

In order to generate policies that counter corporate corruption and 'state capture' a different definition of corruption was recommended. Countering the prevalent view of corruption as a barrier to a fully-fledged market society, this definition seeks to capture the idea that the problem of corruption is the problem of those with economic power dominating policy for their own self-interest. This shift in perspective, it was noted, is necessary to move on from the image of a corrupt state as one whose officials intrude on the efficiency of entrepreneurs. The reality is that a corrupt state results from the nexus of wealth and power acting to deter democratic representation. This definition gives rise to distinct policy ideas, with clear aims. The first aim is to restrict the power and purpose of multinational companies in the capture of policy-making, and the second aim is to empower citizens in the exercise of greater control over decision making.

1.7 Police

The feedback on the police generated some interesting and valuable ideas. The discussion opened with the view that the tradition of granting a single group such imposing powers of arrest and detention is certain to generate 'unreliable' choices. Hence, an independent agency is needed to watch over the police. A separate view expressed was that any anti-corruption strategy must go beyond prevention - donors need to be more pro active in investigation, prosecution and adjudication. This evoked a perhaps more balanced viewpoint that observed that some police officers sometimes choose to act with integrity. Accordingly, is it possible to design incentives that could stimulate 'choices to act in upright ways'? Additionally, will combining citizen voices and grassroots pressure facilitate a shift in political will?

It is important to explore the specific variables that influence choice-making. What level of literacy is needed for people to recognise they have chosen 'rationally', and more importantly, discern that how one uses practical reason matters, and how one uses political power is critically important. Further, what constraints do poverty and other vulnerabilities have on access to this kind of education?

These questions raised a much discussed topic - that there is no singular root cause for corruption. This was reminiscent of earlier conversations that concluded that corruption involves multiple actors. These can be categorised as givers and takers, those who resist, endure or are incognizant (yet lose some entitled social good), as well as those who facilitate a corrupt practice. The discussion highlighted a case in Jammu and Kashmir, where it was pointed out

that the demand-side cannot be simply explained by a public official's aspirations for power in an underpaid situation. Rather, there are multiple actors who co-drive the demand in a backdrop of the community that the police services. It was learned that the corruption co-producers in the demand for land, besides the police, included "greedy revenue officials and vested interest groups in the context of economic growth and massive migration to cities". On the supply side, the network comprises of 'revenue officials, politicians, criminals and businessmen'. Regarding 'grand theft auto', demand is co-driven by insurance agents and employees of Road Transport Offices facilitated by the lack of a computerized data bank on vehicle registrations. What facilitates this corruption is a supply network of hired drivers, professional lifters, receivers, automobile shops, and political patrons. It's a story that helps to explain the complex gamut of social drivers that create demand, and insists on recognition the problem belongs to the community and it is not simply 'over there' in some ostensibly-isolated public official's office.

One implication is that 'police' are a heterogeneous collection of human beings with motivations that are both multi-faceted and ambiguous. It was suggested this could be an excellent starting point for a strategy. Could incentives successfully be engineered around this human quality of ambiguity, specifically by targeting upright behaviour that is exhibited by some police persons? Could pressure from below in the form of a blend of citizen voices and grassroots pressure help to develop and sustain political will to transform police corruption?

Regarding measures that would facilitate better decision-making, one view emphasized the value of rational choice theory. Additionally, the importance of contextualising this theory, as Nussbaum has done, in terms of how citizens use reason and power, was also emphasised. Basically, it is insufficient to restrict this to a mere explanation of how people make decisions. What is necessary is a theory that explains how people use practical reason, and entrusted power, in ways that are good for society. This in turn raises questions that the dominant decision theory tends to neglect- which is how much education on alternate choices do we need access to before we can say we have 'rationally' chosen? And, can it be said that we have freely decided on a course of action if poverty or other vulnerabilities constrain our decisions?

Drawing on these themes, the next step was a discussion on the end goal of anti-corruption. It was recommended that the notion of 'lowered thresholds of tolerating corruption' needs to be refined. It is far more preferable to devise a rather simple and straightforward expression of 'tolerance' that encompasses its multiple dimensions, which are:

- o Thresholds of what is normatively acceptable or censured.
- o The 'level/degree of permission or veto.'
- o The 'impact on freedom of certain corrupt acts.'

The importance of a multi-faceted understanding of 'tolerance' is related to making the concept operational, by measuring each aspect differently. For example:

- o 'Thresholds' involves measuring the critical, flexible assessment of certain acts.
- o 'Permission' entails testing what practices are banned or accepted.
- o The 'impact on freedom' requires measuring impacts on rights and duties.
- o 'Demands of tolerance' is gauged by how individuals respond (e.g. escaping from information by using stereotypes, or by pledging support to an oppressive ideology, or a religion where many individuals derive their ethos).

In the final instance, 'tolerance' is useful to an anti-corruption strategy primarily because it meets the need for 'universality' and is also not dogmatic in its approach. Additionally, it encompasses essential human ambiguities that surround the search by individuals for meaningful or authentic social practices.

There were differing views over how choice-making and meaningful practices have been impacted by the 'reversal' of corruption in Singapore. It was pointed out that Singapore's case does not represent 'best practice', given that 'integrity' is being sustained by fear and oppression, whereas, tolerance is required as a core ingredient of liberty and human capabilities.

Additional questions were raised as to whether it was solely police reform or broader strategic incentives that managed to tap into the social historical flow of ethical values, that transformed Singapore's corruption. Additionally, the question was raised, does the perceived effectiveness of those strategies, if measured by citizens' opinions of low corruption, equate to there being more authentic moral and ethical standards than in other countries where corruption is perceived to be widespread?

One contributor pointed out that Bangladesh is one Government which is doing something about its responsibility to provide equal access by acceding to demand by the poor to reform the Police Service as a priority, and as a first step towards sector wide legal process reform.

In more general terms, how do the poor collectively perceive access to justice? Information was shared about a study that revealed the poor feel that justice is directly linked to wealth (Correa Sotil 1999). The poor overwhelmingly feel that legal system actors discriminate and are corrupt in ways that escalate inequality of access for vulnerable populations. Almost two-thirds thought police treated the well-dressed well and the poor badly; 63.5 per cent felt judges behaved differently with the rich and the poor; more than half thought that, when police detained people, the intent was to charge them money; almost 90 per cent felt there is

one justice for the rich and another for the poor; almost 90 per cent thought lawyers were too expensive; and 90 per cent felt the quality of a lawyer's assistance is linked to how much money is paid. Such findings raise critical questions as to whether governments have stepped away from responsibility to promote demand by poor people for reform.

In a bid to explain these perceptions of the poor, as well as provide an important context for decision theory, it was suggested that any approach that investigates police corruption merely in the limited context of being a service-provider neglects the critical question of 'to serve and protect whom'? The damage done to ordinary lives by this aspect of their role, which is to give protection to political elites, depends on the situation in which police operate. This can sometimes be a well-functioning low-corruption situation, while at the other end of the spectrum it can be a very corrupt environment with scarce resources and high levels of violence. This generated a notable observation that a regime that experiences a growing threat of violence is increasingly likely to transfer power to the military. In this scenario, the role of police reverts to merely being a simple provider of information, but since this situation involves little demand for information, this causes police to migrate to serving the corrupt domain of 'unofficial elites'.

In conclusion, the discussants surmised that more than ever before in history, material security, democratic involvement, state control of justice and guarantee of rights depends on decision-making by the police and the broader judicial system. This means that access to justice is a critical issue. Its starting point is the escalation of demand for police services not controlled by corruption. Only then could the court system begin to constitute a more equal social order in which the poor participate in litigation and have their voices heard. However, this could only happen occur in a legal system that is not controlled by corruption, which then becomes the only forum where powerful political interests cannot hush voices, as they do in the market where poor people have insufficient power. This is why economic development approaches do not provide the answers to poverty alleviation. And this is why this discussion has taken a political economy approach to anti-corruption, which is very interested in questions of human rights, equality of access, and the further development of rational choice-making.

Notes

[1] The East Asia consultation was held on 6 October 2006 in Bangkok, Thailand; the Pacific Stakeholders consultation was held on 14-15 November 2006 in Suva, Fiji; and the South Asia Stakeholders consultation was held on 22-23 February 2007 in Bangkok, Thailand.

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II. Transforming Corruption Through Human Development: Consolidated Reply

Contents

1. Launch Message	25
2. Political Economy	27
3. Health and Education	97
4. Social Services: Water Sanitation and Electricity	135
5. Special Development Situations	151
6. Natural Resources	157
7. Police	185

1. Launch Message

► *“The fight against corruption is no longer merely a moral issue. The compelling reason is the suffering and deprivation that corruption brings to society and in most cases to the world’s poorest.”*

Dear colleagues and friends,

It is our pleasure to invite you to participate in a 16-week moderated e-discussion on ‘Transforming Corruption Through Human Development’. Our primary purpose is to consult with you in order to define the direction of the Asia Pacific Human Development Report (APHDR) on corruption – the second in an annual series of APHDRs. This forum is part of a broad process of international consultation for the corruption APHDR which has included three sub-regional stakeholders consultations in Asia and the Pacific.

The principal objective of this round of discussion on the APHDR is to engage you in a critical discussion of selected themes for the Report, which will be on corruption:

- o To solicit your views on the postulated two-way link between corruption and human development. In particular the theoretical arguments and empirical evidence that support this hypothesis. Additionally, the extent to which human development (freedom, voice, choices, empowerment, access to information, social services, livelihoods, etc.) contribute to curbing corruption.
- o To receive your views on effective policy solutions, anti-corruption measures, success and failures stories/case studies, including country examples, and lessons learned.

In order to consolidate existing knowledge and information in the area of corruption in the region, this e-forum is partnering with the ‘Integrity in Action’ Community of Practice which was launched in January 2007.

Now, through this e-discussion, you will have the opportunity to connect with useful networks and ideas that might not otherwise be accessible. Hopefully you will view this as your forum and enjoy benefits from the active participation.

Over the next 4 weeks, you are invited to react to the above introductory remarks and/or to on the first theme of Political Economy which will follow this message. The facilitator will then provide a summary of the discussion before inviting you to engage once more with the second theme, and so on.

We look forward to a lively debate!

Warm regards,

James Chalmers (Jim)

AP-HD Network Expert Facilitator

Political Economy

Contents

2.1 Discussion Questions	29
2.2 Contributors	29
2.3 Online Discussion	30
2.4 Offline Discussion	80
2.5 References	95

2. Political Economy

2.1 Discussion Questions

Objectives of the discussion

- o To understand the political economy of corruption in particular the role of power, inequality, scarcity, lack of access and other structural features of the society and economy in generating corruption and its impact on poverty and human development.
- o Obtain ideas on innovative and creative solutions to mitigate the effect of corruption on the poor and disadvantaged groups

Questions to guide the discussion

- o Does a political economy explanation of corruption provide a more useful framework for its impact on poverty, the MDGs and human development?
- o Do good human development conditions (freedoms, voice, choices, empowerment, access to information, social services, livelihoods, etc.) contribute to the reduction of corruption?
- o What impact does corruption have on progress towards the MDGs, poverty and inequality?
- o Is corruption mostly an economic phenomenon, or is it linked to the underlying structure of the society and economy?
- o How robust is the link between corruption and economic growth? Does the type of political regime (e.g. a weak or a strong state) mediate this link? What is the evidence for Asia and the Pacific?
- o What are the solutions? Would a more integrated human-rights approach coupled with a strong emphasis on education, moral and ethical values constitute part of the solution?
- o Under what circumstances would anti-corruption measures restrict people's choices and violate human rights? In these circumstances, should these anti-corruption measures be taken off the table?

2.2 Contributors

Responses were received, with many thanks, from:

Fayyaz Baqir, UNDP Pakistan

Hasna Cheema, UNDP Regional Centre in Colombo

Ramesh Gampat, UNDP Regional Centre in Colombo

Sandy Gauntlett, Pacific Indigenous Peoples Environment Coalition

Li Jing, UNDP China

Rokeya Khatun, Asian Development Bank

Raj Kumar, City University of Hong Kong

Roy Laifungbam, Indigenous Peoples' Centre for Policy and Human Rights in India's North East
Phil Matsheza, UNDP Bureau for Development Policy
Ajit Mishra, University of Bath
Gerardo Munck, University of Southern California
Steve Onwuasoanya, OCHA
Mark Philp, University of Oxford
Ramachandran AL Ramasamy, National Information Technology Council, Malaysia
Usaia Ratuveli, Fiji Human Rights Commission
Charmaine Rodrigues, UNDP Pacific Centre
Herman Semes, Transparency Micronesia Inc.
R. Sudarshan, UNDP Regional Centre in Bangkok
Bill Tod, SNV Asia
Ngoc Anh Tran, Harvard University
Andrew Wedeman, University of Nebraska-Lincoln

2.3 Online Discussion

Gerardo Munck, University of Southern California, wrote:

Probably the thorniest issue under discussion in 'the political economy of corruption' is what comes first. A growing body of literature suggests that corruption (very often included under the broader heading of good governance and institutional quality) affects poverty. However, some authors have challenged this view arguing that a country's level of social capital determines economic growth and that political institutions and corruption are matters that get worked out later on (see, for example, Glaeser *et al.* 2004). The implications of these two views are fairly diverse. The first view that poverty is 'solved' through certain political institutions, recommends a concerted effort to 'get the institutions right'. Priority actions from this viewpoint include a push for elections, the strengthening of government oversight agencies, and the protection of property rights as a basic right. The second view emphasises actions aimed at elevating health and education standards, along with many of the features highlighted in the MDGs.

Most of this discussion implicitly adopts the concept of corruption as an economic phenomenon, where corrupt acts are motivated by economic gains, in which a state/government actor is involved. Most of the analyses in this area rely on data provided by Transparency International's Corruption Perceptions Index (CPI) and the World Bank's Control of Corruption Index (CCI). It is the reliance on this data that casts a shadow on the vast body of literature on corruption and economic growth. Let me give an example. In my country of origin, Argentina, a corruption scandal has recently erupted in which a Swedish company apparently paid a generous sum of money to government officials to receive a contract. There is fairly solid evidence to show

that the same company was also involved in similar corrupt actions in Chile and Peru. Yet, as a newspaper account remarked, these acts will surface in the next Transparency International's CPI as evidence of corruption in Argentina, Chile and Peru, and not in Sweden. Thus, the main problem is that much of the data sets used in research on corruption, tends to underestimate the level of corruption in wealthy countries. Such a bias would inevitably affect the relationship between corruption and economic growth. Thus, it is important to be aware that current conventional wisdom is largely based on data that can be challenged. Regardless of whether we think that the reduction of corruption is a condition of economic growth, or that gains in social capital will eventually bring about a reduction of corruption, there are certain mechanisms that are needed to tackle the problems of corruption. Access to information and a free press are central to the ability of a society to uncover, mobilize against, and deter acts of corruption (Brunetti and Weder 2003). More broadly, though research surveys have shown that although different societies exhibit the same level of tolerance toward corruption, there is a variance in terms of their capacity to act against corruption. Thus, it seems prudent, especially in poorer societies, to combine any legal strategy that is pursued (for example, the strengthening of the judiciary) with actions that aim to increase the capabilities of people. In this sense, it is important to stress the need to adopt an integrated approach. Indeed, rather than see political institutions as determining economic growth or social capital as leading eventually to certain political institutions, it probably makes more sense to focus on the way these different aspects of reality interact on a day to day basis.

Ajit Mishra, University of Bath wrote:

Facilitator's note: Ajit is responding to Gerardo Munck who argued that the discourse on corruption and poverty needs to move away from preoccupation with 'political institutions determining economic growth' and become focused on everyday lives. People need to be mobilized, Gerardo wrote, with capabilities informed by access to information, strengthened laws and judiciary.

Gerardo Munck has made some interesting observations. There is no denying that access to information and free press are an integral part of anti-corruption drive. The big question is how effective they are. Studies like Brunetti and Weder 2003 are no different from the cross-country studies on corruption using mostly perception based measures (corruption as well as press freedom) with potential biases.

Secondly, both corruption and freedom of press are highly correlated with several other variables which may explain the level of corruption. Of course, it is possible that the corrupt officials/ politicians fear media the most. After all, Montesinos in Peru paid television channel owners 100 times in bribes what was paid to others like judges (McMillan and Zoido 2004). Additionally, there

is always the possibility, that the press itself is vulnerable to being manipulated. It is gratifying to see that some of the countries with high levels of perceived corruption have introduced measures to improve access to information. Limited evidence (Reinikka and Svensson 2005) suggests that, at least in the case of public service delivery, information campaigns amongst the end users can lead to better monitoring of local officials and reduction in leakage of funds. This might be an isolated instance of success, but it is in the right direction and we need to look at such participatory and grass-root monitoring more carefully.

In many cases, citizens or affected parties do not lack information but rather lack the capability to take affirmative action. This is particularly applicable to the poorer sections of the society. In the medium or short term, activist groups or non-governmental organizations can lend their voice to these groups but a long term strategy has to target empowerment of these people. Greater emphasis on literacy, education, political representation (and of course income generation for the poor) holds the key. Similarly, media can generate and disseminate information but supplementary institutions are needed, so that subsequent action to fight corruption can take place.

The ultimate fight against corruption has to come from empowered citizens. Traditional measures of strengthening of institutions such as the judiciary, media and enforcement agencies are necessary. However care must be exercised to ensure that these institutions do not become the sole custodians of fight against corruption, as it could lead to a situation where one of these institutions becomes powerful and interfering. This would undermine the principles of governance like proportionality and separation of powers (Mishra and Anant 2006). A good example of this could be found in situations where dictators or coup leaders claim to be overthrowing corrupt regimes¹.

C. Raj Kumar, City University of Hong Kong, wrote:

***Facilitator's note:** Raj Kumar writes on the question of access to justice. He notes that Asia Pacific is the only region in the world without a regional framework against corruption. Raj emphasises that citizens have a right to corruption-free governance, and hence social and economic policy targets need to incorporate a constitutional justice dimension. This could empower the judiciary to integrate rights into legal judgments about corruption, which in turn would enhance social awareness, and empower citizens.*

I am in broad agreement with the comments of Gerardo Munck and Ajit Mishra. Both their arguments reflect on the need for citizens' empowerment to fight corruption and underscore the relevance of transparency and accountability in governance. For this to happen, it is important

to recognise that corruption violates human rights, undermines the rule of law, distorts the development process, and disempowers the state. The way forward is to increase the say of civil society in governance issues. The good governance agenda of countries ought to include both the protection and promotion of human rights as well as the enforcement of the rule of law. Both these functions will not be fully accomplished if corruption is rampant in government. It is important that national human rights institutions (NHRIs) provide a framework to take up cases of corrupt acts of individuals and institutions that result in human rights violations.

One of the important developments due to the institutionalisation of human rights in Asia through the setting up of the NHRIs in a number of countries is that they have come to occupy a certain democratic space within the domestic political discourse. This is notwithstanding the fact that the Asia Pacific region is the only region in the world that does not have regional human rights machinery. However, the existence of NHRIs does not necessarily mean human rights violations do not occur or that their incidence is reduced. What it means is that there are institutional mechanisms available for victims to seek justice.

Having recognised that corruption affects human rights and the rule of law, it is important for the NHRIs to develop the right to corruption-free governance through a number of rights-based strategies. Rights-based approaches to development and governance are those strategies that rest on the conceptual foundation that social and economic goals do not remain policy objectives, but get transformed into rights that are vested with the citizenry, thereby increasing incentives for public vigilance. A conceptual basis is essential for the NHRIs to formulate various effective anticorruption measures. Their role in protecting human rights by evolving rights-based approaches to development will help in eliminating corruption and promoting integrity and good governance in the following specific ways:

1) Corruption-free constitutional governance: The recognition of the right to corruption-free governance by the NHRIs has the potential to bring the problem of corruption to the centre of the political discourse. This will ensure that the state and all its instruments act in accordance with the Constitution and other legislation and do not engage in any form of corrupt actions that will violate the rights of the citizenry. This would require governance to be based upon the underlying ideals, goals, objectives, aspirations, and values of the Constitution and other laws. All individuals and institutions within the government would be expected to take the necessary steps to fulfil this right.

2) Empowering the judiciary and other institutions: The recognition of the right to corruption-free governance will quickly empower the judiciary to bring forward the integration of the anti-corruption discourse and the human rights discourse. Both these discourses focus on increasing

the legitimacy of the state and ensuring accountability of the administration. The judiciary is best suited to continue this role as it has attempted in the past to create greater transparency and infuse institutional autonomy and independence in investigative agencies engaged in anti-corruption work. With the development of such a human right by the NHRIs, the judiciary is in a far better position to develop jurisprudence relating to good governance.

3) *Galvanising social consciousness*: The development of the human right to corruption-free governance will help in galvanising social consciousness on issues relating to bribery and other forms of corruption. It is necessary for the NHRIs to garner the support of the citizens, as it is their apathy and indifference to abuse of power that has resulted in corruption becoming institutionalised in many countries. Political morality cannot be achieved without the development of individual morality. This particular right can help in garnering greater support for corruption-free governance and also result in the citizens valuing integrity and rectitude as important criteria for electing their representatives. Simultaneously, citizens will feel a greater sense of urgency in reporting on corrupt activity.

The NHRIs must ensure that their investigations make due note that corruption is the root cause of potential violations of human rights. In this regard, the NHRIs may have to work in cooperation with anti-corruption agencies. In the same vein, anti-corruption measures should not violate human rights and threaten civil liberties. Politicisation of anti-corruption measures is not good for law enforcement work and affects the integrity of the justice system. Selective or partial enforcement of law violates the principle of equality and non-discrimination, and undermines the public confidence in democratic institutions. The purpose of the NHRIs new initiatives should be to ensure protection of human rights and promotion of corruption-free administration as a *sine non qua* for good governance.

Andrew H. Wedeman, University of Nebraska-Lincoln, wrote:

***Facilitator's note:** It is vital the discussion is clear about what corruption means in the particular contexts we are assessing. To confine corruption to one broad definition is not acceptable primarily because the definition of corruption varies between different cultures. Andrew Wedeman writes on the difference between improper behaviour, malfeasance and corruption in China. (Also see Andrew's article 'The intensification of corruption in China').*

One of the major problems in analyzing corruption in China is that there are multiple forms of official malfeasance, not all of which ought to be defined as corruption, as well as multiple agencies involved in the regime's effort to control corruption. Chinese law, for example, makes a distinction between economic crime and violations of discipline. The former includes graft

(embezzlement of state property and funds), bribery, misappropriation of public funds (the use of state funds for illicit purposes), copyright fraud, and tax evasion. While the first three correspond to the more widely used legal definitions of corruption neither copyright fraud nor tax evasion are necessarily crimes involving the misuse of public authority. Disciplinary crimes, on the other hand, include criminal negligence, dereliction of duty, violations of civil rights, illegal imprisonment, and a range of other offences committed by public officials.

Although these are certainly examples of the misuse of authority, they do not necessarily involve the seeking of private gain or advantage. Insubordination, lying, exercising excessive bureaucratic procedures, and errors in policy making are also considered disciplinary offences according to regulations issued by the state Ministry of Supervision.

Party regulations, on the other hand, stipulate punishment for corruption (graft, embezzlement, bribery, etc.), along with a wide range of infractions for political offences and indiscipline. The party rules also define a broad category of what is often termed 'degenerate' behaviour, including womanizing, drunkenness, feasting at public expense (often to the point of gluttony), and gambling, which are properly defined as corruption but are popularly considered evidence of the moral failings of state officials and party cadres.

In fact, for many Chinese the haughtiness and high handedness that characterizes many officials' attitudes toward the public is considered a form of corruption. Thus when ordinary Chinese complain that 'all' officials are corrupt they are referring not simply to the misuse of public authority for private gain, but rather to a broadly held perception that officials misuse their authority.

In general usage, therefore, 'corruption' tends to become an all encompassing term for official misbehaviour. Although such a broad definition may be politically salient, its amorphous nature means that it is often hard to distinguish between the misuse of public authority and arrogance of power. Spongy definitions also complicate efforts to analyze trends in corruption because, on the one hand, different people cite different figures as evidence of their particular interpretation and, on the other hand, they allow for morally based judgments that are tied to broader political issues.

The situation is further complicated by the fact that the Chinese 'State' still extends into the economy in ways that mean 'businessmen' are often either state officials or party members. As a result, in many cases, offences that are defined as corrupt in China, because of who is involved, would be considered ordinary crime elsewhere. For example, stripping of assets from state-

owned corporations by managers is considered corruption in China because the managers are state officials and they are stealing public assets. In the US, however, if a corporate president runs off to Brazil with the company's cash that is considered criminal embezzlement and theft. Similarly, if a businessman offers an official a bribe, if he is a party member he can be punished by the Discipline Inspection Commission for corruption, even though he may not have been a public official.

If Ken Lay had been chairman of a Chinese bank instead of Enron, his role in inflating the company's profits and misleading investors would have been considered corruption rather than criminal fraud.

A final factor that needs to be kept in mind is that corruption in China is often directly related to the transitional nature of the economic system. At present, a major transfer of property from the state to private hands is taking place. Officials are often in a position to use their authority to manipulate these transfers and to obtain sizeable pay offs. Private interests, including real estate developers, are also often quite willing to 'grease the wheels' by kicking back a portion of the windfall profits they can obtain when undervalued state property is reborn as valuable private property. Similar conditions hold as the state transforms its productive and commercial assets into either public corporations or privately held companies. Once again managers are often in a position to reap considerable illicit benefits from such transfers, often assuming control themselves at grossly undervalued prices.

The transition from the planned to the market economy, in short, means that there are considerable one-time, 'windfall' profits to be made and right now we are seeing a lot of these profits flowing into the pockets of state officials.

In short, a variety of factors particular to the Chinese case tend to 'inflate' the level of corruption. Not only are virtually all forms of misbehaviour by state officials and party cadres apt to be deemed corrupt, the interpenetration of the state and economy means that the pool of those who are positioned to engage in corruption is larger than would be true in a fully marketised economy. Finally, the Chinese economy remains imperfectly marketised and there are numerous opportunities for officials to misuse their authority for private gain.

Steve Onwuasoanya, OCHA, wrote:

***Facilitator's note:** Steve Onwuasoanya writes that when officials deviate from duties at the expense of others they infringe on human rights, in particular socio-economic rights. 'Leadership codes' (prevalent in most Asia Pacific countries) provide some constitutional protection, but since they*

target the highest levels of leadership, they remain hard to prosecute. However, ultimately it is the same society that nurtures the leaders and the followers: reverence of 'get-rich-quick' readily turns into accepting corrupt leadership. Yet, their manipulation of others is combated by literacy and independent judiciaries.

The previous commentators on the subject of 'Political Economy' of corruption quite rightly, have touched on the structural and institutional mechanisms to combat the menace of corruption. There appears to be a consensus that corruption is a multi pronged phenomenon both in its manifestation and impact.

Corruption in itself goes beyond bribery, money-laundering or general financial misfeasance by state officials/accountable officers. Worrisome issues of discrimination, tribalism, nepotism, exclusion, and racism by state and non-state actors, provides another dimension to corruption. Additionally, corruption retards development as it chronically reduces or wipes out the resources that otherwise, could have been channelled to deliver on healthcare, water, sanitation, education, micro-finance, food security etc.

In the same vein, enriching a few at the expense of the powerless and voiceless majority constitutes a gross denial of human rights, in particular socio-economic rights. Most constitutions in the Asia Pacific region, such as in Papua New Guinea (PNG), have a 'leadership code' as an anti-corruption mechanism against specified high level leaders and government officials. The enforcement of the 'leadership code' falls within the mandate of NHRIs body such as the Ombudsman Commission (PNG) and most times litigation goes on endlessly and in the end, very few corrupt officials are prosecuted or convicted.

Therefore, strengthening the judiciary, the media, civil society, NHRIs, faith communities and ratifying/domesticating the regional and international anticorruption frameworks are essential mechanisms and strategies in the war against corruption. However equally important is the issue of effective commitment in tackling and dismantling corruption (also known as zero-tolerance for corruption) by the state as well as local authorities. The quality of leadership in any given polity is by and large determined by the quality of its following. The corrupt leaders, at whatever level, are still products of the same society and this raises questions about the moral/ethical values of that society in general. Are the nouveau riche eulogized and revered in that system without regard to source of income?

It is by seeking answers to such questions that will pave the way to finding and developing holistic anti-corruption strategies that target both the leaders as well as the masses. High

illiteracy levels among the masses create an opening for manipulation by corrupt leaders. Thus, development assistance that targets elevating literacy levels will be an effective tool in combating corruption in the future. In this sense, supporting poor countries to implement free and compulsory primary education will be a solid starting point. Additionally, empowering civil society and the media to sustain a strong advocacy on greater transparency of the budgetary profile of countries, with a view to enabling the masses have information on the allocations and disbursements of government departments will also strengthen the process of empowerment of the voiceless masses in demanding accountability.

Beyond the critical role of NHRIs and the judiciary in the overall anticorruption campaign, establishing a quasi-judicial anti-corruption body with prosecutorial powers has played a tremendous role in certain jurisdictions, as in Nigeria for example. The Economic and Financial Crimes Commission (EFCC) in Nigeria has been commended by both local and international bodies including World Bank, for its efforts in recovering the loot by corrupt Nigerian leaders in several banks in Europe and America, amounting to about \$5b and also prosecuting and obtaining conviction of thousands of such leaders. However, in establishing such quasi-judicial bodies to tackle corruption, issues of respect of human rights and operating within the confines of the rule of law, should be nonnegotiable.

Fayyaz Baqir, UNDP Pakistan, wrote:

***Facilitators' note:** Fayyaz Baqir gives concrete examples from South Asia of who the 'takers' and 'givers' are. He also provides an explanation as to why this occurs by drawing on underlying historical, social and economic factors.*

Corruption in South Asia has intimate links with various segments of political economy. In the informal sector, corruption can be traced to a taxation system devised for a barter economy that has no recognition of rights to own assets like land or run businesses. As a consequence, police have historically developed the habit of informally collecting rent monies from vulnerable groups and individuals, which they use and justify, as a means to supplement extremely low salaries. Although this is officially viewed as corruption, unofficially it is sanctioned as a means to offset a very narrow income base. Elsewhere in the informal sector, NGOs have shown tendencies to exploit ineffective accountability mechanisms.

In the development sector, worryingly, a culture has crept in of getting government officials to agree to 'develop capacity' in return for endorsing 'inflated' budgets, for high cost 'pilot' projects that can never be scaled up due to unrealistic costing, or for 'looking the other way' when government officials misuse development funds.

Another recent development concerns 'economic assistance provided for the defence of Free World', being used as a lucrative source of rent collection. In the public sector (e.g. in education departments) salaried sections of the middle class have somewhat recently begun to use government jobs as a contact point for private business. Some successful anti-corruption strategies, in particular those that deter rent collecting, have been strategic partnerships between development agencies and the media, judiciary and CSOs. These strategies aim to enhance access to information, strengthen transparency, increase the independence of the judiciary, and improving the organisation of citizen's movements. These processes have been documented, analyzed and debated by many leading social scientists in Pakistan where a body of literature has highlighted these issues over the past two decades.

Rokeya Khatun, Asian Development Bank, wrote:

***Facilitator's note:** Rokeya Khatun writes that it is crucial to include the role of culture (e.g. power relations) in the idea that corruption can be traced to the structure of society and its economy. Rokeya's contribution also prompts a facilitator's note that 'political economy of corruption', as used in this discussion, does contain a unifying concept of social justice, which invokes guarantee/protection of all kinds of rights including education-employment, rule of law, governance-with - integrity, political and civil liberties, etc.*

Questions to guide the discussion:

1) *Does a political economy explanation of corruption provide a more useful framework for its impact on poverty, the MDGs and human development?* No, there should be a rights based explanation as well, such as the right to education-skills-knowledge-employment, right to rule of law, good governance, etc. Citizens have the right to political and civil liberties but that must not be exercised at the cost of the suffering of other citizens. *Do good human development conditions (freedoms, voice, choices, empowerment, access to information, social services, livelihoods, etc.) contribute to the reduction of corruption?* Good governance must be practiced; accountability, judicial freedom, enforcement of laws, gendered approaches towards human development are necessary conditions towards reduction of corruption. *What effect does corruption have on progress towards the MDGs, poverty and inequality?* Corruption seriously affects income distribution; it increases social vices like violence, extortion and harms life and living of general public and thereby deters progress towards the MDGs, poverty and equality.

2) *Is corruption mostly an economic phenomenon or is it linked to the underlying structure of the society and economy?* Corruption is a socio-economic-cultural phenomenon. *How robust is the link between corruption and economic growth?* Since growth is calculated mainly in numerical terms, it will be difficult to show the strength of the link between corruption and economic

growth. To understand this strong link, it is important to analyze this link in terms of socio-economic and cultural indicators. *Does the type of political regime/weak/strong state mediate this link?* Yes. *What is the evidence for Asia and the Pacific?* If we take the instance of Bangladesh, corruption has increased political violence; the rich have become even richer while poor have become poorer.

3) *What are the solutions? Would a more integrated human-rights approach coupled with a strong emphasis on education, moral and ethical values constitute part of the solution?* Yes, with a strong emphasis on good governance. *Under what circumstances would anticorruption measures restrict people's choices and violate human rights?* Anti-corruption measures need also to be free from corruption, and should not at all be influenced by party politics. *Under such circumstances, should these anti-corruption measures be taken off the table?*

Ramachandran AL Ramasamy, National Information Technology Council, Malaysia, wrote:

Facilitators Note: *Writing from Malaysia, Ramachandran AL Ramasamy agrees with Gerardo Munck that givers and receivers must both be held accountable. This, he argues, can be done more effectively, by using e-media rather than press and print – which political leaders often own and control in many developing countries. New media is less prone to manipulation and hence has the, powerful potential to assess public officials' performance. E-forums, for example, could help enhance citizens' empowerment in particular those who have access to such networks. Simultaneously, however, individuals need institutional defences against the dangers of 'whistle-blowing'.*

Gerardo Munck made a pertinent point that the giver (Swedish Company) is not held accountable, while the receiving countries (Latin American countries) are branded as corrupt nations. The reality that rich countries will engage in corrupt practices (because they can) is simple logic; they have the means, the mode as well as the financial motivation to engage in corrupt practices in order to gain favourable treatment on huge contracts. Public officials, too, have the motivation to be takers, and not just those from poor nations but from rich countries also. In other words, in any suspected corrupt practice both giver and takers must be held accountable; and both must be given minus points for such practices.

Regarding the linkage between corruption and sustainable economic growth, good politics (visionary leadership and good institutional practices) can go a long way towards addressing poverty in a systematic and organized way. This was the case in Malaysia over the past three decades. However, as Malaysian society becomes more materialistic, more incidences of corruption seem to be surfacing. If this trend continues, the socio-economic growth of Malaysia will be badly affected; and this is something the country's leaders have been emphasising in public forums.

With regard to the role of the media, it is widely acknowledged that the traditional media is heavily controlled by political powers in many developing countries and hence there is little to be gained by looking to traditional media to play an aggressive role in combating corruption. It is high time that the potential of new media, especially what is being driven by Internet, web-based portal and mobile modes, is explored to combat corrupt practices. Indeed, international organizations like the UN should explore ways and means of developing online and real-time media to 'capture' and publicise corrupt and malpractices around the globe.

As Ajit emphasised (see Ajit Mishra's contribution), citizens need to be empowered; but appropriate mechanisms also need to be in place to protect the citizens who participate in curbing corrupt practices. Public and community participation using contemporary modes is crucial in combating corrupt practices. Specifically, moderator driven, web-based mechanisms need to be established to monitor and evaluate the socio, economic and political performance of elected representatives of society.

Citizens, in particular the educated and networked ones, have the capability to participate in such reporting and monitoring forums. Indeed, government officials who indulge in corrupt and ill-practices are very wary of such mechanisms.

Bill Tod, SNV Asia, wrote:

***Facilitator's Note:** Bill Tod expects that ultimately, and in spite of contradictory findings on the impact of empowerment by increasing wages or localising governance, the integrity drivers most likely to make a difference involve citizens' empowerment.*

The contributions so far have been very enlightening. I would like to add a few ideas, building on some of these earlier contributions.

Although it is important to understand what is meant by corruption in different contexts (see Andrew Wedeman's contribution) we should be careful about suggesting that corruption is culturally defined. I think many authors would challenge this view and would instead suggest that understanding the socio-political-economic context of corruption will bring better results (Hellsten and Larbi 2006).

The problem I find in much of the literature on corruption is that both the empirical and theoretical literature are often contradictory. Does raising wages reduce corruption: yes, no, under certain conditions? Does decentralisation reduce corruption: yes, no, it depends? There are many examples reported of reduced corruption through increased transparency and

multi stakeholder engagement in bureaucratic or service delivery processes (see Ajit Mishra's contribution), but I have just read an interesting article from Indonesia which shows that strengthening oversight institutions had a much stronger effect on reducing corruption than increased grass-roots participation (Olken 2007).

So at this stage I wonder if we need to think of appropriate frameworks for analyzing corruption and its solutions, as well as proposing specific approaches (e.g. HRBA – see Raj Kumar's contribution) or successful cases. There are a number of possibilities.

Different academic disciplines appear to offer different insights: political science, economics, sociology, anthropology, or organisational behaviour... Given the reluctance (more or less!) of external development partners to meddle in the politics of aid recipient countries, I find the political dimension of corruption most underestimated, particularly in the World Bank. James Wolfensohn famously explained that corruption was not political, presumably in order to get some lee-way from its members to try and tackle it.

Building on the discussion on context, a kind of typology of states (fragile, poorest, poor but natural-resource rich, transition, middle-income, developed) might also be useful. There is some interesting literature available on the 'resource-curse', and several countries in this region who face the challenge of managing significant natural resources for the benefit of its people in a weak governance context (Cambodia, Indonesia, and East Timor would make interesting case studies). Similarly, in countries undergoing political and/or economic transitions (China and Vietnam) corruption has recently become a very high profile issue.

It is also important to reflect on dimensions of governance. Given that most external development organisations (UNDP, World Bank, OECD/DAC, DFID, etc) describe corruption as a symptom of weak governance, and there is a fair degree of convergence on what the dimensions of good governance are, then it would seem logical to address corruption through a governance framework.

One final thought. My own reading of the literature leads me to agree with previous contributors. In the long term it is multi stakeholder, participatory processes that secure good governance and thereby reduces corruption. Thinking of this in terms of supply and demand, in the long term it is the demand coming from a variety of empowered stakeholders in political, economic and civil society that will be the driver of a better supply of bureaucratic and basic service delivery, rule of law, credible politicians, responsible private sector, etc. DFID's policy paper on governance that has just been released (DFID 2007) has a very strong section on democratic politics.

The dilemma here is that it is much more sensitive for external development partners to support the strengthening of demand for better governance (I am writing from an INGO in Vietnam) compared with supporting the supply of more accountable, responsive, predictable, efficient and effective services (through PAR, public financial management reform, local planning reform, education/health service management, etc.).

Ngoc Anh Tran, Harvard University, wrote:

Facilitator's note: *Ngoc Anh Tran has contributed two lively pieces.*

Parliamentarism vs. Presidentialism

Anh's first piece compares the resilience to corruption between parliamentary and presidential systems. Using the Corruption Perception Index that Transparency International has developed, Anh shows that that a parliamentary system performs much better than presidential system in Asia Pacific countries, in terms of the perception of how corruption impacts on different aspects of people's life. Moreover, he illustrates that Asia Pacific countries tend to favour parliamentary systems over presidential systems unlike the rest of the world. Finally, he questions the reasons behind the superior performance of parliamentary over that of presidential systems of government.

China vs. India's performance against corruption

Anh's second piece questions as to why China and India continue to struggle with rampant corruption. Through a human development lens, he focuses on education as the missing ingredient in China's and India's performance on anticorruption. His analysis indicates different policy implications for these two giant nations: China should strengthen its democracy while India needs to expand mass education.

Parliamentarism vs. Presidentialism in the Asia Pacific: Guess which one is more resilient against corruption?

The Asia Pacific has a diverse portfolio of political systems due to its large size, diverse cultures, histories and colonial influences. Figure 1 illustrates this diversity. There are 5 main types of government systems:

- o Parliamentary republic, including parliamentary constitutional monarchy
- o Presidential republic
- o Semi-residential republic
- o Absolute monarchy
- o One party

Figure1. The Map of Political Systems in the Asia Pacific

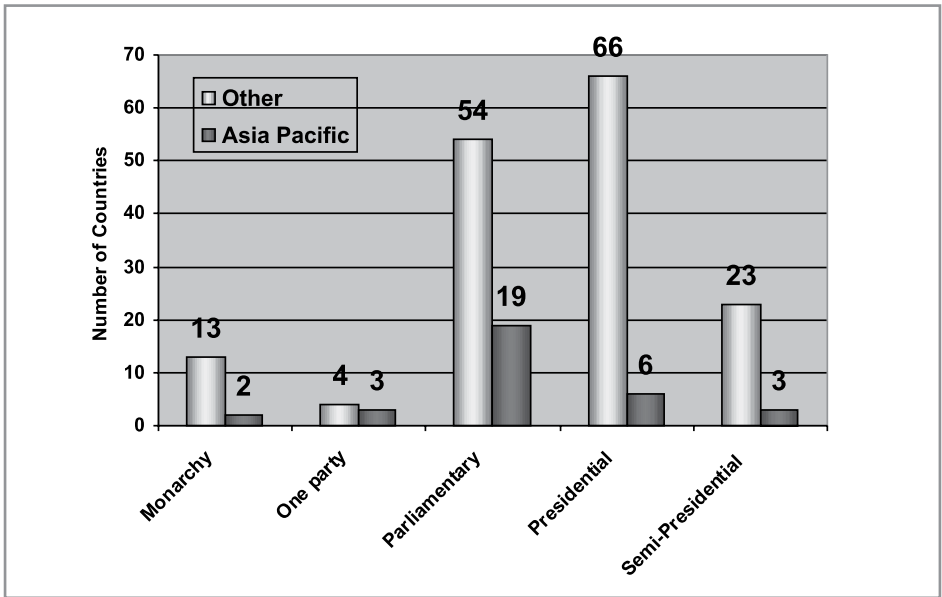


Note: **Green** – parliamentary republics; **Brown** – presidential republics; **Blue** – semi-presidential republics; **Violet** – parliamentary constitutional monarchies in which the monarch does not personally exercise power; **Yellow** – republics where the dominant role of a single party is enshrined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

Source: Adapted from Tran 2007.

The composition of political systems in the Asia Pacific is quite distinct from the rest of the world (Figure 2). The Asia Pacific has comparatively very few countries with a presidential or semi-presidential. Only 27 per cent of the countries in the region adopt this political system while the majority (55 per cent) of the rest of the world has it. The majority (58 per cent) of the Asia Pacific countries adopts the parliamentary system – this choice provides some resilience for the region against corruption, as discussed later in this section. The Asia Pacific has only 2 among 15 absolute monarchies. They are Bhutan and Tonga. However, the Asia Pacific accounts for 3 among 7 one-party systems in the world. They are Laos, Myanmar and Vietnam. This also has implications for corruption vulnerability.

Figure 2. Composition of Political Systems



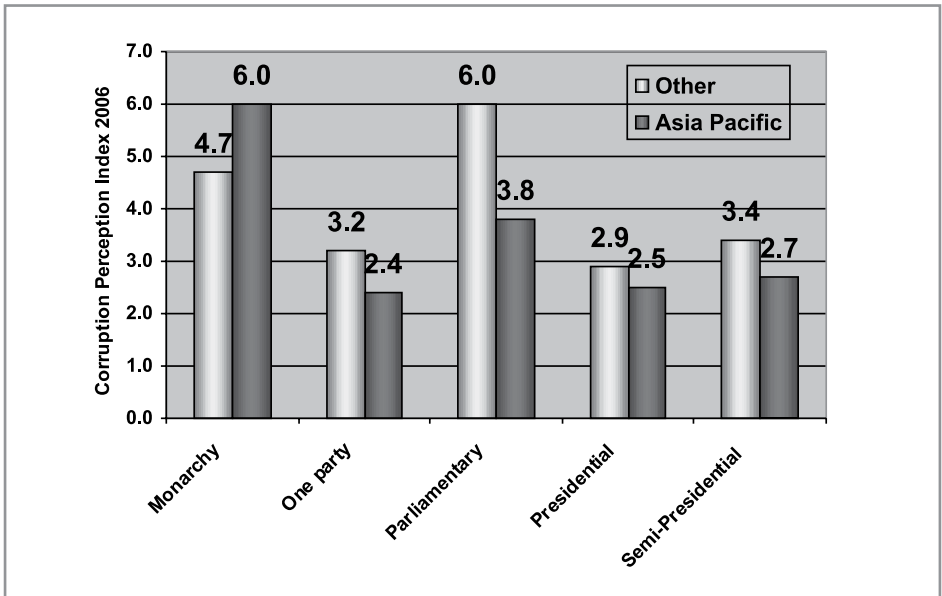
Note: In this figure, parliamentary constitutional monarchies are counted as parliamentary republics.

Source: Adapted from Tran 2007.

Let us now see how corruption across with different political systems. Figure 3 presents Transparency International's (TI) Corruption Perceptions Index (CPI) for 5 main political systems (lower bars mean higher corruption). The first thing to note from this figure is that the Asia Pacific countries perform worse than countries in other regions with the same political system (except for monarchies - CPI data available only for one monarchy in the Asia Pacific, which is Bhutan).

Parliamentary states in the Asia Pacific perform much worse than similar systems elsewhere (3.8 versus 6.0). However, they fare better than presidential and semi-presidential systems both

Figure 3. Composition of Political Systems



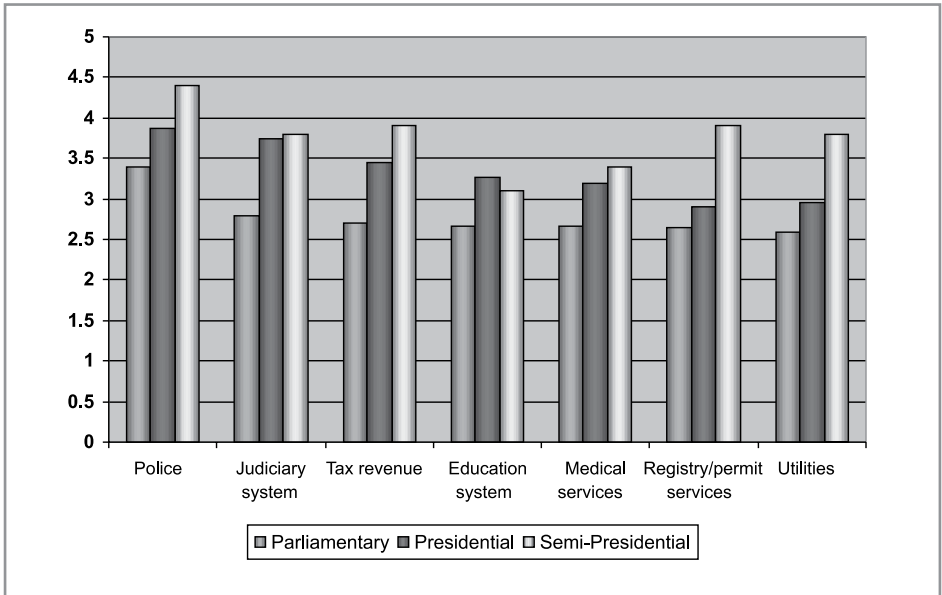
Source: Adapted from Tran 2007.

inside and out side the region. Somewhat surprisingly, the presidential and semi-presidential systems in the Asia Pacific do not perform significantly better than one-party systems [1] (2.5 and 2.7 versus 2.4). Even more surprisingly, monarchies perform second, only after parliamentary systems (does anyone have a comment here?).

From the human development lens, it is important to know the effect of different political systems on various aspects of ordinary people’s life, particularly that of the poor. The TI Global Corruption Barometer is a survey that investigates this area. Figure 4 describes how Asia Pacific people rate the corruption in 7 important aspects of their everyday life. The question asked is: “To what extent do you perceive the following categories in this country to be affected by corruption? Please answer on a scale from 1 to 5 (1 meaning not at all corrupt, 5 meaning extremely corrupt).”

In Figure 4, higher bars mean higher corruption. The sectors are sorted from left to right by its level of corruption. The police is perceived as most corrupt sector, followed by the judiciary system and tax office [2]. The least corrupt sectors are utilities and registry/permit services,

Figure 4. Asia Pacific Political Systems, Corruption and Effect on People' Life



Source: Adapted from Tran 2007.

although the levels of corruption in these sectors are still very high. Education and medical services rank in the middle of the scale. Once again, parliamentary systems seem to serve the ordinary people better on each of the seven studied sectors. Between the remaining two types, presidential systems are still better than semi-presidential ones.

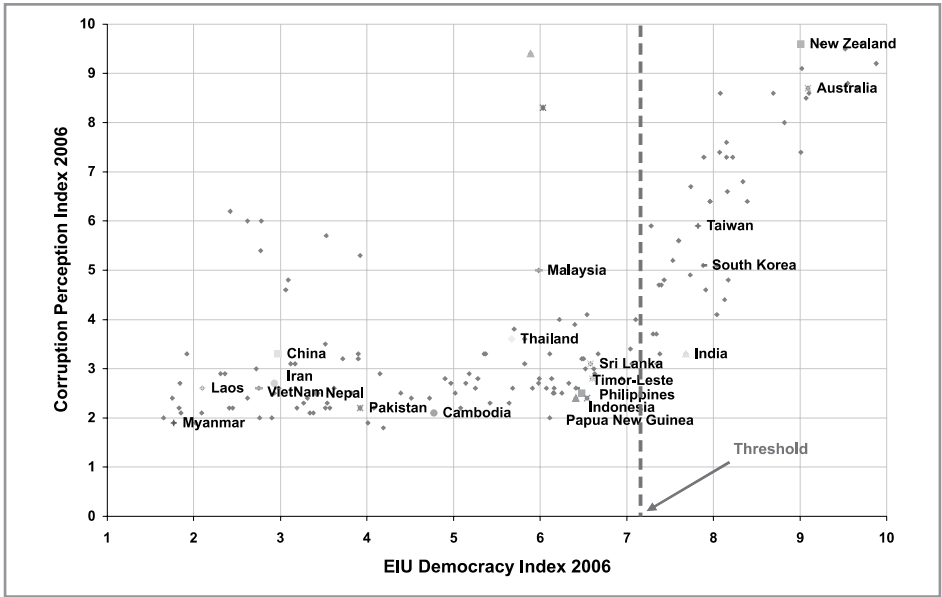
I hope that I have convinced you that in our region parliamentarism performs better than presidentialism. But for us the big question still remains unanswered: why?

China vs. India's approach to fighting corruption: An insight through the human development's lens?

India is a functioning democracy. China is a one-party state. Both are struggling with rampant corruption. Does it imply that both models are not working? Let us put the human development lens on and examine.

Let us look at one important aspect of human development: democracy. Figure 5 shows the relationship between democracy and corruption control for 160 countries in the world (each

Figure 5. Corruption and Democracy



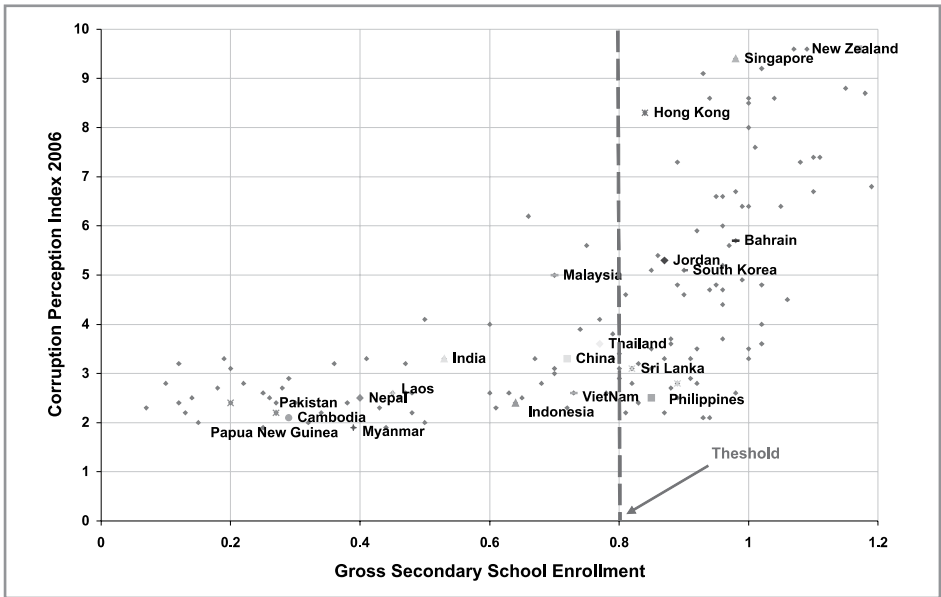
Source: Economist Intelligence Unit 2007; Transparency International 2007.

dot represents a country; being higher means being less corrupt; being more on the right means being more democratic). Some Asia Pacific countries are highlighted. As we can see, when democracy is under some threshold, there is no relationship between democracy and corruption. Beyond the threshold, this relationship becomes strongly positive.

India performs very well in term of democracy and has moved beyond the threshold. It seems that India will quickly catch up with Taiwan and South Korea on the corruption control dimension. China is doing poorly: it needs to do a lot to reach the democracy threshold before it can hope to effectively control corruption.

Let us now look at another important aspect of human development: education. In figure 6 we can see the same pattern: there is insignificant relationship between education and corruption under a threshold; and a strong relationship beyond it. However, China and India now swap their positions. China is right near the threshold but India falls back far away.

Figure 6. Corruption and School Enrollment



Source: Transparency International 2007; UNESCO. n.d.

In India, democracy cannot be an effective measure against corruption because a large proportion of the population is illiterate. In China, mass education cannot be mobilized to fight corruption because there is limited democracy. Look at figure 5 one more time, among the countries with the same level of democracy, China is already the best in terms of controlling corruption (in figure 5 China is statistically termed an outlier). This means the Chinese government is already doing all it possibly can to constrain corruption, given the current level of democracy. To advance further in the fight against corruption, China inevitably needs strengthen its democracy.

India needs to do a similar thing. Figure 6 shows that few countries can successfully control corruption without the support of an educated population. For India, the investment in education is the investment in fighting corruption.

Through the human development lens, we can see the biases in China and India's approaches to dealing with corruption, and the ways to correct them. This lens may help our own countries too.

Notes

[1] It is often expected that authoritarian rulers in non-democratic countries, with concentrated power in their hands, are more likely to abuse their power and become corrupt. Why presidential and semi-presidential systems do not perform significantly better than one-party systems in the Asia Pacific?

[2] This underlines the important lesson that the anti-corruption organization should not be placed within the police (emphasized by Professor Jon Quah, National University of Singapore). Countries that place their national anticorruption organization within the police do not appear to be serious about fighting corruption.

Charmaine Rodrigues, UNDP Pacific Centre, wrote:

***Facilitator's note:** Charmaine Rodrigues responds to Steve Onwuasoanya's piece on the access to justice in Pacific Island nations, noting that right to information initiatives are proving to be a tool for powerful self-governance in the fight against corruption. Challenges include reluctance to question authority vested in traditional chieftdoms, and remote villagers having little access to information stored in centralized places.*

To follow up on one of the issues Steve raised, in the context of a human rights-based approach (HRBA), the 'right to information' (RTI) is a key anti-corruption tool that is only recently gaining proper recognition by donors and development practitioners. At the outset I should declare my interest in this topic - prior to joining UNDP I worked in a Commonwealth NGO where I was Coordinator of their RTI Programme (see Commonwealth Human Rights Initiative n.d. for links to resources and case studies).

RTI is increasingly being used in developing countries as an anti-corruption tool, as well as a means of empowering people to participate more effectively in their own governance and development. There are considerable resources on this topic from Asia, and India in particular. Indian activists have run some incredibly successful campaigns at the state and district level exposing corruption in local development spending (e.g. evidence of wells not being built, wages to poor workers not being paid, etc), access to services (e.g. food rations being siphoned away from the public distribution system and sold in the black market), government and donor tenders (e.g. poor procurement for Delhi water privatization) and police appointments (e.g. political intervention/cronyism in appointments/transfers of officers).

The Indian media have been encouragingly active in support of the campaigns of NGOs and individuals who have crusaded against government corruption using RTI. For example, in Delhi, the Times of India paired with the NGO Parivartan to run the 'Tell Them You Know' campaign.

In the Pacific, we have been working to promote RTI as a development and anti-corruption tool. No Pacific Islands country has yet passed a Freedom of Information (FOI) law though PNG has a specific constitutional protection. One of the challenges regarding FOI in the Pacific context is a culture of respect for chiefs and elders which makes the public reluctant to question people in authority. The weak CSO capacity to initially spearhead an RTI campaign, to demonstrate to the public how useful the exercise of their right to information, can be is an additional drawback. One of the strategies for dealing with this issue is to promote greater proactive disclosure from governments. If governments release more information as a matter of practice, they will by default promote greater transparency and hopefully greater public accountability. However I suspect strategies would need to be developed to support CSOs and the media to use and proactively disclose information to hold governments accountable more directly.

The other challenge is the rural-capital divide that makes it difficult in practical terms to disseminate information to constituents beyond the centre of power. This broader theme of the 'tyranny of distance' in the context of corruption and accountability is an important one in the Pacific. This is because many anti-corruption efforts are spearheaded by institutions located in capital cities that make it difficult for ordinary villagers to access or even sometimes to be aware of. Proactive disclosure in conjunction with ICT tools may partially help towards addressing these problems. Uganda and Tanzania offer useful examples of information on health and education spending being disseminated right down to the grassroots level and being used by parents to hold service providers accountable for their expenditures.

A World Bank Study in Uganda in relation to their education showed that leakage was reduced from 80 per cent to 20 per cent by using an information strategy (World Bank 2001). However, examples of such initiatives in the, that I know of, region are few.

Mark Philp, University of Oxford, wrote:

***Facilitator's note:** Mark Philp's innovative definition of corruption focuses on political dimensions. According to Mark, the traditional definition, i.e. 'the misuse of entrusted power for private gain,' is inadequate, because not only does it fail to capture the distinctive relationships involved in corruption but it also specifies too narrowly the effects of corruption on public decision making. To highlight this, Mark emphasises that the definition of 'corruption' needs to include a message on the nature of functional relationships that underly public decision making. The different roles that people play are parts of a coordinating system that transfers legal principles, values and norms, together with rights and responsibilities. Mark's definition makes this visible, enabling a view of how corruption corrodes an intricate system of parts, which makes public decision-making increasingly dysfunctional.*

His definition captures the quality of systemic damage done by corruption to the legal imperatives, social norms, and cultural spirit of relationships that make and administer public decisions. Mark's focus on the political sphere is very suggestive of broader application. Wherever there is corruption – whether in education, public health, infrastructure, NGOs, or the private sector, it threatens democracy and freedoms because it profoundly distorts the process of public decision-making.

The definition used widely in corruption studies and by anti-corruption agencies, such as Transparency International is 'the misuse of entrusted power for private gain'. But this fails to distinguish corruption from other types of malfeasance, such as outright theft or misappropriation.

Further difficulties with definition arise from conventions in the anti-corruption community where corruption tends to be used loosely in relation to politics, although there is occasional use in relation to economic institutions. 'Political corruption' is, in some areas, thought of as identifying high level corruption among political leaders and elected officials, as against 'administrative corruption', which concerns those in more junior offices who are, for the most part, engaged in smaller scale corruption, such as 'grease payments', and informal taxes on official decisions. Such distinctions are wholly stipulative.

What is missing from (the usual) definition of corruption is the idea that there is something in the nature of the relationships between those involved that serves systematically to subvert the rules, norms, and spirit of the political process. Clearly, outright theft hardly serves the political process; but we tend to reserve 'corruption' to identify occasions in which the process itself becomes distorted. Indeed, one way of understanding why a petty official caught with his hand in the till is generally thought of as a thief rather than corrupt, is that his or her actions do not distort the political process; whereas a political leader who systematically uses his office to siphon funds into his foreign bank accounts is thought of as corrupt, and as corrupt because the political process becomes distorted.

Capturing these subtle distinctions is not always easy, but we need to make some effort to do so, while recognising that the definition is likely to sketch both a set of core cases and a wider penumbra of cases that do not meet all the conditions but are nonetheless recognised as corrupt.

An alternative core definition for identifying corruption in politics is as follows. Corruption in politics occurs where a public official (A), acting for personal gain, violates the norms of public

office and harms the interests of the public (B) to benefit a third party (C) who rewards A for access to goods or services which C would not otherwise obtain.

The key components of this definition are:

1) A concept of public office equipped with rules and norms for the conduct of that office. This encompasses the view that the office is defined partly in terms of a broader public interest that it serves and that this may run against the personal interests of the office-holder or against interests that are not strictly personal but are excluded as illegitimate.

2) A view that corruption involves the distortion of the exercise of public office so that it meets private, partisan or sectional rather than public interests - so that some gain who should not and some lose who should not.

3) The idea that three actors are normally involved or affected by corrupt activity: the occupant of the public office (A), the intended beneficiary of that office (B); and the actual beneficiary of the particular exercise of that office (C). This tri-party relation does not always hold (kleptocracy, for example) but it is important in allowing us to distinguish theft or fraud from corruption, and because it helps capture the sense that corruption distorts the exercise of power.

Note that the definition does not assume that A's behaviour must break the law to be corrupt, since corrupt transactions can be institutionalised in the laws of the state or economy. This has been recognised in recent work by the World Bank on 'state capture', - that is, where corrupt relations subvert the political process and introduce laws that entrench, extend and render legitimate corrupt gains.

Even this definition retains the concept of an action being 'illicit' - that is, that corruption violates the rules, norms, or public expectations of the public office to make unsanctioned or forbidden gains - and the grounds for and content of these rules must to some degree be local in character. Hence, in part, the difficulty (notwithstanding its importance) in having a common understanding of what counts as acceptable and legitimate, and the difficulty in comparatively studying or measuring corruption.

Not all corruption is a corruption of politics (for example, we can talk of economic corruption) but all corruption has the same conceptual structure: a recognition of certain formal responsibilities, which imply constraints on permissible interests; the violation of rules and norms concerning the exercise of the role of office; the harming of one set of interests identified by the rules and

norms as legitimate, to serve others deemed impermissible and the benefiting of those not formally entitled to benefit.

Corruption is, then, a complex concept. It has a hard conceptual core based around the idea of public office as something other than an opportunity for private or sectional gain, but that core is fleshed out in any given context by local norms and judgments and practices. It becomes more difficult to apply the concept when there is limited consensus on what values, norms and rules should be applied to define the concept. When there are competing norms, then the standards by which we judge a corrupt act becomes either increasingly partisan (favouring one perspective over others) or increasingly abstract – (based on what we think the standards ought to be). Thus without generating a consensus on those standards it is not clear as to how to motivate recognition by those involved that they are engaged in wrong-doing: doubly difficult because it is not clear that it is strictly wrong – because local rules and standards cannot be wholly ignored.

Herman P. Semes, Transparency Micronesia Inc., wrote:

***Facilitator's note:** Herman Semes links corruption in the Federated States of Micronesia to a history of dependency on the US. The Federated States have a critical need for anti-corruption laws, an independent ombudsman, a strengthened civil society, greater popular awareness and use of human rights, a court system that administers the law more equitably irrespective of individuals' social and political status, and the practice of responsible governance on the part of traditional elites.*

Federated States of Micronesia (FSM) is a Pacific developing country that has been relying on external financial assistance mainly from the United States under its Compact of Free Association Treaty with FSM. Having a democratic government carved by the United States, with a large portion of the population undereducated and without sufficient knowledge about the working of such government and their rights, makes the political environment susceptible to corruption by top level government leaders. Similar to other developing countries that receive aid from donor countries, funds flow into the country through the hands of the political leaders who have full authority over the disbursement of such funds. By taking advantage of the lack of knowledge and understanding among their constituencies, leaders fall to corruption trap which essentially undermines their responsibility toward their people.

There is no anti-corruption law to address the rising trend in corrupt behaviour by government leaders at the different levels of governments in FSM. There is also evidence of corruption in religious and traditional organizations that have gone unheeded. There exists an ombudsman

office in the judiciary branch, which makes the office ineffective. FSM needs an independent ombudsman office that can take up corruption cases against high government officials. Courts must enforce the rule of law equitably over all citizens irrespective of the social and political status of individuals.

Civil society organizations should be recognised and empowered by government to play their role as a watch-dog over government leaders and their activities, and to report to independent ombudsman or prosecutor to take legal action against political wrongdoers.

The strong traditional system existing in some of the states of FSM makes it difficult to deal with high profile figures in society, who have gained leadership positions through tradition, religion, or government. Good governance must be supported by all sectors in society, including traditional society, religious organizations, civil society organizations, and the government through proper legislation such as anti-corruption laws and an effective court system. There is also a need for a public awareness programme aimed at improving and elevating the citizens' understanding about their rights and government so that they are more aware and can make better informed decisions.

After all, it is the protection and promotion of their human rights that gives rise to the establishment of the political entities requiring good governance in the interest of the populace.

Charmaine Rodrigues, UNDP Pacific Centre, wrote:

***Facilitator's note:** Charmaine Rodrigues responds to Ramachandran AL Ramasamy's piece on participation in the context of political ownership of 'old' media (and thus the value of new e-media towards citizen empowerment). Charmaine says in small island states in the Pacific, there has actually been good success with traditional media, in particular radio. This is attributable to two key reasons: first, people are brought into the 'accountability loop' by strengthening the investigative and logistical capacities of community organisations, and second, policy messages about anti-corruption are made understandable so citizens can do something with the information.*

Mr. Ramasamy's contribution regarding the media was very interesting. However, it is notable that in the Pacific, ICT and development initiatives are still in their very nascent stages, and thus ideas that rely on the internet and web-based solutions are often considered problematic in this region. The coverage of internet - and even of basic telecommunications - in the region is quite inadequate. Additionally given the very limited access to computers (other than in the capital city), and low literacy levels, web-based solutions tend to be relatively ineffective in the Pacific.

Nevertheless, I would make two points in response:

1) In order to harness ICT development tools in the Pacific to combat corruption, innovative partnerships need to be developed between all sectors of society. For example, if the government proactively discloses more information on websites, then community service organisations, churches and other organisations with local networks could be supported and encouraged to access this information, simplify it for their constituents and assist with its dissemination in rural areas. In terms of tackling corruption the key steps are: 1) ensuring that the information is comprehensible to ordinary people so that they can actually do something with it, and 2) making sure ordinary people are brought into the information/participation/accountability loop.

2) In the Pacific, the traditional media cannot be overlooked as potential anti-corruption champions. There have been a number of programmes that have been implemented in the region to build up and support media organisations to develop their investigative journalism skills, and more such work could be useful. In particular, using the radio as a means of disseminating information and promoting anti-corruption drives is important, primarily because radio has proven to be the most effective medium in combating the 'tyranny of distance' in the region. Given the limited reach of local television and that newspapers suffer from coverage and literacy problems, radio emerges as the most effective medium that can be harnessed to send simple messages across vast distances at a relatively low cost.

Usaia Ratuvili, Fiji Human Rights Commission, wrote:

***Facilitator's note:** Usaia Ratuvili focuses on whether there is anything distinctive about corruption in Fiji. Referring to reciprocal gift giving, Usaia says it cannot be justified because it destroys equality, prevents access for those who cannot afford gifts and fosters a welfare mentality. Usaia's observation is that corruption affects policy implementation, and distorts allocation of scarce resources in Fiji.*

Corruption in the context of Fiji is something very topical as it was the rationale used by the military for their direct intervention into the politics of the Fiji Islands on 5 December 2006. Their stated motive for the removal of the former regime was to 'clean up' corruption and to dismantle the institutional infrastructure that was conducive to corruption. These included entrenched centres of privilege limited to a few individuals and families, unequal access to opportunities for advancement, reservation of opportunities and government assistance along ethnic and racial lines.

But what exactly does corruption mean in the Fijian context? Is there anything peculiarly 'Fijian' about corruption in our context? What distinguishes corruption as defined in Fiji's laws from

other developing small island nations around the world? Corruption involving public officials is an offence attracting a sentence of seven years. Other offences include extortion by a public official (3 years); public officers receiving property to show favour (6 months); false claim by officials; abuse of office etc.

Juxtaposed with this legal framework is the cultural aspect of reciprocal gift giving and often the question is posed, whether the offering and acceptance of gifts can be justified on the grounds that it is a cultural practice when often the person receiving the gift is someone in an official position who has the ability to bestow or withdraw benefits from the gift giver.

Corruption strikes at the notion of equality since the very fact of offering an inducement to a 'gatekeeper' for a service that was legitimately due anyway, results in unequal access because people who cannot afford to offer such inducements are at a disadvantage. This becomes more magnified in small island economies such as Fiji and its Pacific Island neighbours, with their small economies and limited budgets. The insidious influence of corruption affects the implementation of policies, skews the allocation of scarce resources and nurtures a handout mentality that does not encourage ability but relies on bribery and inducement for advancement. Corruption can therefore be a barrier to economic and social development and can even contribute to the breach of human rights.

Roy Laifungbam, Indigenous Peoples' Centre for Policy and Human Rights in India's North East, wrote:

***Facilitator's note:** Roy Laifungbam uses a pan-Asian lens to observe that there are no gaps between 'disciplines' like economics and culture. This has only served to embed and sanctify corruption in a profoundly monolithic way in Asia, where given the importance of religion in society, corruption is taught as acceptable in high places. Roy wonders about the 'political economy' approach. He suggests governance as entry point. Special focus needs to be on the continuities (binding social, economics, politics, and culture). This contrasts with earlier contributions emphasising discontinuities; e.g. the distinctive relationships associated with corruption, (Mark Philp), the unlikeness of acts grouped under corruption in China (Andrew Wedeman), etc.*

In Asia and the Pacific, I feel that an approach to the issue of corruption and its nexus with poverty needs to revisit our very notions of the unifying concepts we seek to bring into an analysis that makes sense, theoretically and practically. While we can with considerable ease bring the modernistic discourses of human rights, rule of law, social and environmental justice, gender and so forth into such a debate, we often tend to overlook the ageless Asian traditions and belief systems that 'govern' most Asians in their personal lives. After all, the 'corrupt human

being' is at the heart of this issue. This is not easy to include in our analysis because as we try to delve deeper within the 'Asian', we encounter complexities that are difficult to unravel.

In much of Asia, a region difficult to define as it is, for it is more an age-old philosophical and western construct than a geo-physical one, the role of religion and traditional belief systems (that pre-date the modern religions such as Islam, Christianity, Buddhism, Jainism including Zoroastrian and a myriad other indigenous beliefs) have intertwined with social and cultural ones such as the Varna system (the basis of caste in South Asia), the Buraku system of Japan and many slavery-like social and cultural systems. The Asian is in essence, a complex being influenced by many winds that determines her/his behaviour on a daily basis.

It is difficult, even a hazard, to delineate the economic from the social and cultural scenario in Asia, because the two (if we can call them that) are one actually. The theory and practice of 'charity' in Asia are hyper-refined. Charity, in Asian culture and its economy, is a financial and moral deal. Through this deal, poverty is acceptable and to be poor is also a virtue. To be poor, and to live in poverty, is often a highly desired state to be in over the ages, and this deep belief persists in Asia today. In India, Myanmar, Nepal, Sri Lanka and Thailand for example, influential wealthy and not so wealthy families alike make a big show of certain passage of life rituals that idolise and deify poverty, fair-play, charity, sacrifice, the giving and receiving of alms and the denunciation of the 'worldly ways'. These rituals justify the corrupt lives that they have and continue to live. It exonerates them from the role they play in the perpetuation and support of deeply corrupt governance, governments, bureaucracies, and business.

What I mean to say is that in Asia, corruption is a way of life that has become gradually institutionalised over the ages through religious and quasi-religious praxis, moral teachings that have corruption inlays, stories and epics that illustrate the corruption acceptable in high places and among the privileged. But what is also interesting is that the illustrations convey a dualistic message, posed as a moral dilemma to the individual, to individual growth and finally to individual fulfilment. Transforming the Asian morality (if we can identify a single one!) and individual morality in the context of corruption and poverty is challenging, to say the least. Especially as we remember that in the electoral politics of Asian democracies, it is the poor that are the vote banks, while the educated decision makers and movers often do not find the need to exercise this right.

In the domain of religious and moral freedoms, anti-corruption measures impose restrictions that can be perceived as intolerable and undesirable. When, in Asia, it is precisely in this domain that corruption is tended and nurtured.

Therefore, in my view, we need to understand and define corruption in terms that we can grapple within the governance framework we have outlined for ourselves. The political economy of corruption is a limited framework in the Asian context, but it can be useful if we define its parameters appropriately within governance to make it a useful tool to address the nexus between corrupt governance and perpetuation, or even the creation of poverty.

Fayyaz Baqir, UNDP Pakistan, wrote:

***Facilitator's note:** Fayyaz Baqir urges focus on corruption as social practice, beyond governance. Practice is 'the common thread' across cultures that provides the needed point of entry. This, he suggests, makes the priority less about 'what to define as a corrupt practice' and more about agreeing on the importance of capability/ freedom to act accountably and to demand accountability in others.*

In my view while it is important to know the cultural context and operational definitions of corruption in order to distinguish it from other forms of abuse of authority, we can still find certain common threads relating to corrupt practices. One of the most important 'enabling' factors for corruption is use of discretionary power by people in authority. It happens even in those situations where person in power legally does not have discretionary power but exercises it due to the lack of organized citizenry.

This leads to the second factor which is fragmented, disorganized, uninformed and 'untrained' citizen power which can check corruption. This emphasises the fact that there is no one shot or policy based solution. It has to be practice based. It is here that question of 'culture' of corruption and counter culture of resistance becomes relevant. But it must be noted that culture as the word implies has to be cultivated. Culture in the context of corruption is weakness or failure of accountability based practices to take root in authority based corrupt societies and social strata. However, its context is not static. Rather is dynamic, evolving and conflict ridden. The question is not what corruption is and what it is not. It includes one more step. That is to decide on which side of the fence we are.

I am not talking of people but practices here. If we want to root out corruption then we have many success stories. I can identify many citizen sponsored cases in South Asia that need to be documented and shared with others to learn from. New practices always start as fragmented battles and are not as neat as logical framework analyses. However with patience and continuous support they can be expanded and HRD should promote learning by sharing learning.

Ajit Mishra, University of Bath, wrote:

***Facilitator's note:** This posting contains two contributions from Ajit Mishra. The first asks if the 'law of demand' ensures a never-ending queue of bribe takers. Or, will the renewal of integrity centred on economic and participatory empowerment of citizens transform demand? Ajit Mishra builds on Ramachandran's discussion about the degree of responsibility that should be assigned to bribe givers, arguing it is better to concentrate on takers because the 'law of demand' establishes a never-ending queue of taker. Additionally givers are often poorer people paying extortion bribes.*

I agree with Ramachandran's point on the use of e-media in fighting corruption. Information flow is faster and it is less susceptible to manipulation. Recent experience (i.e. tehelka.com in India) suggests that it can go a long way in raising awareness. On the other hand, since information is likely to be 'softer', its strength can be its weakness too.

I am less comfortable with the degree of responsibility assigned to bribe givers. I am not saying that it is wrong to hold bribe givers accountable, but I do not think it should be made central to the design of anti-corruption strategies for a number of reasons.

1) Let me take Gerardo's example of a certain Swedish company offering a bribe in Latin America-and yet Sweden is perceived as one of the low-corruption countries. Similar scandals have involved Swedish companies in India as well. In fact the bribe payers' index (BPI) for 2006 gives Sweden a score of 7.62, and Sweden ranks only behind Switzerland as relatively 'clean'. BPI looks at the propensity of companies from leading exporting nations to bribe abroad, and a score of 10 implies zero propensity. If we accept this index as a rough guide, Swedish companies also pay bribes regularly, although less frequently than companies from many other countries. But this scenario is compatible with Sweden receiving its score on the corruption perception index. Inside Sweden, the Swedish Anti-bribery Institute issues pamphlets that explain the law concerning bribery in plain language.

A common media headline around Christmas reads: 'Think about the presents you give to your customer - it could be a crime'. I am aware of a case where a proclaimed gift (token of gratitude) of an opera ticket costing 50 Euros was successfully prosecuted as a case of bribery. Sweden keeps its own house clean and hence receives a low score.

2) We have had international anti-bribery laws for a while now, but most of the developed countries have not been able to apply their domestic standards to the overseas operations of their companies. This is not confined only to OECD countries: many of the leading Asian

countries rank fairly low according to the BPI. India and China are supposedly the worst offenders. It therefore appears that the implementation of anti-bribery laws at the international level is never going to work. First there is the issue of global competition: for example if a Swedish company does not pay, an Indian company might pay and win the contract. Second, it will be difficult to prove that these companies were facilitators and not victims. After all, the same company might do dirty business in one country but remain clean in another.

3) Even domestically, it may not possible to hold bribe givers accountable in many situations. In many instances, the poor and middle class end up paying extortion bribes and clearly they cannot be held responsible. We are more justified in making bribe-giving an offence in a collusive rather than an extortion situation. Firms and businessmen will always argue that their bribe giving is not an act of collusion.

4) As an economist, I believe that both demand (demanding/receiving bribe) and supply (bribe givers) are equally important, but in this specific case of corruption we have to concentrate more on the demand factors.

Ajit Mishra, University of Bath, wrote:

Facilitator's note: *Ajit Mishra responded to Bill Tod's reservations that grass-roots participation have proven to be more effective than corruption oversight institutions.*

A quick note regarding Bill Tod's point regarding the effectiveness of a top-down approach and participatory monitoring. Unfortunately, there is no general result showing which one works better. In the context of corruption, top-down monitoring may not work because the monitors could be corruptible. Similarly, grass-roots monitoring may not work because of the free-rider problem and possibility of local capture. Hence we should be open about the use of any particular instrument and let the choice be dictated by the specifics of the case.

Olken's Indonesian experiment (referred to by Bill Tod in his contribution) is interesting but we need to note couple of things about this experiment. First, these are participatory projects by villagers themselves (no outside contractors used); hence there is an element of decentralisation already present. Second, as the author himself points out, the government audit (which is supposed to have reduced corruption) is mostly procedural with little chance of leading to any prosecution. At the end of the day, 20 percent of expenditures were still unaccounted for in these villages despite increased monitoring.

Li Jing, UNDP China, wrote:

***Facilitator's note:** Li Jing responds to various observations on China, first noting that e-media is too technically-reliant to be a good empowerment tool in countries where it is easily countered by an official click of the 'off' button. Instead, Jing urges a strategic analysis of the institutional causes of corruption 'in all their local varieties or contexts' and designing programmes that focus on under-developed democratic institutions with the aim of making public decision-making more accountable*

It is quite enlightening to read through the contributions of the group members, who have provided such comprehensive and diverse perspectives. Here I would like to respond to a few of the points made earlier in this community.

First, I would like to challenge the preference to e-media as an effective tool to fight against corruption (see Ramachandran AL Ramasamy's contribution). I would argue that e-media or the so-called real-time media may only serve as a technical solution rather than an institutional solution to corruption. If we really stand for a rights-based approach to human development, it is essential to explore the institutional causes of corruption in its variety of forms, such as lack of democratic institutions that hold the government officials accountable to the public. In addition, technical solutions can be easily countered by technical measures.

For instance, in the past, it took the people in power, many years to nurture or capture the traditional media, such as newspapers and radio, for their own advantage. However today, it may take only one 'click' for those in power to block the e-media. A good example may be that there is virtually no information in Chinese websites on the recent large-scale demonstration that took place in a coastal city in China on an environmental issue. Unfortunately, the reality is that without genuine democracy, those in power have more resources and are therefore more capable of taking advantage of the latest technology to serve their own purposes.

The latter observation also applies to other anti-corruption approaches, means and tools that have been discussed, such as RTI, citizen empowerment and transparency (see Charmaine Rodrigues's contributions and others). These means assume (but fail to note) that they contain a prerequisite which is that a certain level of democracy is in place, with its whole set of institutional arrangements (such as general elections, judicial independence, released control over the press, and so on).

Ngoc Anh Tran's comparative study between India and China provides an interesting

perspective, and generates a simple and rather straightforward conclusion which is that corruption is negatively) correlated to the degree of democracy. However, without taking into consideration a particular country's political realities and expanding on the contexts' such ideas lose relevancy. In fact, the unfortunate truth in this region is that democracy is so superficially set up in many countries, that such suggestions are not fully applicable.

Regarding Andrew Wedeman's paper about China, while agreeing to his general observations, it has to be pointed out that the Party disciplinary system and the legal system are not two totally distinguishable systems. The functioning of the former usually triggers off the latter.

This means the Party disciplinary measures, which are processed according to a set of Party disciplinary procedures, are usually followed by legal proceedings such as prosecution. It is understandable that these two systems would be using different languages; however, they are engaged in two successive phases of handling a single case.

Andrew H. Wedeman, University of Nebraska-Lincoln, wrote:

Facilitator's note: Andrew Wedeman discusses Mark Philp's contribution on characterising corruption. Andrew suggests the 'embezzlement' (autogenic) type of corruption needs to be included in 'corruption' despite not involving interaction with a second party (which is where Mark put special focus) because it invokes the realm of public-decision-making. The backdrop here is that if public decision-making processes are distorted by corruption this impacts on the poor, and threatens liberties and democracy more broadly. Andrew's contribution raises the issue whether these values are equally damaged by theft of large amounts of money, given how this impinges indirectly on public decisions.

A footnote on Andrew's reference to 'transactive' corruption: this is where two parties collude for mutual gain, without coercion, for reduced price on an entitled service, e.g. private sector practice of bribing public official for preferential contract treatment; or citizen bribing for cheaper licence or tax exemption.

It strikes me that Mark Philp's definition is essentially confined to what is termed as 'transactive corruption'. It does not however, appear to address cases where officials and politicians use their authority to loot the treasury. In a sense Mark is correct that embezzlement (or what has been called 'auto corruption' because it does not involve an exchange of power for favours) is simply a form of theft. But it seems to me that when the president of a country siphons money from the central bank into his private offshore account that is deemed as corrupt.

Mark Philp, University of Oxford, wrote:

Facilitator's note: Mark Philp, responding to Andrew Wedeman, elaborates on his 'systematic distortion' view of corruption. Mark sees the characterising core of corruption as: 1) a particular type of behaviour (associated with misuse of public trust/rights); and 2) its systematic distortion of democratic processes.

Strengths of this view are that it:

- o *Improves focus on core values (human development) while avoiding a quixotic search for definition.*
- o *Comprises givers and takers.*
- o *Also encompasses persons entitled but 'ripped off' by corrupt distribution (typically the poor).*
- o *Focuses on the 'character' of social practice not just consequences (simple economic costs).*
- o *Implies that effects of certain behaviour are remedied by increased capabilities and freedoms – not cured by prescribing duties.*

Some limitations, as Mark notes are:

- o *The three conditions of corruption (see original piece) are not enough to say 'this is a case of corruption' (e.g. treason).*
- o *Differing thresholds apply in different state contexts, which internal political processes need to interpret and set.*

I think there are four partly separate issues:

1) Do we want to count embezzlement as corruption? In my original comment I suggested that our intuitive responses vary across cases. We think of some forms of embezzlement as just thieving, while those that trouble us more are tended to be classified as corruption (e.g. kleptocracy). My sense is that the latter group is associated in particular with high political office and high levels of embezzlement, and consequently with high levels of trust. I also suggested that what makes us want to regard this as more than just theft is that the activity subverts a model of responsibility and political functioning sufficiently seriously, for us to think that a systematic distortion of the political process has occurred. My view is that this is what is really central to the idea of corruption and the essence of this is not captured by the simple idea of 'misuse of power for private gain'. Even if that statement is compatible with the idea of systematic distortion, it does not clearly point to the idea of systematic distortion, and it leaves out a range of cases where the distortion does not involve private gain.

2) Is the definition that I proposed just a definition of a specific sub-set of cases of corruption, and do we risk ending up with definitions of a range of distinct cases, without some underlying link thread that makes coherent sense of them all?

My view (developed elsewhere in the pieces I cited, but emphasised further here) is that the definition I advanced does capture the core sense of corruption as a systematic distortion of a political process and of positions of trust that benefits some people who should not really gain in the process while resulting in losses for people who should not really lose in the process. This loose description can be tightened into a hard core of cases that meet the definition I proposed; but simultaneously this definition recognises that there will be a penumbra of cases which do not fit the definition fully but that are marked by the type of systematic abuse that we are trying to capture when we talk about corruption. So the grand embezzlement case appears as if it lacks one part of the transaction dimension but it is corruption when it is systematic and when, as a result, it ends up distorting the political and allocative processes of the state. In that sense it bears sufficient family resemblance to the core I have defined to be admitted.

In contrast, my objection to the TI definition is that it takes this case as definitive and fails to capture the more systematic distortion that underlies corrupt activity. To give an example of how even the core fails, consider the case of someone who is rewarded by a foreign government for passing on military secrets, but he passes them on anyway because of ideological conviction. This seems to meet all the core criteria for corruption, but the case is usually labelled 'treason', partly on the grounds that the seriousness of this offence trumps the more minor (relatively) charge of corruption, and partly on the grounds that the ideological motivations of those involved may complicate the ascription of individual, sectional or partisan gain.

This example shows that not only are the three conditions I identified for corruption not jointly necessary for corruption (grand embezzlement fails to meet one), but nor are they sufficient (since something can meet the three conditions and still not be classified as corrupt, as in treason). This is unfortunate but inevitable (and is covered by the definition's use of 'normally' in the third condition), given that the ascription of corruption involves both descriptive and normative judgments, and because there are disagreements about the exact borders between what involves a systematic distortion of the political process and what does not. This is a concept, where it is possible to agree on core cases (and I take these to be transactive and involving systematic distortion of the political process), but penumbra cases often need to be argued on a case-by-case basis.

This complicates explanation, but part of the point of making sure they are classified appropriately is that we believe that they share certain fundamental features that might be susceptible to systematic explanation.

3) How does this 'systematic distortion' view of corruption deal with the concerns about the relativism of the norms and values that form each culture's identification of corruption? This can be expressed most clearly as follows: the concept of corruption tracks a distinctive type of behaviour associated with the abuse of public office and involving systematic distortion in its exercise. That is the core for the concept that we are trying to understand, and whose incidence and effects we are trying to explain.

Some cultures may use the term corruption very differently, but then I do not believe they have this concept, and it would be necessary to explore what concept they were working with. Yet the concept is very widespread, because its root sense of decay and degeneration from a natural standard are also widespread, and the use of corruption to refer to natural entities like fruit encourages the extension to less clearly natural entities like public office. But even if people share that core sense they still need to clearly enunciate the rules and norms by which they identify what is acceptable or unacceptable in public office and need to ensure that this dimension of the culturally relevant is sustained.

In some cases, however, this will mean that a local way of constructing the nature and rules of public office could be such that we will want to say that they fail to see that the rules they are applying cannot possibly secure the outcomes they associate with the nature of public office - that their local account is at odds with the concept they are implicitly attempting to track. But that just means that we think there is an objective core to the definition of corruption, and that the role of cultural norms is to inform that core, rather than to replace it entirely with relativism.

4) On transactive corruption (see Andrew Wedeman's contribution and Facilitator's comment), my view is that the transaction between agents can be equal, cooperative, and collusive exchanges; they can be unequal and asymmetric exchanges; and they can be unequal, and sometimes coercive. Exchange offers can be part of corruption, as can threats, and 'thoffers' (making people offers they cannot refuse). The resources used to corrupt people can range from goods and money through to violence. Indeed, there is a tendency in research to systematically ignore the coercive character of many corrupt exchanges. One reason for this is that the standard definition of the misuse of office for private gain, implicitly rules out misuse for self-protection and in response to coercion. In my view it should not.

Conclusion: I do think embezzlement after a certain point is a type of corruption we want to capture, but I do not think it should be made the core of a definition of corruption (as it tends

to be). While there is some discomfort in the fact that the core I identify (involving transactive relations between three agents) seems to exclude embezzlement, the definition is proposed as capturing a typical view of what happens when the use of public office becomes systematically distorted.

For the reasons outlined here and elsewhere I do not believe we will find a perfect definition that provides necessary and sufficient conditions for identifying all cases of corruption, as the example of treason suggests. But I do think the definition I proposed steers us to search for what is most essential to the concept, even if we need to add cases that do not meet all the conditions but meet some and are consistent with the idea of a systematic distortion in the exercise of public office.

This exchange persuades me, however, that the definition should stress the key components of my view (listed as three in the original note), and should see these as identifying the core of corruption. We should thus either resist having a one sentence definitional summary of these three components (such as that given in the paper), or should hedge it in more openly with reservations, so that it reads something as follows:

Corruption in politics occurs where a public official (A), acting in ways that violate the rules and norms of office, that may involve personal, partisan or sectional gain, harms the interests of (B) (the public or some sub-section there-of) who is the designated beneficiary of that office, to benefit either themselves or (C) a third party who rewards or otherwise incentivises A to gain access to goods or services they would not otherwise obtain.

Ramachandran AL Ramasamy, National Information Technology Council (NITC), Malaysia, wrote:

***Facilitator's note:** Ramachandran AL Ramasamy responds to Charmaine Rodrigues on broad awareness-raising media tools. Ramachandran agrees that radio is a proven cost-effective tool in Malaysia too, but is not yet used enough for anti-corruption.*

I fully agree on Charmaine Rodrigues pertinent point that nations are at different levels of readiness as far as embracing e-media is concerned.

Naturally, differing policy and programme strategies as well as options are needed in building the envisaged information and knowledge-rich societies underpinned by a knowledge-driven economy. In fact even within a country there is great disparity in access to information.

My experience of this is my involvement in consulting on developing 8-S framework on classifying the administrative and geographical regions under eight categories namely Skaters, Striders, Sprinters, Sliders, Strollers, Shufflers, Starters and Sleepers towards addressing the emerging concern on Bridging Digital Divide that Government of Malaysia has adopted as an important policy thrust in the current Ninth Malaysia Plan (2006-2010). This classification entailed not only contemporary media such as internet, computer, mobile phone but also traditional media that includes radio, television and fax.

Perhaps, similar classifications of nations could be generated to not only address the issues and challenges of emerging disparities on access to ICT connectivity and information but also for formulating strategies in combating corruption from the international perspective.

Returning to Charmaine's point I concur that radio has been the cheapest and most effective tool for disseminating information to the masses, besides providing entertainment. Indeed, in Malaysia almost 95 percent (if not all) households have radio and television coverage and these two forms of media have been playing an aggressive role in disseminating information to the masses even in the rural and remote parts of the country. Some of the programmes hosted by radio and television are interactive in nature encompassing the network programme coordinator, information providers, and listeners. In such programmes many interesting topics have been aired but programmes on ways and means of combating corruption are limited. Recently by chance I happened to watch a local TV programme showing actual clips on how workers can get a medical certificate even if they are not sick.

In fact, the programme host herself disguised herself as a worker seeking a medical certificate from private clinics in a bid to illustrate the corrupt practices that medical professionals exercise. Surprisingly such practices are rampant in the country. I am not aware how many doctors would have watched that particular programme, but those who did (in particular doctors and public subscribing to such irresponsible practices) would have received a strong signal that the media is playing an innovative role in combating corrupt practices.

Phil Matsheza, UNDP Bureau for Development Policy, wrote:

Facilitator's note: *Phil Matsheza questions whether it is possible to curb corruption by controlling just corruption's 'demand' side (public officials) or just the 'supply' side (private sector, citizens). Phil then notes a growing concern that corruption perception indices skew the true picture of 'demand'. 'Perception' tends to reflect everyday familiarity with petty corruption rather than grand corruption because this is what the general public is exposed to in their reading and viewing. An implication for*

the poor (at least those to whom distribution strategies reach) is that grand corruption could have a comparatively greater impact on resources available for distribution.

My contribution will focus on the demand and supply equation. Can you curb corruption by controlling just one side of this relationship? There is a growing concern that corruption perceptions are influenced by the demand side. One popular case involves Lesotho, a small African country which successfully prosecuted a number of companies from several of developed countries. The countries in which these companies are domiciled did not take any action against their companies participating in bribery of foreign officials. Although these countries have all ratified or acceded to the OECD Convention, they failed to take any visible action against these companies. I do not have any example from Asia in this regard.

The question of whether to put more emphasis on demand or supply might be influenced by the nature of the corrupt activity, resources and the nature of the transaction. With petty corruption, it is easier to deal with the supply side by, for example, setting up traps. Rounding up traffic police who demand bribes, or other officials who demand bribes for duties they are supposed to perform anyway, can lead to a dramatic fall in bribe solicitation. A major crackdown of the demand side can have immediate results but if not sustainable, the situation will recur again.

Those who have been involved with grand corruption know that the numbers tend to be few but the sums involved are large. These instances tend to be more sophisticated and thus can take years to trace. The perpetrators are usually politically connected and a fair amount of resources and inside knowledge is needed to prosecute the suppliers. Instances of successfully prosecuting grand corruption cases are isolated and we remember these cases precisely because they are rare and isolated.

One problem with perception indices is that they tend to reflect the level of petty corruption, primarily because that is what citizens encounter in their every day lives. Unfortunately this can lead to a tendency to underplay the role of grand corruption which numerically could lead to more leakages of resources than petty corruption.

Ramesh Gampat, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Ramesh Gampat's contribution ranges over a wide number of points that have been made by others. Among other important considerations Ramesh suggests a better starting point for understanding and dealing with corruption lies within the potential for corruption is in*

each of us. The issue then becomes 'how do I make better choices?' Dealing with it means knowing more about biases that affect an individual's choice-making ability. Ramesh questions whether it is useful to think of corruption as another 'bias' (a 'social category' like race, age, gender) - something that makes us accept that an act is right or that it is actually wrong (e.g. due to a band-wagon effect, a don't-rock-the-boat effect, or some other effect). Ramesh wonders if the issue then is not zero corruption but zero tolerance of it. Is it useful to expect a 'natural rate' of corruption, consistent with the social contract? Perhaps the end goal needs to aim at developing public decisions around 'zero tolerance'- that is for people to be willing to outlaw corruption, even if they happen to feel 'it is a tradition'.

I propose to range briefly over a number of issues but before this I would like to observe that the discussion thus far has been substantive and most interesting. I think that we can say that the AP-HD Network has a good deal of intellectual firepower!

It is evident however that there is still a need for conceptual clarity on the definition of corruption. Contributors have shared their concerns over the commonly accepted definition, including its overly legalistic nature, its dependence on the Weberian concept of the civil service (bureaucracy), its relationship to culture, its restriction to the public sector, and so on.

The issue of culture was raised and discussed at length during the Pacific stakeholders consultation in November 2006 but figured only marginally in the East Asia and South Asia consultations (although this does not necessarily imply that culture is not important in these sub-regions). Indeed, many stakeholders from the Pacific were concerned by the tension, if not outright conflict, between 'introduced' systems and institutions and indigenous ones. The perception was that it is the competition for authority that generates cultural tensions. The East Asia consultation was more concerned with issues of implementation and strict enforcement (legislation, formal anti-corruption agencies), while state capture and the role of NGO's featured prominently in the South Asian Consultation, which was held in February 2007.

Usaia Ratuveli, writing from Fiji, raised the 'cultural aspect of reciprocal gift giving' which is in conflict with the legalistic notion of corruption but it also fosters a 'welfare mentality'. Particularly in the small Pacific islands, it is difficult to disentangle culture from other aspects of life: the small population means that everyone knows everyone or has a personal relationship with almost everyone and so it is like one big family.

Fayyaz Baqir, while admitting the need 'to know the cultural context' of corruption, argues that the 'question is not what corruption is and what it is not'. The crucial issues, he says, 'is to

decide on which side of it we are on'. Yet this perspective requires a clear understanding of what corruption is or is not. Just as important, is to think about what it is, that enables one to decide which side of the fence one should be on? How do we know what is right and what is not?

One way or the other, it seems the issue of culture creeps into the definition of corruption. This may well be for the simple reason that corruption is also a social category. As such, any definition of it cannot be universalized. Others outside of this forum have argued that the fascination with corruption is but another attempt to impose a western notion onto societies that are different in terms of culture, levels of development, history and colonial legacy, and dependence.

Mark Philp, attempting to bring conceptual tidiness to a fuzzy concept, writes: 'The result is that what counts as corruption depends on certain objective aspects of a situation ... and on the (local) norms and rules that structure public office.' While he did not mention the word 'culture' in his contribution, I suppose that 'values and norms' have their roots in culture. It seems likely, therefore, that Philp's notion of corruption is not free of cultural influences.

The discussion thus far has focused on the concept of corruption and the means employed to take on this pathology. If I am not mistaken, not too much has been said about the end goal, but there is the idea of 'zero tolerance' of corruption. Does this imply zero corruption? Even if conceivable theoretically, is zero level of corruption possible - or even desirable in practice? Can an argument be made for a level of corruption that is consistent with the structural features, norms and values of a society? Is there something like a 'natural rate of corruption'?

I would like to return to the contribution made by Mark Philp. In my view, he has added a good deal of conceptual clarity to an elusive issue, but I have a few issues and concerns. I fully agree that not all misuse of entrusted power constitutes corruption but only a 'particular type of misuse' - i.e. those that 'distort the political process'.

For the purposes of the APHDR, we will need to distinguish clearly corruption from crime. Since breaking the law is an important aspect of a crime, is 'misuse' the same as breaking the law? When does the line between corruption and crime become blurred? Second, it would seem that 'political corruption' mostly finds expression in grand corruption and state capture. It seems that rule-breaking (beyond misuse) is involved in the former; for the latter, manipulation to legalize illegal processes is apparently more important. Even so, one wonders about the extent to which legalistic ideas are influenced by culture. Of course, there are many societies (and cultures) where jurisprudence has its roots in their own traditions and culture.

Third, Philp tells us that ‘three actors are involved or affected by corrupt activity’ but it would seem that the intended beneficiary of the office (the power of which is being misused) is a sleeper party, which is perhaps difficult to identify (it is the public?); this party may not even know that its benefits are being compromised. Thus, while the ‘triadic relation’ is useful analytically it also requires a clear identification of intended benefits and beneficiaries, which complicates the issues. Is this really a useful distinction in practice? Finally, Philp makes the important point that a corrupt act may be done not only for private gain but also for partisan or sectional interests. This is a useful clarification.

My last point revolves around the supply-and-demand issues raised by Bill Tod and Ajit Mishra. One strand of the ‘demand’ argument (Tod) centres on the empowerment of stakeholders to reduce corruption. We agree and have even come up with the label ‘voice and choice’ to draw attention to the need to empower poor people to demand change. The question is: how does one do this? Does it require simultaneous and sustained action on other fronts? Do we really have to wait until the long term for the benefits to arrive? (I am reminded about what Lord Keynes said about the long-run)

Ajit also prefers that we ‘concentrate more on the demand factors’. However, he bases his argument (unlike Tod, who derives his from the need to ‘secure good governance’) on the near impossibility of implementing anti-bribery laws at the international level and on the imperatives of global competition. This perhaps a valid argument but it fails to factor in the ‘corruption equation’ - the cross-border (and cross-continent) aspects of corruption. While Switzerland (and other banking off-shore havens) may be clean, it facilitates corruption in other countries. In other words it is a ‘legal facilitator’ of corruption.

Many corrupt Third World politician and business persons have perfectly legal, inflated overseas accounts. The CPI - and other like measures - do not capture this aspect and thus absolve legal facilitators from their role in facilitating corruption in other countries. Of course, one can argue that this is still within the domain of the demand side of the argument, but the demand exists only because off-shore havens provide the supply. To sum up, I think that it would be a mistake to allocate only a minor significance to the ‘supply of corruption.’

Could it be that the 19th century French economist, Jean-Baptiste Say, is still wrong: demand creates its own supply!

R. Sudarshan, UNDP Regional Centre in Bangkok, wrote:

***Facilitator's note:** Sudarshan questions the view that corruption is endemic to Asian culture. If, as he suggests, we accepted that people are mostly honest, we could develop a very different analytical approach. Sudarshan recommends that we should be less preoccupied with structural-functional features that facilitate giving and taking. It is more useful to focus and study the behaviour of individuals who practise integrity. For example, one could study how and why honest political leaders survive and examine where the norm is to elevate self interest over public good. Is the norm insufficient cause where there is capability? Does capability make these leaders less influenced by cultural perceptions of 'normal' practice? What role does culture play as a rationalising force in corruption?*

Roy Laifungbam's remark, "the political economy of corruption is a limited framework in the Asian context", prompts one to wonder about other possible frameworks for understanding the phenomenon of corruption. I suppose in order to have some breakthroughs beyond what's already there in the literature; one must consciously seek some reversals in established modes of analysis.

One could take a cue from the famous lines in Arthur Conon Doyle's *The Adventure of Silver Blaze*, which involves this exchange:

Inspector Gregory: "Is there any other point to which you would wish to draw my attention?"

Holmes: "To the curious incident of the dog in the night-time."

Inspector Gregory: "The dog did nothing in the night time."

"That was the curious incident" remarked Sherlock Holmes. (The only person who could have committed the crime of stealing the horse from the stable without arousing the dog was someone the dog knew as a friend, the dog's owner). Much of the discussion on corruption focuses on those who take and those who give graft payments and favours. Why not focus on the behaviour of individuals who do not engage in these practices.

The Comparative Research on Poverty Group, based in Bergen, reverses the usual analysis of why people are poor what their coping and survival strategies are?; and what can be done to eliminate poverty?; It asks: why are some people rich?; how do they get richer?; and what can be done to limit their power when that is held responsible for 'producing poverty'?

Indeed, the concept of human development is a similar kind of reversal of the traditional thinking about economics - 'Wealth is not the good we seek, we seek it for the sake of something else',

said Aristotle, and the first HDR proceeded to examine some of those things that human beings seek, for which wealth could be a help.

The drift of my thinking is that we should perhaps focus a bit more on individuals' motivations and behaviour, instead of structural features of economies and polities, and on institutional factors that have a bearing on corruption, and ask: why and how some people remain honest in otherwise corrupt environments?

This is not to deny that certain institutional/structural factors (e.g. variants of democracy, political institutions, voting turn-out, political stability, level of economic development, size of unofficial economy, trade openness, public sector wage rates, etc.) are involved in fostering or discouraging corruption. Other factors cited as additional causes of corruption are population density, geography, mineral wealth, state formations, colonial legacies, social heterogeneity, inequality, religion, media and political culture (see Gerring and Thacker 2004). However, restructuring institutions and structures will not help unless it also has an impact on changing the behaviour of individuals. That is why asking 'how is it that some people remain honest when all around them others are engaged in corruption?', could give a clue to motivations and behaviour, particularly in areas vulnerable to corruption. In India, a rather surprisingly large number of civil servants are honest, and they are the ones who have welcomed the Right to Information Act, and supported the resistance to dilute the legislation.

Even some politicians are reputedly honest and incorruptible - notably prime-ministers Dr Manmohan Singh, and before him Pandit Nehru, Lal Bahadur Shastri, and Morarji Desai. In Pandit Nehru's first Cabinet, T.T. Krishnamachari was the Finance Minister. He was, for a while, also the Treasurer of the Indian National Congress. There are reported accounts of his policy of refusing to accept cash contributions to the party, insisting on cheques, at a time when banking was poorly developed in the country, in order to avoid the risk of filling the party coffers with 'black money'. TTK, as he was known, was also the only Finance Minister to resign from office, when a corruption scandal involving the Life Insurance Corporation (state-owned, and under Finance Ministry control) and a businessman called Mundhra, came to light.

How, and why, do political leaders like the ones mentioned survive (or not survive) in what is admitted to be a corrupt quagmire? Are decisions to engage in corrupt behaviour primarily influenced by personal understanding of what constitutes corruption, and perceptions of how widespread corrupt activities are in the respective settings of individuals?

There was, allegedly, a close relative of a former prime minister of India, who helped exporters of rice to the Soviet Union get the required permits and quotas, and payments made for the purpose were considered by him, and his counterparts in the Soviet Union trade mission, as commission payments. It is another matter that the traders who exported the rice found the money to afford these commissions by exporting to Russia low-priced 'Patna' rice, labelled as high-priced 'basmati' rice, assuming that the Russian consumer would not know the difference, anyway. As Ray points out, culture certainly has an influence in this story. The 'Indian commission agent' was alleged to have accepted briefcases filled with currency notes only on days that were considered auspicious for the Lakshmi – known as the Goddess of Wealth in the Hindu religion. The Goddess cannot be welcomed into one's home after dusk and on new moon days (or amavashya in Sanskrit). The best days for accepting graft, as well as for beginning new projects is the period when the moon is waxing, not the period when it is waning. Evidently, by bringing in notions of what is auspicious and inauspicious, the commission agent also believed that what he was doing was justified, if not actually good.

The hypothesis that can be tested, with difficulty, no doubt, is that individuals will not engage in corrupt behaviour if they regard that behaviour as immoral, or wrong, and will be disposed to corruption if they think that it is justified and acceptable by the norms of their community. A practice that is widespread could, by definition, considered to be in conformity with community norms. The principal policy implication that I am trying to emphasise is the importance of 'critical insiders' (followers of the faith, who are leaders disposed to reform religiously sanctioned practices that are inconsistent with, say, international human rights norms), and their role in educating the public about what is right and what is wrong.

One might also hazard the view that people, who follow 'The Book', in the practice of their faiths, are more likely to have a firm belief on ethics that could influence their behaviour in this life, whereas adherents of faiths that have the doctrine of Karma could consider postponing their good behaviour to a later life. Cross-cultural differences in the definition of corruption, and individual disposition to engage in corrupt behaviour, should therefore be taken more seriously.

Phil Matsheza, UNDP Bureau for Development Policy, wrote:

***Facilitator's note:** Phil Matsheza reflects on Roy Laifungbam's thoughts on the cultural, nature of corruption, and whether corruption is culturally relative, or a universal phenomenon where pan-human norms and standards can be applied. Phil notes that the UN Convention against Corruption*

asserts it is indeed universal. This surfaces, Phil notes, in a 14 country study where individuals could readily identify corruption. Despite its universal qualities, it was visible to them in the localised ways corruption distorts local cultural norms.

I have enjoyed reading the contributions by Roy Laifungbam. In short the question is whether corruption is culturally relative, or whether it is a universal phenomenon which can be regulated by universal norms and standards? I do not come from Asia and I have only briefly worked in Central Asia and I heard exactly the same argument Roy eloquently makes. What I mean to say is that in Asia, corruption is a way of life.

The negotiations for the adoption of the United Nations Convention against Corruption established that corruption was a universal phenomenon and no country was free from it and nor is any culture free from it either. The concept of corruption has the same principles and values that we find in good governance, democracy and human rights such as:

- o Transparency
- o Accountability
- o Participation
- o Integrity
- o Inclusiveness
- o Non-discrimination

These are principles that underpin governance and I think they are found in all cultures. I was once involved in a research to assess whether people in a particular region covering 14 countries, felt that corruption was a cultural phenomenon. The results of the study showed that the people could identify corruption primarily because they considered it an abuse and a deviation that was taking advantage of cultural norms meant to serve different purposes.

Sandy Gauntlett, Pacific Indigenous Peoples Environment Coalition, wrote:

Facilitator's note: *Sandy Gauntlett responds to Phil Matsheza's contribution on supply and demand and calls for renewed targeting of both consumers and suppliers. Sandy emphasises that the problem of corruption is the issue of public acceptance, since it has entered into everyday life. Sandy's observations raise questions about how to better understand supply and demand. Who and what demands integrity? Is reputation a key driver and in what contexts? Is participation always a core driver of integrity? Are trust and rights key drivers and in what contexts? Does too much attention to 'supply and demand' obscure how human relationships are seldom binary, that we both honour and exploit trust, depending on the context? How do we get the context right? What role in 'setting contexts' could be played by 'dividends for integrity', where the rewards are reputation, participation, etc.?*

I read Phil Matsheza's contribution with great interest as someone who has long advocated that we need to pursue both the demand and supply angles to the corruption issue. The countries that the companies come from should indeed have taken action against their citizens offering bribes because, as we all know, if no-one offers a bribe then there is nothing to pick up from corruption. However, I do have a concern that we have now swung the pendulum back the other way and that people are asking that we look at demand without also looking at the issue of supply. It is equally true that if no-one takes a bribe the practice of offering them would soon die out.

As for the question of grand corruption, again I agree with Phil in most areas but a concern is that his argument could also be used to justify 'small' corruption.

Any corruption is or should be, both illegal and prosecuted if we are to have any chance of wiping out the practice. If companies lost their trading licences for offering illegal bribes that would serve as a huge disincentive for offering them.

On the other hand if people went to jail for both offering the bribe and for accepting it then this would provide a disincentive for accepting it. I think the true difficulty with corruption is that we accept that it is now a normal part of everyday life and that allows it to thrive.

We must insist that consumer nations prosecute illegal practices and that supplier nations equally go after their side of the offence. To do less is to accept that the practice is beyond our control.

Phil Matsheza, UNDP Bureau for Development Policy, wrote:

***Facilitator's note:** Phil Matsheza responds to Mark Philp's discussion on defining corruption, noting that 'systematic distortions' play a part in UN-viewed parameters of 'corruption'. Phil concurs with the broader suggestion of Mark's definition but beyond political dimensions, needed primarily because corruption does not always fit easily into the political category.*

I would like to comment on Mark Philp's argument. It is true that when we talk of corruption, we are considering systematic distortions and patterns to some extent.

The United Nations Conventions against Corruption (UNCAC) avoids defining corruption for many reasons. When one looks at national legislations, most do not define corruption but components of corruption such as embezzlement, fraud etc. The TI definition is not a legal definition and it has been accepted, that while it captures most elements of the phenomenon

of corruption, as Mark rightly observes it is not all encompassing. Here are some further thoughts:

- 1) Embezzlement is usually both an ordinary crime and a corruption crime depending on the nature, circumstances etc.
- 2) Mark's definition does highlight an area that is usually lost in defining corruption. But it also leans more towards political corruption, a field that is gaining increasing importance. However since not all corruption will fall under this category, it is not comprehensive enough.
- 3) I have made earlier contributions on 'corruption and culture' and will not repeat them except to underscore that UNCAC looks at corruption as a universal phenomenon and not as a culturally relative concept.

I would like to thank Mark for a discussion I found very stimulating and thought provoking.

Hasna Cheema, UNDP Regional Centre in Colombo, wrote:

Facilitator's note: Hasna Cheema urges the following remedies: dismantling political structures based on absolute power, devolving authority at community levels, strengthening civil societies, improving accountability mechanisms, and providing education for all to enable poor people end their exploitation by the rich.

I have been following with avid interest the e-discussion on corruption. It is a complex and intricate phenomenon with endless dimensions to it including socio-economic, political, cultural and religious threads.

Corruption has many connotations. To some it is misuse of authority for vested/personal interests, lack of integrity or moral perversion while others view it as being in a state of progressive putrefaction. Call it by any name; it is a vice, a curse and an evil which no society in the world can claim to be free from. Across nations and continents, it has its tentacles have penetrated in all political and social systems, slowly and gradually causing the moral and social decay of human existence.

Apart from its disastrous consequences on the moral health of a human being, the malice of corruption is also clearly responsible for causing conflicts, political crises, military interventions and the failure of social services to the poor and vulnerable people of the societies of the world. The military coups in Pakistan's troubled history always cited corrupt practices of politicians as key factor justifying military interventions. Similarly most of the Social Actions Plans (including

SAP I, II in 1990s), aimed at social and economic amelioration of poor in Pakistan's society, failed to achieve the sublime goals mainly due to the prevalence of corrupt practices and lack of accountability mechanisms. While the discussion of corruption has become a topical issue, most of the time, it is mere rhetoric rather than practical and concrete plans of action. With so much hype about achieving the MDGs (achieving universe access to primary education, provisions for primary health care, combating HIV/AIDS , sustainable environment, addressing gender disparities and ensuring better access to water and sanitation) the malice of corruption must be combated/curbed to make a meaningful difference to the lives of the poor and the marginalized people.

What are the remedies to the malice of corruption? From my perspective, it involves the dismantling of political structures based on absolute power, devolution of authority at the grass root levels, strong effective accountability mechanisms to hold people (exercising authority) accountable to the public and last but not the least education for all, with the aim of ending the exploitation of poor at the hands of the rich people.

Lord Acton, in a letter to Bishop Mandell Creighton in 1887 remarked: "Power tends to corrupt, and the absolute power corrupts absolutely. Great men are almost always bad men." This is so true in today's context. Let us be strong advocates of devolution of authority, strengthened civil societies and zero tolerance for exercise of power without accountability.

Closing message

Dear Colleagues,

Thank you for your interest and contributions to date, which add a lot to the preparation of the Asia Pacific HDR on corruption.

There are around 430 persons in this discussion network. Approximately half are in the various field, regional, and HQ offices of UNDP and other UN agencies. For the other half of us – academics, and practitioners in other development agencies – hopefully the discussion is adding familiarity to what Human Development Reports do. HDRs are distinctive in the genre because they provide analysis. They have a clear aim to stimulate debate on policy, which is done through unravelling assumptions in strategies for development. Over the past 4 weeks, the discussion raised issues that were focused on the problem of corruption for the poorest people. The discussion ranged from corruption vs. official negligence/petty crime, parliamentary vs. presidential systems of government, regarding systemic resilience to corruption, distortion of public decision-making processes as a core characteristic of corruption, avoiding a narrow

focus on just political sites of corruption, seeing corruption as an issue of social practice beyond governance, the value of awareness-raising in resistance to corruption, radio vs. e-media, and lessons learned from integrity practiced by political leaders who refuse corruption.

Special thanks for all your contributions to Part I. Shortly, the discussion will turn to Part II on corruption in the social services (education and health). A follow-up message will give further details.

I look forward to your continuing interest!
Jim Chalmers

2.4 Offline Discussion

Mark Philp, University of Oxford, wrote:

***Facilitator's note:** Mark Philp urges further clarity on what 'a culture of corruption' is. There are, he suggests, certain qualities in the idea of cultures of corruption applicable to every cultural setting. In other words, corruption has clear universals, common across all cultures. And it is important to see this universality as a starting point for recognising corruption whatever country it is 'culturally-entrenched' in.*

I have been reading Daniel Jordan Smith's book *Culture of Corruption* about Nigeria (2007), and it seems to me there is a lack of clarity there, and in some of the contributions to the net discussion, about when corruption can be predicated. My view is that it must be something that those involved can recognise (even if they tend to deny it) and that it involves using some position for purposes that are not part of that position's recognised responsibilities. So we cannot call a culture corrupt just because it does things differently from us; but we can, in so far as those involved are aware that their conduct does not fit with their own sense of the purposes of the office or position of trust. My sense is that what defines a 'culture of corruption' is that it is one in which there are norms and expectations of a whole range of positions of trust and offices, but that the incentives are such that people wanting services from these cannot rely on these official expectations but are forced to resort to other types of incentives. The result is a culture in which what is done, and what ought to be done, part company pretty systematically.

Jim Chalmers, Facilitator AP-HDNet, wrote:

Mark points out that there is a universal dimension to corrupt behaviour despite the differences in how different cultures express this. I feel this is a critical point to grasp. Human beings share an experience of how it feels to be subject to corrupt public practices. Mark explains the

genesis of corruption in terms of incentives. (I see this as useful in a programming as well as a conceptual sense, as I expand on below). Mark bases this on the idea that there are official expectations (trust and rights associated with provision of public good) connected with public offices, and, at the same time, there are unofficial expectations (associated with personal gain, which extends to allies). I agree with Mark's next suggestion that a culture of corruption can be explained (universally) by the predomination of unofficial expectations over official ones, where the causal factor is greater incentives i.e. public officials/allies gain more from the pursuit of personal gain than provision of public good.

My questions or responses are related to programming implications, needed to transform a culture of corruption. I have just a couple of thoughts at this stage, in order to point to possible further inquiries.

First, is democracy a possible causal variable in transforming a culture of corruption? The evidence I have seen suggests that democracy is a precondition of anti-corruption but is insufficient in itself. This is particularly evident if the democratic electoral process is taken as an indicator of democracy. In particular situations in the election cycle, re-election has been shown to be a disincentive for integrity. A 2005 UC Berkeley study of Brazil mayors in their second and final term, found there is significantly more corruption compared to similar municipalities where mayors are in their first-term (Ferraz and Finan 2005).

Second, moving to the more hidden if fundamental element of your triadic agency concept (i.e. the 3rd party - usually the poor or most vulnerable citizens - whose entitlement to the public good is stripped by the other 2 parties' corrupt transaction). My question is: are there sufficiently powerful incentives that could be constructed on the side of the 3rd party to transform a culture of corruption? There is a study that finds corruption could have declined in Italy since 2000, as a result of a 'change in incentive whether or not to be corrupted (coming) from an authority that is not part of the game (the jurisdictional power)'. This concerns novel interpretation of civil liability rules in Italy (1999) allowing private agents to appear before the court to demand reimbursement for damages suffered as a result of illicit behaviour of the public administration (see Giuseppe Di Vita 2006).

If I interpret Mark accurately to be saying that a 'culture of corruption' is primarily a problem of the entrenchment of distrust on the demand-side, due to the power of incentives in favour of private interest over the provision of public good, then from a programming perspective we need to consider what novel incentives/disincentives it takes to shift this culture.

Phil Matsheza, UNDP Bureau for Development Policy, wrote:

Facilitator's note. *Mark's discussion raises questions about possibilities of transforming cultures of corruption. Phil Matsheza's following contribution has invited inputs in this regard, namely: which kind of anti- corruption institutes are the most effective? Are they:*

- 1) Single institutes with powers to prevent, prosecute and investigate?*
- 2) Single institutes with mostly preventive mandates?*
- 3) Multiple units and mandates interspersed in different government departments and institutions?*

Under what circumstances are these institutes most effective? Are there any recommendations of which model works better in a particular political environment?

First of all anti-corruption institutions are provided for in Articles 5 and 6 of UNCAC. One of the key issues in article 6 is: "Each State Party shall grant the body or bodies - the necessary independence - to enable the body or bodies to carry out its or their functions effectively without undue influence."

We have a number of models in Asia and indeed globally of these institutions. We have the so called Hong Kong-based models with powers to prevent, prosecute and investigate with some variations. These are one stop institutions which are becoming popular in some parts of the developing world. In such circumstances the general bureaucratic framework will have succumbed to corruption and related ills and one illustrious institution will be trying to improve the governance delivery capacity of other institutions. Some jurisdictions do not allow the independent anti-corruption institutions to prosecute while others do so, on delegated authority from the Prosecutor General.

I have observed that in Central Asia most of the anti-corruption institutions are government departments with mostly preventive mandates. In Western Europe, anti corruption units and mandates are scattered across different government departments and institutions but they are rarely stand alone institutions.

Facilitator's note: *To help guide further responses, Ramesh has raised additional questions, such as:*

- 1) What are some of the ideal attributes that a formal anti-corruption agency should possess?*
- 2) To what extent do anti-corruption agencies in the region match up to this ideal (the issue of benchmarking?)*

Anuradha Rajivan, UNDP Regional Centre in Colombo, wrote:

I am in fact very interested in pursuing this discussion. I still feel we have not quite 'cracked' the conceptual aspects- perhaps it is the nature of the beast. But I agree with Jim that it will have to be 'outside' of the main net discussion. Some of the key issues we need to discuss are:

- o Universal vs. context specific.
- o Can we at all think of reducing corruption to 'zero' however defined?
- o It is also important to consider corruption from different viewpoints. Why does current literature tend to focus more on the 'receivers' (governments, officials, politicians) than the 'givers'. Is it because that receiving (immediate benefits) tends to evoke greater outrage in some fundamental sense? Or is it because some givers may be 'coerced' into giving?
- o What about collusion cases, where the giver benefits much more and on an ongoing basis? This is why the 'giving' takes place. The receiver may be only a one-time beneficiary (say, an official who 'signs off').

Mark Philp, University of Oxford, wrote:

I agree it is not easy to know quite how to proceed - and there are a lot of questions that have not been touched on in the discussion. I have worked on some of these and have material in various places, for example on symmetrical and asymmetrical relations in corruption, and so on. I am happy to provide references. Moreover, I have been working on a paper on corruption and peacekeeping that takes the definitional material a bit further (and draws on some of the pieces I sent in) and I am happy to circulate that if it would be useful. It certainly raises the paradox that corruption is a function of rules and norms of office, which suggests that it may not be ever reduced to zero; but it also considers what types of corruption might be most harmful.

My own current concern is with the claims about 'cultures of corruption' – where it seems as if two sets of claims are being made about norms and rules. One is that people operate with certain expectations of public office, and they operate with a range of other expectations and norms about how to deal with the fact that those in office do not respond to their expectations. What interests me is the issue of how articulate that first set of expectations is, and how far they are effectively sidelined and rendered irrelevant by the need to make the system work for oneself. Additionally at what point do we simply say, 'that's how things are done around here' (for example, through patron client relations, familial networks, and so on) – 'so that it is not corruption, just the standard way in which allocations and distributions of goods and services are made'. In part, my interest arises from seeing attempts to impose regulation from outside that become subverted by more traditional forms of exchange. Sometimes these traditional forms have high levels of legitimacy, and sometimes they are associated with relatively high

levels of fatalism about the need to truck and barter with a system (as is the case for many in former soviet states). My guess is that a number of South Asian cultures may have elements of each.

Jim Chalmers, Facilitator AP-HDNet, wrote:

Mark, your comments urge zeroing in on what types of corruption are most harmful. I want to pick up on this with a related topic which is 'who causes most relative damage, givers' or takers' and 'why'? I would also like to take a closer look at the economic formations of these decisions that fail to accept the norms and values of public office. Mark, you seem to suggest, and I would agree, that it is the takers who are the primary agents in the failure to respond to official expectations. This in effect implies that it is behaviour on this side of transactions (takers) that raises the likelihood that the other side (givers) will react (in a relatively secondary if very significant manner). The question this raises is: while this is probably true in most poor countries, is it because the economic formations of corruption are shaped, largely, by 'the scarcity of wealth available for investment in public goods'? Put slightly differently, one could say that the economic formations of corruption shaping takers' behaviour in poor countries is well indicated by economic constraints and ensuing pressure on investments in public goods, e.g. visible in such things as scarce M & E mechanisms (which increase the taker's incentives). Would one expect a shift in the relative damage caused by takers in poor countries if this indicator (constraints) was outweighed by 'commoditization' of public goods? This can be seen to have happened in rich countries where market forces (which magnify the 'givers' role), prevail over other economic indicators. For example, in the education sector in rich countries the growing demand for access, increase in private education providers, commoditization of many aspects of education, and financial constraints that institutions face, place new demands on takers' decisions to act outside expected norms of office. This refers to a likely change in demand that would affect the behaviour of the supply-side of corruption, but which, importantly, requires a re-orientation of emphasis onto the givers, since currently most emphasis in poor countries is on the side of the takers. More specifically, this shift would be well addressed through emphasis on niches within the 'givers' category, which in education could include students in wealthy families who are in the market for fraudulent accreditation and access to education.

Mark Philp, Oxford University, wrote:

I am not sure that the concept of givers and takers is the best way forward. That really describes who gains in the relationship, but misses a number of possibilities - such as symmetrical exchange. A piece in Kotkin and Sajo's handbook (2002) looks at some of this in more detail. Basically it uses the three agent definition and distinguishes between A-led and C-Led forms of corruption - with B being the victim. It also tries to explore how different types of corruption

(who initiates etc.) might be responded to with different types of corruption control. What it fails to do is to ask what circumstances are likely to produce the different types of corruption. My sense is that it will depend on the strength of the state, the capacity of non-state organisations to compete with the state in terms either of legitimacy or the control of wealth or violence. It is however difficult to answer all questions simultaneously! Anyway, see what you think.

Anuradha Rajivan, UNDP Regional Centre in Colombo, wrote:

The key players seem to be: Givers, Takers, Facilitators (often legal - like accountants and lawyers - who can provide creative legal ways to be corrupt), Objectors, and Bystanders (passive). All categories can be corrupt and for different reasons. For example, objectors can become whistle blowers because they are disgruntled about division of spoils.

Jim Chalmers, Facilitator AP-HDNet, wrote:

Lenses: Although it might seem clear that corruption impedes human development, the case needs to be articulated, given that it is also possible to argue corruption could promote human development. Hence the lenses of viewing corruption in terms of vulnerability of different human lives and different political systems, focussed on the intersection of social practice (including governance) and economic lenses. The social practice lens is trained on equity, empowerment, capability, rights, and productivity in terms of whether institutions in the public, private and civil society sectors are able to deliver efficient, transparent, accountable services within the law. The economic lens investigates the extent to which governments are able to intervene in the market to constrain corruption and hence calculate the vulnerability of different political systems to corruption.

Actors: Multiple actors with motivations equally multi-faceted and ambiguous can be categorised in terms of givers and takers, plus those who resist, endure or are incognizant yet lose some entitled social good, as well as those who facilitate a corrupt practice.

Key circumstances: Incentives, disincentives, strength of state and civil society, independence of media and judiciary, and access to information and peoples' grasp of it.

Key questions raised:

- o 'Are there strong social forces demanding integrity (vulnerability-reduction), and 'what are the key drivers that could strengthen these social forces?' What is prior in the tolerance of corruption, public distrust of political leaders or corrupt leadership itself? What are the local challenges of mobilising new generation of political leaders? What organisational structures hamper women's ability to fight corruption once they achieve significant power?

- o Mainstreaming anti-corruption means that individuals must take responsibility for behavioural change; what is the role of decision-making/participation, in the contexts of social practice, integrity, distribution of public goods, productivity, efficiency, and governance.
- o What specific ways does empowerment, access to information, education, etc. contribute to transformation of corruption? How can 'decision-making/participation' be measured?
- o What are the thresholds around particular norms that could be included in conceptualization of an HD approach to anti-corruption, given the understanding that diversity of norms and likelihood of Western presumptions does not under-cut universal experience of corruption, but diversity does require identifying extent to which norms can be embodied.
- o What are the ways that business and political connections encourage corruption, and what are the characteristics of social networks, clienteles and patronage?
- o What are the characteristics of the various national anti-corruption frameworks, effectiveness, accessibility to information and accountability mechanisms?
- o Beyond policies and procedures, what are the characteristics of the various anti-corruption frameworks' that attest to ability to withstand market forces?

Mark Philp, University of Oxford, wrote:

I like these additional players - although in terms of A-C relations we can still ask which side they are on and who is leading and who is following.

Two points on the comment about 'creative legal ways to be corrupt'. The whole area of 'tax-avoidance' and similar forms of working within the legal system to produce an outcome at variance with the spirit of the legislation is a complex one. I am not sure at which point this could be called corrupt but I guess it does become corrupt when it introduces systematic distortion or subversion of the law and its provisions. But are you suggesting it's always corrupt?

The second point - about whistleblowers being maliciously motivated. I do not think that necessarily makes them corrupt, although there might be occasions on which they are. Does that make sense to you?

Anuradha Rajivan, UNDP Regional Centre in Colombo, wrote:

I guess it all comes down to what we want to call corrupt but how do we avoid going round in circles? I feel an uncomfortable gap somewhere.

On whistle blowers: when the collusion among those who are subverting breaks down (e.g. due to a dispute over division of spoils) one of them becomes a whistle blower. This is more common

than a 'good Samaritan' coming forward in public interest. Would that not be corruption? Then combating it is to have institutions that dissuade collusions to stick. We need to have checks and balances as well.

Legal subversion of 'intent' of the law: sometimes the law is deliberately against public interest, e.g. a diamond company gets mining laws changed to further commercial interests by colluding with the concerned minister, to the disadvantage of local communities.

One thought: can we get better/different insights by focusing on why people are not corrupt?

Jim Chalmers, Facilitator AP-HDNet, wrote:

Focus on integrity? It would bring a shift in the usual definition ('misuse of entrusted power in decision-making for private gain') making it 'the use of entrusted power for public good'. Is this adequate to explain that motivation/intentionality thus have inspirational value for advocacy purposes? First, on the level of visible actions, 'the use of entrusted power for the public good' boils down to 'escalating public good over one's private interest'. Note the continued existence of private interest-one has simply chosen to not escalate it above public interest in using entrusted power. So on the everyday level of public office activities, there are variables of 'entrusted power', 'decision-making', 'private interest', 'public interest', and 'transparency'.

We could say 'integrity' is made operational by an act of refusal to place oneself under any financial or other obligation to outside individuals or organisations that might influence one in the performance of legal official duties, including the spirit of legal obligations. Process wise, one has made choices on the merits of each case without discrimination on the grounds of ethnicity, sex, religion or origin etc; and one has further exposed the decision-making processes by declaring private interests that have potential to collide with public interest; further one has put to one side sectoral and regional interest.

How useful are these operational characteristics when it comes to motivation? What is the role of duty vs. moral/emotional/imaginative intelligence? First, in 'integrity' the bribe or inducement is not the prime mover in influencing performance or an action. Given that the existing salary system is probably inadequate, this suggests performance is done for non-financial reasons. Duty or emotion? If the latter, what are the drivers: leadership, reputation? But also, the condition of inadequate salary probably also shifts unwanted emphasis onto gift-giving/tribute-taking, e.g. in Melanesian contexts, or Asiatic modes of production (which some have argued characterises China today).

In comparing drivers like reputation and leadership with duty as a motivation, Kant and Nussbaum do not require that actions are motivated by duty alone, but simply that the motive of public responsibility is enough to bring about a desired action such as integrity. If an act is just solely motivated by duty, a specific action can maximize the social good but not be right, and therefore ought not to be done, especially if it violates the categorical imperative to develop capability in all.

If not duty then what influences integrity? Kant/Nussbaum appear to prefer acting shaped by emotional intelligence versus acting only from abstract/objective 'duty' because it allows room for personal commitments. But emotion is just as fallible and undependable as objectivity. So intentionality based on emotion is enough in itself; the motive of duty is still critical because emotions are fallible as much as 'duty' is.

Ultimately, intent behind any action is about decision-making based on an inherent capability, which in turn needs to be fostered. This shifts the onus onto investing in public goods that develop capability in all human lives, rather than focusing on specific (corrupt) actions she/he might take in the line of duty-though we are left with the social-historical facts that corrupt actions have magnified effects on those with fewer opportunities to develop capabilities.

Ramesh Gampat, UNDP Regional Centre in Colombo, wrote:

Dear Jim,

Thank you for some interesting thoughts in your last message. In effect, I believe that you are saying that the focus on integrity requires flipping the definition of corruption around: 'the use of entrusted power for public good', which boils down to 'escalating public good over one's private interest'. How does one motivate this new focus? You suggested duty, moral imperatives, emotional intelligence and reasoning ('acting only from abstract/objective duty') and argued that these are all 'fallible and undependable'. Your preferred motivation is 'inherent capability' - [which] shifts the onus onto investing in public goods that develop capability'.

I hope that I have done justice to the main drift of your argument. I would now like to step outside of economics and take a fresh look at these issues. In so doing, I'll be drawing upon some exciting new research in evolutionary psychology, primatology and cognitive neuroscience (the study of brain-behaviour relationships). Because we may not be all familiar with this body of research, it may tend to be long-winded.

At the outset, I interpret 'public good' as synonymous with 'greater good' of society. The essence of both terms seems to be the same: suppressing 'personal good' to the extent that it

is inconsistent with the greater good. The pursuit of both - personal and public good - seems to require a utilitarian approach. Recent research into how the brain functions suggests that the consistent pursuit of utilitarian ends is not possible unless we all become a 'Phineas Gage'.

Phineas Gage was a 19th century construction foreman, who worked on laying the track for the Rutland and Burlington Railroad in Vermont, USA. He was athletic, graceful, precise in his dangerous work, most efficient and capable. One day, a slight distraction caused him to miss a step in the blasting sequence and an iron tampering rod, measuring 3 feet 7 inches, entered his left cheek, piercing his skull and his brain, before exiting at high speed through the top of his head. One hundred and fifty years later, it was determined that Gage suffered damage to that region of his brain known as the Ventromedial Prefrontal Cortex (VMPFC), an area of the forebrain where social emotions, such as compassion, guilt and shame, arise. Gage survived and even went back to work but, while his basic cognitive, intellectual and language skills remained intact, his ability to reason - particularly within a social context - and make decisions was seriously impaired. Indeed, he was no longer Gage: his character changed; he became undependable, foul-mouthed, ill-mannered, anti-social and given to extravagant schemes that were never followed through.

From other documented cases of lesions localized to the VMPFC, it is now accepted that damage to this brain area is characterized by the inability to predict the future consequences of one's action and behaviour, indecisiveness, and loss of emotional states (the inability to recall memory traces, as it is sometimes called in the literature), so necessary to assert our humanness. VMPFC is critically involved in the production of somatic markers, which are the feelings, or emotional reactions, that have become associated through experience with the predicted long-term outcomes of certain responses to a given situation. Somatic markers assist people during the decision-making process by rapidly highlighting those options that have positive predicted outcomes and eliminating from considerations those options that have negative predicted outcomes. Somatic markers thus make the decision process more efficient by narrowing the number of feasible behavioural alternatives while allowing the organism to reason according to the long-term predicted outcome of its actions. For this reason, because it requires little computation, the emotional system triggers a fast, reflexive response; it provides a shortcut to what is right in situations requiring immediate action, thus enhancing the survival of the species (especially when it lived in the vast open savannas). The rational side aids us when deliberation and calculation are advantageous. Scientists do not yet understand how the two systems interact or how one supersedes the other when they dictate contradictory course of action.

In experiments, patients with damage to their ventromedial prefrontal cortex almost always favour a utilitarian approach to answers to specially designed questions, favouring the greater good regardless of the means required to achieve such ends. A typical question: would you take one human life to save many? The obvious answer seems to be 'yes' - but what if your choice also meant you would be sacrificing your own child? Many patients with damaged VMPFC said that they would smother their own baby to save a group of people; those with intact forebrain often said that they would not do so. One key conclusion from this: moral decision making has an emotional component. Human moral judgement does not generally depend upon reasoning (emotional or cognitive); instead, people engage in moral reasoning to justify their condemnations. And, in truth, if pressed are unable to justify their condemnation, a phenomenon psychologists have dubbed moral dumbfounding. (For more, see the wonderful book - Hauser 2006).

The point of the Gage detour is to underscore the emerging belief that a purely rational being (homo economics, that strange species of humans characterized by unbounded rationality in decision making) will be unable to make any decisions at all; that such a person will not only be antisocial but will threaten its own survival (as did Gage, who eventually died at a relatively young age). Nevertheless, the case of Gage (and, of course, others who have suffered damage to their VMPFC) has led to an increasing appreciation - at least in cognitive science - that emotions are an integral part of decision-making. Emotional signals in decision making bias the organism to avoid decisions that will lead to negative future outcomes and promote decisions that will lead to positive future outcomes. In this manner, the neural basis for the production of emotional signals impels the organism to behave in ways that promotes the achievement of long-term survival within a given environment (other brain regions are recruited in the process).

In other words, we cannot conduct our daily life - in a way that promotes the 'public good' - without depending upon our emotions. Emotions may be fallible and undependable, but we cannot live decently without them (indeed, a question mark will hang over the survival of the species). It follows, too, that the development of capabilities and functioning cannot take place without emotional development, and choices will be irrelevant, if we are unable to make decisions. Nor would capabilities be of much use if we were to rely only on reason. The utilitarian vision, at the personal or societal level, is almost impossible without sound emotional development; the relentless pursuit of utilitarian objectives is possible only with a damaged VMPFC.

Where does this leave us? Plato's Menon begins thus: "Can you tell me, Socrates, is virtue taught?" The answer of Socrates is that virtue is not taught but 'recollected', where the act of

recollection is a gathering of one's self together, a retreat into one's soul. However you take this, there is increasing evolutionary/genetic evidence that humans are hard-wired for morals reactions (this does not mean that culture/nurture are not important) and that moral reasoning is a post hoc act intended to justify moral judgement. This together with the emerging finding that it is difficult to pursue the public good without sound emotional development leads me to the view that the best restraints against corruption are legal deterrents. That is, the best approach is to make corruption a high- risk, low-pay off activity.

I also believe - and this follows to an extent from the above - that too much energy and time have been expended on definitional issues; corruption is too complex and treated as too convenient an issue to be nailed down definition wise. Last Saturday morning (23 June), I was watching an interesting programme on CNN (360 degrees with Anderson Coopers). Apparently, the US Congress has an interesting allocation of funds, called 'earmarking'. These are funds allocated to senators without scrutiny of the requests, without need for reporting or monitoring; funds that are meant to develop projects in their districts/states. Recent investigations into how earmarkings have been used, as well as use of other funds, have shown that senators/congressmen have abused the power entrusted to them for private gain. Some have been charged and sent to jail. But this abuse of public office is not called corruption; it is called a crime and that's what the senators/congressmen have been charged for. Thus, irrespective of culture or the focus on investment climate (as is clear from the popular measures of corruption), the same act is labelled differently in different country or even in the same country, depending upon whims and fancies.

It is also my view that the current preoccupation in trying to come up with a universal definition of corruption is unlikely to yield pay- offs commensurate with efforts invested, nor is the issue likely to be settled any time soon (in any case, all common definitions are more or less impositions - hacked out in the west and imposed on the rest). We should, instead, aim to find out how corruption is understood by Asians and work from there, ignoring the fact that corruption was designed by the west, whose companies need foreign markets to stay competitive, to gauge the business climate in the rest.

Mark Philp, University of Oxford, wrote:

I have some sympathy with Ramesh's frustration, which is not to say that I agree with the conclusions he draws.

My sense is that the appeal to psychology is as mistaken as the appeal to *homo-economicus*. What's needed is more of an appeal to *homo sociologicus* – with an eye to the other two –

and to an understanding of the way that different societies and cultures will have different degrees of impact on the emotional integrity of individuals – so that in some the high level of integration of a culture will make breaking social norms much more of a deviant act that needs a psychological explanation, than in other cultures with relatively weak integration where the contrast between self-interest maximising strategies and conformity to public office norms will be more striking and where conceptions of integrity will be looser and psychological accounts of deviance less compelling. It just is the case that in some cultures it is rational to act corruptly – as in Nigeria. In other cultures more demanding explanations are required. This also ties to my more general worry that a discussion of integrity will tend to generate Socratic standards, whereas non-corrupt behaviour can be variously motivated (where that motivation need not be especially attractive or desirable, it just does the trick sufficiently in that context).

The other point of disagreement concerns throwing in the towel on definition. The reason for persevering with issues of definition is that we have to try to get clear how far the phenomena that we are describing are in certain ways similar or of a particular type. To abandon that aspiration is to abandon the idea that a consistent object of explanation and understanding is being picked out. And to abandon that is to abandon the possibility of coherent explanation or understanding, or indeed coherent discussion! My sense, reading the many pieces submitted in the web discussion is that people are working with a wide range of views as to what constitutes corruption and that their speculations about what might cause corruption are only of interest, strictly speaking, when they are talking about the same thing. In so far as some relied on western norms, others on local standards, and still others on a variable mix of the two, we are unable to make any generalisations about what causal factors may underlie the various phenomena that they identify. Without a clear definitional framework we risk incoherence.

Clearly, I have an interest here, since I am arguing for a particular way of understanding corruption – centred on the subversion and distortion of public office. But the thrust of my case is not that this is the only possible way of defining corruption, so much as it being one way that gives us a relatively clear set of criteria for identifying cases that have a basic similarity in that they undercut the use of public and politically legitimated means of allocating benefits and burdens within a political system, so that the cases are interestingly similar as cases in which political mechanisms do not do the work that they are meant to do. That means we can look comparatively at political systems and their relationship to social and economic norms and practices to examine the circumstances under which they are able to ensure that, for the most part, the norms of political office are hegemonic over competing forms of allocation in those spheres in which they claim legitimacy. The causes of corruption will still vary – some states make demands that cannot be met and result in people using covert means of exchange and

allocation as means to conform to central demands; other states are too systematically weak in relation to competing social and economic norms and mores. But we can begin to break down the phenomenon into various sub-types and we can begin to think relatively systematically about the ways in which given instances are similar or dissimilar to each other.

It may be, of course, that Asian corruption is a distinct subspecies, and that would allow us to follow its internal definition and logic and would allow us to treat this 'type' of corruption as the object of explanation. But I have real doubts about that – not least because a great deal of the language of corruption has been developed throughout the world in part as a result of the surge of interest on the part of western financial and political institutions that has then been brought to bear on societies and political systems that are seen as in some ways dysfunctional.

So we need alert antennae to identify what people mean when they talk about corruption. We need to do some work on what they say – recognising that in some cases (such as the earmarking case) the refusal to call the activity corrupt has political motivation rather than making real definitional sense; while in other cases too much is being absorbed under the concept so that there is nothing coherent to its content. And we need to be aware that, in a similar way to what has happened in Central and Eastern Europe, the term has become increasingly appropriated for political purposes in a way that proliferates accusations, muddies the water pretty systematically, and is, in itself, damaging to the creation and enforcement of norms for political conduct.

So, if the contributions that people make to this ongoing discussion are going to be contributions to a common theme, we cannot, in my view, duck the question of defining corruption. And, because of that, we ought to try to make people articulate much more clearly and systematically what they understand by the term and how it is being applied in their particular context.

Jim Chalmers, Facilitator AP-HDNet, wrote:

One can imagine trying to blend the strengths of Mark's and Ramesh's meditations.

Because defining what 'corrupt' behaviour is unavoidably means judging whether an action is legitimate and appropriate, there is an inevitable sociological component, as Mark suggests. But what kind of sociology, beyond structures like 'integration' (integrated by what means, external, internal values?) It becomes important, then, to avoid focussing on seeking to identify structures of incentives that make corruption more likely/unlikely (e.g. social integration). This is primarily because such an approach yields overly-narrow economic consequences of corrupt acts, and it vastly underestimates outcomes for the poor. Additionally such structures abstract

away from the social-political underpinnings of decision-making (the economic relationships where incentives originate), as well as the origins of the meanings, values, and social emotions that actors see in these incentives, perhaps as Ramesh has argued.

What then is a meeting point? The political economy approach is useful because it puts emphasis on production (and thus people's relationships) rather than on exchange. That is conventional economics assumes people come together to satisfy their consumption/exchange desires in a forward-looking manner (rational choices?). Since the focus is on the poor in this discussion, when we talk about decision-making in the context of production relations (uneven power), poor persons invariably do not have rational choices. Their preferences happen in deprived/oppressed social circumstances. Ultimately, the end goal is a (poor) person's wellbeing. Hence, it is not possible to imagine her/his good consisting in the satisfaction of informed preferences without asking what are the actual choices (vs. counterfeit preferences), and invoking contexts of power/production to explain these. Plus, understanding the judgment of corruption is much more than identifying a particular abstract norm that characterizes a specific situation. This means that in order to know which norm to apply and how to interpret it for the case in question, we need also to know much more about the social emotions and codification/cultural representations (Asian, Melanesian, Western?) Perhaps this amounts to a contextualised political economy approach to the analysis of corruption incentives blended with examples of integrity that codify political courage and other social emotions, along with the real choices available in particular social situations.

Ramesh Gampat, UNDP Regional Centre in Colombo, wrote:

Dear Jim,

At least in the short-run, it seems that our best strategy lies in the adoption of a 'contextualized political economy approach'. I share this view as it does not universalize the definition nor does it drain it of social context (values, norms, traditions), nor limit corruption to the public sector. The crux of the matter then becomes: how do we operationalise such a definition?

One other issue: whatever definition is adopted, we still need to distinguish corruption from crime? Are they the same thing? If not, how do they differ (even when context is factored in)?

Mark, I am not arguing for an abandonment of the search for a definition but am against a definition that is applicable to all countries at all times. This is what I meant when I said that we should focus on Asia to understand how Asians themselves understand corruption? Perhaps we may be in for a surprise.

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Health and Education

Contents

3.1 Discussion Questions	99
3.2 Contributors	99
3.3 Online Discussion	100
3.4 Offline Discussion	131
3.5 References	133

3. Health and Education

3.1 Discussion Questions

Objectives of the discussion

- 1) To understand the impact of corruption on the delivery, access and quality of social services – particularly on the health and education sectors – and its effects on poverty and human development.
- 2) Obtain ideas on innovative and creative solutions to mitigate the effect of corruption on the poor and disadvantaged groups.

Questions to guide the discussion

Health

- o Does the centralised structure of health care systems in the region readily lend itself to rent-seeking behaviour?
- o What forms does corruption take?
- o What aspect/part of the health system is most vulnerable to corruption?
- o What are the solutions?
- o How do you see the role of civil society organisations (CSOs) in addressing access to health care and awareness-raising?

Education

- o Why is corruption in the educational system so prevalent?
- o What forms does it take and how does it affect the poor?
- o Are moral values and ethics important to teach in schools as part of the solution?
- o What roles should decentralised authorities and CSOs play in removing barriers to education and raising awareness of benefits?
- o What other measures can a country take to reduce corruption in the educational sector?

3.2 Contributors

Responses were received, with many thanks, from:

Fayyaz Baqir, UNDP Pakistan

Guitelle Baghdadi-Sabeti, WHO

Hasna Cheema, UNDP Regional Centre in Colombo

Ramesh Gampat, UNDP Regional Centre in Colombo

Sonia Gomez, UNDP Regional Centre in Colombo

Li Jing, UNDP China

Chitra Khati, Armed Forces Medical Services of India (Ret.) India

Phil Matsheza, UNDP Bureau for Development Policy

Pact Cambodia
Farhan Sabih, UNDP, Pakistan
Nabeel Salie, UNDP Regional Centre in Colombo
Herman Semes, Transparency Micronesia Inc.
Taryn Vian, Boston University
Rui Yang, Monash University
Dieter Zinnbauer, Transparency International

3.3 Online Discussion

Hasna Cheema, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Hasna Cheema writes on the 'institutionalization of corruption' in Pakistan where malpractices translate into high mortality and illiteracy and economic poverty rates. Highlighted is the problem of 'ghost schools' that siphon off too-scarce resources and create pockets of poverty and embezzlement at all levels of the system severely constrains education for all. Further plaguing poor communities is the prevalence of predators in areas of semi-urban and rural health services, involving fraudulently-qualified providers. In addition properly-qualified doctors in the public system often illegally moonlight in private practices. Under-the-counter payments are also common, sometimes just to get care.*

The issue debated on the AP-HDNet, of the detrimental impact of corruption on health and education, is of crucial significance. Indirectly corruption is root cause behind the failure of public services to local communities, including access to primary education and primary health care. The creeping malice of corruption has played havoc with the delivery systems of basic necessities and has further perpetuated poverty and impoverishment of the communities.

In the case of Pakistan it is interesting to explore the link between corruption and the poor delivery of education and primary health care services to local communities. Pakistan's first Education Census exposes an ugly side of corruption prevalent in the education sector (Government of Pakistan 2005). The census revealed that of a total of 164,579 public sector schools in the country 12,737 educational institution are 'non-functional'. This is a euphemism for ghost schools. This implies that nearly 7.7 per cent of schools exist on paper only. What repercussions do ghost schools have on the overall access to primary education? Firstly since nonexistent schools are siphoning off funds from the education budget (to fill some unscrupulous people's coffers) the functioning education institutions are as a consequence deprived of funds they badly need. Secondly it leads to the creation of pockets of poverty and illiteracy in different regions in the country.

The continuing existence of ghost schools is also indicative of the higher authorities' inability or unwillingness to tackle this issue. The problem is not a new one and has plagued Pakistan's education system for a long time. The other dimensions of corruption undermining the education sector include unjustified absenteeism by teachers and the massive embezzlement of funds from the top to the bottom levels of hierarchy.

On another front, the primary health care sector is also not spared from the ill effects of corruption. Quacks or non qualified health care providers who pass themselves as qualified and provide services that they are not qualified to provide for a price, dominate healthcare delivery in semi-urban and rural areas of Pakistan. 'Quack' doctors thrive particularly in those communities that are too poor to pay for the cost of proper health care services. Informal payment in health sector is another aspect that perpetuates corruption. Informal payments are 'under the table' payments to doctors, nurses and other medical staff for jumping the queue, receiving better or more care, obtaining drugs, or just simply for any care at all.

Another dimension of the corrupt practices prevalent in health is the inhumane and materialistic behaviour by health care providers. As per the law of the country, all publicly employed doctors are forbidden from practising privately and many of them receive non –practicing allowances as part of their non salary allowances. However, most of the publicly employed doctors are seen operating lucrative private sector clinics while working in hospitals and often use the public sector leverage to boost their private practice.

The consequences of these corrupt practices are fairly severe, as underscored by a high maternal mortality rate (MMR) of 400 per 100,000 live births and infant mortality rate of 73 per 1,000 live births. Half or 50 per cent of the population is illiterate and 75 per cent of the population still earns less than \$2 a day. Pakistan is paying a high price for the institutionalization of corruption.

What are the possible solutions available? To combat corrupt practices in service delivery including of education and health, it is imperative to: strike a balance between demand and supply; strengthen monitoring mechanisms through active involvement of local communities; hold leaders accountable; devolve authority and resist the vertical implementation of social programmes without consultation with the local communities.

While there is no magic wand to totally eliminate corruption from society, it is possible to minimize/reduce its devastating impact on the lives of the poor sections of society. In order

to make a meaningful difference to the lives of vulnerable and disadvantaged, it is essential for policy makers to develop a zero tolerance for corrupt practices in delivery of education and health care to communities which would also consolidate global efforts to combat poverty in the world.

Sonia Gomez, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Sonia Gomez writes on the crisis in health services caused by mislabelling and other fake practices in the pharmaceutical trade. One survey in SE Asia provided clear evidence that more than a third of 'artesunate' anti-malarial drugs contained none of this active ingredient. According to estimates, Indonesia's pharmaceutical market contains 25 per cent fake drugs; in India the estimate is 20 per cent of the market, and in the Philippines, nearly a third of drug outlets carry fake drugs. To combat this, legislative efforts have been introduced to make counterfeiting drugs a crime against human security.*

Pharmacorruption: Counterfeit drugs in Asia

The counterfeit drug trade is of particular concern in Asia and the Pacific not only because of the volume of drugs produced in the region, but more due to the high levels of corruption prevalent at many stages of the pharmaceutical supply chain. Corruption and therefore compromise of drugs occurs from the point of manufacture- where active pharmaceutical ingredients are siphoned off and sold, while substitutes (sometimes toxic substances) or insufficient amounts of active ingredients are used in their place- to regulation, where regulatory bodies are bribed to approve new drugs without meeting standards and finally to the point of sale, where drugs can be repackaged, or adulterated.

Adulterated anti-malarial drugs are just one example of the results of the \$75 billion fake drug trade. A recent survey in Southeast Asia showed that among 104 tablets presented as the anti-malarial drug artesunate, 38 per cent did not contain any of the active ingredients. International health officials are concerned that fake antibiotics and anti-retroviral drugs will soon be leaking into the market (for more information see the Centre for Disease Control and Prevention n.d). Defined by the World Health Organization, a counterfeit drug is "a medicine, which has been deliberately and fraudulently mislabelled with respect to identity and or source." Counterfeiting can apply to both branded and generic products and counterfeit products may include products with the correct ingredients or with the wrong ingredients; without active ingredients; with insufficient active ingredients or with fake packaging.

Substandard drugs can have serious impact on public health. They jeopardize treatment, making sick people more unwell and in some extreme cases, even result in death. Watered

down vaccines leave children more vulnerable to deadly diseases, and open the door to epidemics. In Cambodia in 1999, counterfeit anti-malarial drugs were responsible for the deaths of at least 30 people. In 2006, 11 people died in China after being injected with drugs containing toxic ingredients. In the case of anti-malarial drugs, insufficient quantities of active ingredients, besides failing to heal unsuspecting patients, can also cause drug resistance in malaria parasites.

Counterfeit drugs also take a heavy toll on the pharmaceutical industry in terms of cost. The extent of the problem in Asia is troubling. In Indonesia, the International Pharmaceutical Manufacturers Group (IPMG) estimates that counterfeit drugs make up 25 per cent of Indonesia's \$25 billion pharmaceutical market. In India, estimates show that about one in five strips of medicine sold is fake, and that counterfeit drugs have grown from 10 per cent to 20 per cent of the total market, and in the Philippines, 30 per cent of drug outlets carry fake drugs.

China, one of the region's largest pharmaceuticals producers, recently made sweeping reforms following investigations of corruption in the nation's regulatory body, the State Food and Drug Administration (SFDA). The former SFDA director was tried and sentenced to death for taking over \$850,000 in bribes in the form of cash and gifts for approving hundreds of drugs and medical devices, some of which proved to be fake. The SFDA has addressed concerns over high levels of corruption, with reforms. Drug safety inspections across the country have been stepped up, and SFDA officials have been ordered to divest themselves of the 3.5 million shares they held in pharmaceutical companies. SFDA's anti-corruption campaign also introduced eight rules, intended to prevent its officials from engaging in corrupt activities [Concern about the rising counterfeit drug trade is so great that the World Health Organization last year established IMPACT (International Medical Products Anti-counterfeiting Taskforce) to combat corruption and crime in the global pharmaceutical market. For more information see World Health Organisation. n.d]. One of IMPACT's key objectives is to encourage countries to recognize counterfeiting drugs as a crime against human security, and to introduce legislation that deals specifically with the issue. With rising concern about an increasingly sophisticated counterfeit drug trade, governments are under pressure to take the issue seriously and introduce more stringent accountability mechanisms in the manufacture, regulation and distribution of drugs, and to educate health professionals and the public on the issue. Corruption in the pharmaceutical industry, unless checked, will continue to cost lives.

I look forward to reading members' views on this issue!

Nabeel Salie, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Nabeel Salie emphasises that funding constraints contribute towards undermining the delivery of social services in Sri Lanka, making corrupt practices systemic. When salaries are intolerably low it creates a major tension in personal decision-making and enhances private interest over public good.*

The delivery of social services is clearly undermined by corruption. This being established, the more pertinent question would be to address as to why this situation prevails. In terms of education and health service delivery, funding constraints have played a significant role in the deterioration of these systems resulting in corrupt practices becoming systemic, where bribing a school principal to gain admission to a school or paying a nurse to jump a queue to see a doctor, have become common practice. What is important to note is that there need not be a queue if there were more doctors and there would be no reason to bribe the nurse if she was adequately compensated for her work.

For example, in the Sri Lankan judiciary, the pervasive effects of corruption have been clearly documented in a recent macro study that underscores the issue of poor remuneration of employees. This leaves much room for bribe taking given the high cost of living and that salaries cannot sustain a decent living standard. It must be noted that I am not trying to justify bribe taking but just highlighting what seems to be the most obvious reason as to why it is taking place.

This is clearly evident in a study conducted by the Marga Institute which shows that bribe-taking is particularly rampant (32.3 per cent) at the lower levels (court clerks). At this level one could argue that it is purely pecuniary corruption. However, if a judge or lawyer takes a bribe and his judgment is going to be altered as a result, I classify this as intellectual corruption where despite knowing the law he/she yet twists it for personal gain.

Redressing the imbalances caused by corruption can only be achieved with a more aware civil society which feels the compulsion to become inclusive in the reform process rather than take an apathetic approach as a result of being left in the dark about its rights. Unless this takes place, governments will continue to be unaccountable to those they serve and those they serve will remain unaware of their dues.

Thus budgetary priorities for example will continue to be on defence spending or the importation of luxury vehicles for parliamentarians rather than on much needed medicines or text books. More importantly inaction will result in complete systemization of corruption reaching a point of no return.

Pact Cambodia wrote:

***Facilitator's note:** Pact Cambodia provides a comprehensive explanation of how corruption affects education in Cambodia. The biggest problem is in urban schools, which attests to the importance of increasing teacher salaries. Pact calls for the active involvement of communities in school management as part of an envisaged decentralization change in which CSOs, together with independent teacher unions could play a crucial role in monitoring and evaluation.*

Corruption in education in Cambodia is prevalent mainly in urban schools. In rural areas, corruption occurs chiefly in secondary schools. The prevalence is attributed to several factors:

- 1) Low salaries for school teachers when compared to those working in the private sector. Average salaries for Cambodian teachers have declined in absolute terms and value from \$100 in 1970 to \$40 in 2007.
- 2) The public spending in education is only 2.5 per cent of the GNP, far below the 5 per cent adopted by other countries.
- 3) Low and slow spending of the approved budget.

Corruption appears in several forms such as:

- o Selling of public land, schools and sport facilities.
- o Kickbacks for procurements and construction, especially at the central level.
- o Adjustment of examination results at secondary level and diploma mill at tertiary level for some private universities.
- o Deployment of teachers.
- o Collection of daily or monthly fees from children.
- o Printing and distribution of books and learning materials, and
- o Delayed payment for teachers.

This corruption has an impact on low school completion rates at the primary level (42 per cent) and a low enrolment rate at the secondary level (34 per cent net enrolment). It creates a culture of graft and corruption in the entire society.

It is useful, but not adequate, to impart moral and value education to children, teachers and principals. What is required are changes in the salary structure and active involvement of communities in school management. At the same time, good role models from the Prime Minister to school principals are needed.

The decentralized authorities and CSOs can play a very important role in removing barriers. All budgets should be decentralized to schools and communities. Bottom-up control is always

better than top-down control. School boards should be established by communities and be free from political parties.

Other recommended measures are:

- 1) Adjust the salary scale to the pre-war level by increasing education spending from 2.5 per cent to 5 per cent of the GNP.
- 2) For secondary level education, formal tuition fees should be legalized to ensure its transparency.
- 3) Training of 8000 school principals on school and resource management.
- 4) Empowerment of communities in running the schools.
- 5) Support independent teacher unions or associations and CSOs to monitor the education sector.
- 6) Passage and enforcement of the anti-corruption law.

Donors must play a more active role in this regard by channelling funds to the communities and schools, rather than concentrating it with the central ministries. The donors must not support corruption, directly or indirectly. Donors should be held accountable too if their funds are misused by their client authorities.

Ramesh Gampat, UNDP Regional Centre in Colombo, wrote:

Facilitator's note: *Ramesh Gampat questions the explanation of corruption. He explores the beginnings of the hypothesis that corruption is traced to shortages (under-spending, under-valorisation of human resources) in the supply of education and health. He further questions whether this linkage (higher levels of spending and lower levels of corruption) is compounded when there exist too much red-tape together with high levels of illiteracy, and, seemingly, when inequality predominates. Ramesh tests the proposition with empirical evidence: countries with low levels of corruption have relatively high levels of investment in health and education. Medical investigators in NE China have found that where demand outstrips supply of blood-boosting drugs this has led to the production of fakes. Ramesh's work challenges neoclassical economics: it operationalises corruption in sites of workplace relations (productivity) rather than further upstream in market interactions. This is evident in how it allows for the complexity of nature and of human inventiveness to 'fill spaces' that corruption opens up. For example, if teachers' pay is too low and under-valorised, then non-rational behaviour (often found in corruption), can be predicted. Ultimately, Ramesh's work suggests that a sectoral approach could work in curbing corruption – as against the notion that only a national approach adequately captures complexities of human behaviour that underpin corruption.*

Some people believe that the focus (that is, looking for ways to control corruption) on sectoral corruption is somewhat misplaced, because it is difficult to unambiguously define a sector in a complex modern economy primarily because there are always spill over effects from one sector on another. Further, to the extent that moral and ethical values exert an impact on corruption, a national, rather than a partial, sectoral, approach is likely to be more effective.

While this is an interesting issue, my main purpose here is to explore empirically the relationship between the level of sectoral spending - in the present case, health and education - and corruption. This is a tentative, exploratory effort as corruption is a complex and highly contextualized phenomenon and a meaningful study of it cannot be reduced to a two-dimensional analysis.

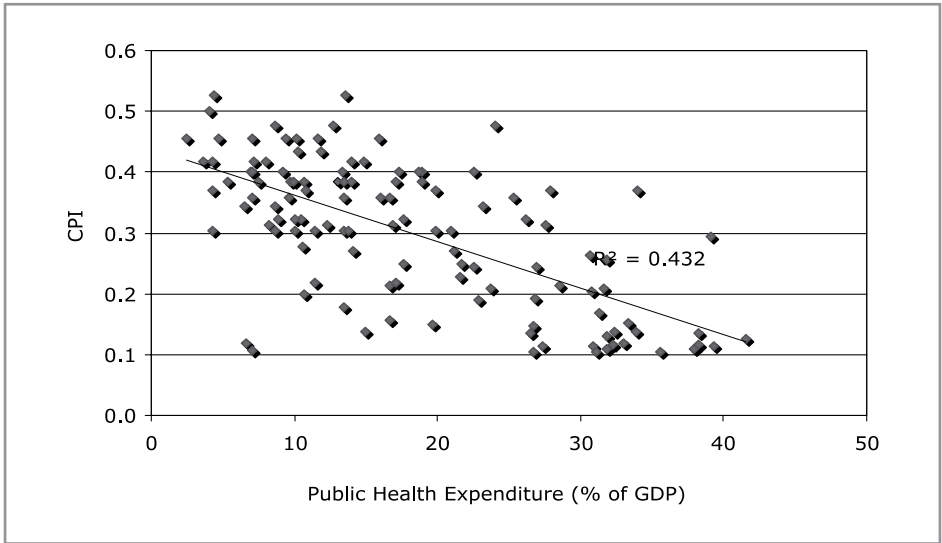
With the above understanding, it seems plausible that corruption will tend to thrive in a situation where the supply of health and educational services is severely constrained by shortages. We explore this hypothesis using data from World Bank's World Development Indicators database and Transparency International's (TI) Corruption Perceptions Index (CPI). Note that the figures show the reciprocal of the CPI, which makes CPI readings more intuitive: lower values mean lower levels of corruption; high values imply higher levels of corruption. The data on public spending on health and education are given as a share of gross domestic product (GDP).

The dataset covers 117 developed and developing countries, including 21 from the Asia-Pacific region. The results are displayed in figures 1 and 2. Both figures are scatter plots but I have dropped a trend line - in effect, a regression line - that plots the relationship between the CPI and government spending on health (figure 1) and CPI and government spending on education (figure 2).

According to the data, there is an inverse relationship between public spending on health and corruption. Higher levels of spending on health are associated with lower levels of corruption. The same relationship although present between spending on education and corruption, is weaker. How does one explain this relationship?

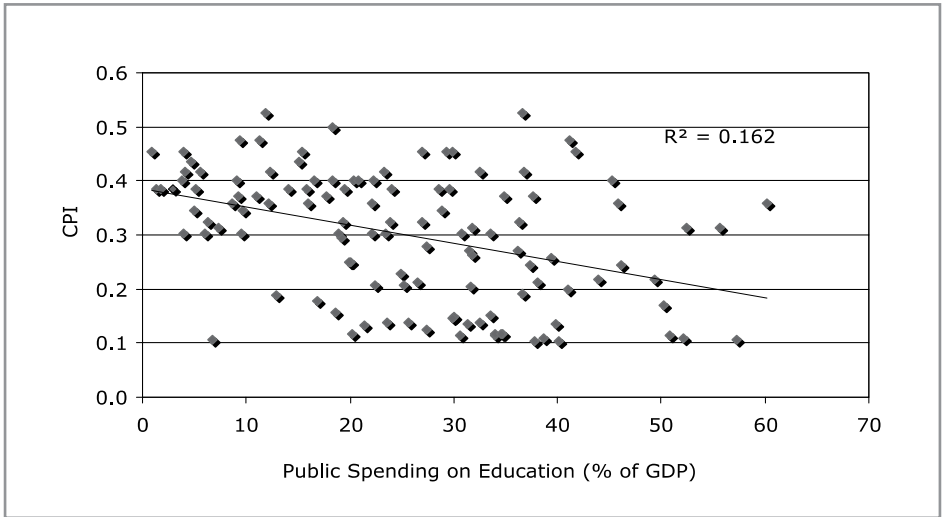
Our research to date (validated by the three stakeholders consultations in the Pacific, East Asia and South Asia) suggests that shortages of these two public goods boosts corruption, especially when it is coupled with red tape and a high rate of illiteracy and perhaps high levels of inequality as measured by the Gini coefficient.

Figure 1. Corruption and Spending on Health



Source: Transparency International 2006a; World Bank. 2007.

Figure 2. Corruption and Spending on Education



Source: Transparency International 2006a; World Bank. 2007.

In the case of health, this situation creates, among other things, 'corrupt space' for fake pharmaceuticals. Recently, for example, medical investigators have found batches of a fake blood-boosting, human albumin, drug in north eastern China. Human serum albumin, made from human blood plasma, is used to treat shock due to blood loss, burns and low protein levels due to surgery or liver failure. It is believed that high demand for the drugs led to the production of fakes. According to the WHO, 38 per cent of 104 anti-malarial drugs available in pharmacies in South East Asia do not contain any active ingredients. And according to a TI 2006 Global Corruption Report, for every 10 percent increase in corruption, immunization rates drop as much as 20 percent; waiting time in public clinics increases as much as 30 per cent and children are one-fourth as likely to complete their courses of vaccination.

Other causes of corruption in the health sector include the need to pay a bribe for admission to hospitals, diagnostic services and surgical procedures. In all of these cases, the underlying cause can be traced to shortages, which frequently led to flourishing private practices and sub-standard quality of services.

There are many causes of corruption in the education sector, some of which have been discussed on the Network. These include shortages of classrooms and thus bribes for admission; the emerging concept of 'pay for performance' where schools blackmail parents into paying a bribe for the promotion of their children; forced bribes for the issuance of certificates and a certain percentage deduction (by schools) for scholarships awarded by various government bodies and philanthropic organizations.

According to the data, a higher share of public spending on health and education would decrease shortages and perhaps red tape as well. Indeed, the data shows that countries which have low levels of corruption also invest relatively high shares of their GDP in health and education. If this is in fact true, then a sectoral approach to curbing corruption will apparently work, casting doubt on the issues raised in the opening paragraph. Or could it work more effectively if a national (or a more holistic) approach were to be taken to curb corruption?

Your views would be much appreciated.

Fayyaz Baqir, UNDP Pakistan, wrote:

***Facilitator's note:** Fayyaz Baqir writes about early gains achieved by a Pakistan community-based anti-corruption initiative in education. The program gives the custody of schools to communities in remote areas. This has resulted in greater awareness of education for all, and towards this end, the*

removal of officials implicated in school fraud. 'Even communities notorious for corruption' have since ceased this practice.

I would like to cite the case of Leadership for Environment and Development (LEAD) Pakistan on dealing with corruption in education. LEAD Pakistan is a premier and an internationally recognised non-profit organization, working to create and sustain a global network of leaders committed to promote change towards patterns of economic development that are environmentally sustainable and socially equitable. It is a vibrant global network, with 13 country and regional programmes in Asia, Africa, Europe, North and South America.

It started functioning in Pakistan in 1995 and over the years has evolved into a dynamic and one of the leading capacity building organizations in the country, having access to a body of LEAD Fellows within Pakistan as well as internationally. Set up with financial support from the Rockefeller Foundation, it is LEAD International's largest country programme, which has an annual budget of Rs. 140 million. LEAD Pakistan carries out a range of activities, and forges partnerships with organizations having similar mandates of strengthening the sustainable development processes and mechanisms.

LEAD initiated its project entitled Democratized Education Management and Ownership (DEMO), in September 2004 and this was completed in April 2007. The project was sponsored by USAID under its Education Sectors Reforms Assistance programme and Public Community Partnership component and was LEAD Pakistan's first major field based project in the education sector. LEAD Pakistan implemented DEMO in two districts of Sindh, Khairpur and Sukkur.

The project planned to unleash a democratization process, by enhancing community ownership of the school improvement and management systems in approximately 3,000 government primary schools in Sukkur and Khairpur. This was done by strengthening civic institutions such as the School Management Committees (SMC) through training. Simultaneously, the project mobilized the community to participate in SMC related activities.

The demands of the community were articulated through School Improvement Plans which were realized with the provision of grants worth \$2,100 for each school. Thus community participation was ensured while developing School Improvement Plans (SIP) through the democratic forum of village assemblies, a forum which was used as a platform throughout the project to solicit the community's opinion on every decision regarding their school. Based on the school improvement plan, that was reviewed and approved by the Project Support Unit; each school was given grant of \$2,100 (Rs. 126,000). A total of 2,357 schools directly benefited from

this project. Four thousand grants were disbursed, amounting to approximately \$4.01 million (Rs. 240,673,382). All these 4,000 grants were completely administered by the communities.

DEMO enhanced the tripartite relationship between schools, communities and government structures. A social mobilization strategy was designed, keeping in view the major players: the political government, the district administration, education department employees and the communities. The communities, once involved in the decision making process of the school through village assemblies realized their responsibility. Henceforth the community contributed by donating plots or other material, and volunteering labour for construction work. The DEMO team reached the remotest of the areas. These remote and needier communities were more responsive and willing to undergo change. They were also more responsible in completion of tasks. The communities were not conservative in terms of religion. No community refused to accept USAID Funds. They were not against the education of girls. They wanted to educate their daughters and needed female teachers or separate girls' schools. Effective mobilization helped in overcoming these barriers as well. As a result they became prepared for schooling their girls in boys' schools where even the teacher did not belong to their community.

The community took measures to ensure the proper use of funds. They removed chairpersons, teachers, education supervisors who were implicated in the misappropriation of school funds and education.

Even communities notorious for corruption never embezzled a cent from the grants given to them since they were aware that they would be questioned on the use of the money and had to present the accounts in the village gathering.

Cash grants worked as the catalyst for SMCs practical training in core and functional capacities and provided SMCs an opportunity to practically demonstrate their achieved capabilities and build their confidence. Identification, planning and implementation of school improvement initiatives helped SMCs/communities in exploring and acknowledging their potentials and productive capacities.

As SMCs realized their roles and responsibilities, most of the dormant SMCs became more active and took measures for reopening closed schools (to highlight such cases 35 field stories have been developed). The real change among the people could be witnessed in the strikes they organised for teachers in the closed schools. School management by law is now directly in the hands of the community rather than the education department. This reduced the alienation aspect that the community used to feel regarding their school before.

However there still exists a missing link between the community and school in many places where the community is not mobilized and at times unaware of their role as custodians of their local school. The SMCs are still at their infancy stage and there is room for improvement.

For example the selection of SMC members still takes place by the education department requesting the head teacher to nominate names. Hence the persons close to the teacher become members. SMC selection needs to take place in a public forum in front of the entire community.

Li Jing, UNDP China, wrote:

***Facilitator's note:** Li Jing provides a comprehensive description of anti-corruption initiatives in the health sector in China following the 'despatch' of the former Commissioner of China's State Food and Drug Administration.*

With exposure and despatch of the case Zheng Xiaoyu, former Commissioner of China's State Food and Drug Administration (SFDA), corruption in the public health sector in China has captured a lot of global attention. Here I would like to share some of my views and comments focusing on the causes of corruption in this sector and hope it helps provide a reference to similar cases in other countries in this region.

How corruption occurred in the public health sector

China launched a public health reform programme around the mid 1980's of the last century. One principal feature of the reform programme was the market orientation of public health infrastructure and facilities (mainly hospitals at all levels) and the decrease in or even withdrawal of government medical allowances that covered the majority of urban population. This reform resulted in highly increased medical prices for both hospital care and medicines. In mid-2006, a report from a government think tank acknowledged that this reform had not been successful. In fact, since then the government has launched another round of public health reforms that aim to increase coverage of health insurance of the general population, including both rural and urban residents.

Another aspect of this issue is the excessive power wielded by the SFDA in approving and registering new medicines. As the first commissioner of SFDA, Zheng promoted two reforms: 1) retrieving the power of approval and registration of new medicine, and centralizing this power at the SFDA level, 2) enforced certification of GMP (Good Manufacturing Practice) of pharmaceutical companies. Both these initiatives were considered to be positive reforms that would help to regulate the pharmaceutical producing and marketing processes. However,

the key problem was that approval had been centralized at the SFDA level and monopolized by a few key officials who were all associated with Zheng, without a sufficient checking and balancing mechanism. On the other hand, the market economy in China allows pharmaceutical companies to set prices of new medicines produced by these companies.

Therefore, these two mechanisms combined created a large space or loopholes for rent-seeking practices. Through bribery and speed money to Zheng and his associates, some pharmaceutical companies could expedite the SFDA approval process of so-called new medicines (most of which were actually counterfeits of other medicines - local or abroad) at the high prices they suggested.

Corruption also takes place at hospitals with doctors. Medicine dealers hired by pharmaceutical companies would bribe the doctors through commissions, so that they would prescribe and recommend overpriced medicines of these companies to the patients. In this way, doctors share part of the twisted profits from medicines but the patients will have to bear much higher prices of such medicines. This again increases the burden of medical costs on the patients, who are poorly covered by public health insurance schemes.

In other words, a poorly regulated market for pharmaceuticals plus a centralized but unchecked administrative approval authority has generated huge space for rent seeking and thus corruption.

The government response

The government has defined corruption involving the private sector as commercial bribery and has therefore launched a campaign Combating Commercial Bribery since 2005 as a response. The main measures include: enforcing self-examination, self-corrections, investigating and punishing commercial bribery cases. In June 2006, China's legislature adopted the sixth Amendment to Criminal Law (revision on Article 163) and expanded the applicable scope of offenders from the staff of the private sector to public service delivery units such as schools and hospitals, stipulating that staff members of these units will face criminal penalty if they seek bribes or receive kickbacks or commissions.

Key areas of this campaign include infrastructure construction, state-owned land property transfer, pharmaceutical purchase and government procurement. Statistics show that from August 2005 to June 2006, a total number of 6,972 commercial bribery cases were investigated, involving \$245.375 million.

More specifically in Zheng's case, the government has launched large-scale investigation among SFDA staff who suspected of having been involved in this case. Flying inspections and resident inspector mechanisms are being conducted on suspected pharmaceutical companies. It has been announced by the SFDA spokesman that all approved medicines licenses will have to be re-issued. It is also said that all GMP certificates will need to be re-issued subject to a new round of certification process.

To handle the situation in hospitals, the Ministry of Public Health has called for separation of prescription-writing from medicine purchasing, so that hospitals and doctors do not benefit directly from selling of medicines thereby effectively cutting off doctors' motivation for commission-taking. However, since the process involves several stakeholders, it is still fairly difficult to implement such suggestions on a large scale with the exception of a few cases of local piloting.

Response from the public

At the end of May 2007, Zheng was sentenced to a death penalty by the Court. It is true that this sentence is more severe than some of the previous cases involving officials of similar or higher level. Additionally it is fairly evident that the processing of this case was more expeditious than many previous cases. From a legal perspective, as a country that basically applies the civil law system, it is difficult to predict whether this sentence will set precedence for future cases. However, a clear message from the prosecution of Zheng's case is that the central government intends to strengthen criminal penalty measures on corruption cases involving high level officials, particularly in the areas that affect the daily lives of the population - in this case public health. Although the general response to this sentence from the public through the media and internet is positive and welcoming, people are still concerned about lack of long-term mechanism to control corruption in such areas. Some scholars also pointed out that the law, instead of the intention of the government, is and should be the only reason for this sentence.

Existing problems and UNDP China interventions

As indicated above, many of the government measures to fight corruption are still inherently on an ad hoc basis. Long-term and institutional approaches have to be developed to address corruption issues in a sustainable way that is within a legal framework. UNDP China's new cooperation with China's Ministry of Supervision will try to explore innovative ways for anti-corruption and government integrity, through increasing the government's transparency mechanisms through e-government systems, strengthening legislation on anti-corruption, establishing and enhancing government accountability systems and promoting public participation.

Dr. Chitra Khati, Armed Forces Medical Services of India (Ret.), India, wrote:

***Facilitator's note:** Dr. Khati laments the lack of anti-corruption measures in India's public health service. Much greater systemic vigilance is urgently required to support the clinicians' due diligence. Otherwise it remains impossible to differentiate between a malarial death from disease burden as opposed to a delay in initiation of treatment, drug resistance, poor drug quality, or poor compliance.*

I am a new member with almost 25 years in Indian Government service and firsthand experience of both the good and the bad. Corruption in health care defies definition primarily because there is virtually no vigilance. Clinicians are bogged down by the sheer volume of day to day work and are also held responsible for vigilance. Many patients get better, some get worse and when clustering of 'cases gone wrong' occurs, alarm bells ring. When a concerned young clinician tries to make a report after some such event, he is given a set of forms that are difficult to fill or even advised to procure these forms from the higher officials. Records of objectivity/proof are asked for. Without those no action is taken on the report and at times the clinician is taken to task for false allegations/ wasting organizational time! Over time there is bound to be a dilution of individual and collective indignation.

For example - how can you differentiate a malarial death from disease burden/delay in initiation of treatment/drug resistance/poor drug quality/poor compliance, where even the simple antigen detection tests are not freely available? Measurements of drug levels, organism culture/sensitivity testing/storage and transport facilities of serum for retrospective analysis at reference labs etc are a far cry! In simpler situations (such as contaminated IV Fluids or Peritoneal Dialysis Fluid) it is impossible for an overburdened clinician to collect data on cases in the previous 3 months to make a report! Culture samples from all cases (blood, fluid, ports, tubing, patients' and health care professional's skin surface etc.) need to be analyzed! Record maintenance is sub-optimal and there is almost no clerical or dedicated office staff, and at all times the next 10 to 20 patients are always waiting with serious problems to be addressed. All these factors make monitoring an impossible task.

Finally there is a crying need for effective and adequate empowered vigilance and follow up to identify real problems and take effective action.

Farhan Sabih, UNDP Pakistan, wrote:

***Facilitator's note:** Farhan Sabih recommends several documents including a social audit on the governance and delivery of public services in Pakistan which highlights the payment of unofficial*

prices for 'free' health services. This report also records changes to public service delivery with the introduction of devolution to the local government system in Pakistan.

I would refer to two excellent publications from U4 Anti Corruption Resource Centre on: 1) corruption in the education sector; and 2) corruption in health sector (see U4 Anti-Corruption Resource Centre 2006a; 2006b). These two publications contain excellent information on the nature and extent of corruption in these sectors as well as documentation of practical good practices on what has been done to address the corruption issues in several countries.

The social audit of governance and delivery of public services: Pakistan 2004/05 provides an evidence of citizens' satisfaction with public services including health and education. There are some interesting facts on how corruption manifests itself in terms of low satisfaction with and use of health services. There is also evidence of unofficial 'prices' being paid to avail the supposedly free health services. The report also provides a comparison of how the delivery of public services has changed with the introduction of the devolved local government system in Pakistan (see <http://www.dtce.org.pk/DTCE/index.htm>).

Herman Semes, Transparency Micronesia Inc., wrote:

***Facilitator's note:** Herman Semes describes the complex challenges to health and education services that characterize the Federated States of Micronesia. "In addition to serving as a clearinghouse for imported drugs, health services are provided on a discriminatory basis depending on who is being treated." Education 'aid' is misused in various ways that include 'ghost' school buildings, 'time theft' and faking of reports; and it points up a culture 'where corruption starts at the top'. To transform this, Herman suggests, people need to start separating the parts of social identity belonging to the practice of political, ethnic and faith beliefs.*

The lack of institutional licensing control for imported drugs and other pharmaceutical products into the Federated States of Micronesia (FSM) poses serious problems concerning the quality and safety of the drugs entering the country. The absence of a central clearing house for imported drugs allows drug importers to market inferior quality drugs at high prices. The importing pharmacies some of which are owned by or operating in partnership with foreign pharmaceutical companies are able to offer prescription drugs to publicly-owned hospital and local clinics at very high prices which poor patients end up paying, some of whom have limited health insurance and some of whom have none. It is not possible to detect any counterfeit drugs or inferior quality drugs.

In a country where no one knows whether the imported drugs are safe or not except the importers themselves, sellers have tremendous edge in price setting and in bribing health officials to buy their drugs at attractive low prices which already incorporate high marked-up prices. The foreign-owned locally based pharmacies are at great advantage as they control the supply of drugs that are needed by the hospital and the clinics.

In addition to serving as a clearing house for imported drugs, services are provided on a discriminatory basis depending on who is being treated. Any high profile person in society is treated differently to ordinary people. In cases where patients need to be referred to off-island health care providers for further treatment, 'high' people are favoured over 'ordinary' people, which violate human rights and equal treatment of people under the law.

In the area of education where large 'aid' grants come from external sources, officials have abused their power by engaging in corrupt activities resulting in 'ghost' school buildings which were paid for but are non-existent. There is excessive 'time theft' where staff and teachers put in less time than they are paid for. Faking of reports is rampant. Performance evaluation is not carried out in a timely manner as required. Loose management controls breed high levels of unethical practices and behaviour among the health and education leaders as well as employees.

In a society where corruption starts at the top, it soon pervades all levels as the rank and file follow suit, thus resulting in a 'scratch-my-back-and-I-scratch-yours' situation that no one dares to point a finger at. And as one delves deeper, it brings to the surface the intertwining condoning elements of customary and religious beliefs of 'forgive and thy shall be forgiven'. It is therefore difficult to apply the rule of law when everyone knows what everyone is doing in the organization. And those that remain outside this circle, are guided by their traditional and religious beliefs which only serve in the end to perpetuate the corrupt environment.

This brings us back to the issue of education and public awareness within the different organizations to which people belong. In FSM, it is generally accepted that all people belong to their government, to their traditional system, and to their churches. They need to be able to separate the roles they play in the different organizations they belong to. They need to know that it is their government that can protect their rights and they need to know that it takes honest and responsible people to safeguard their rights.

Anxious to learn more from you.

Phil Matsheza, UNDP Bureau for Development Policy, wrote:

***Facilitator's note:** Phil Matsheza endorses Ramesh Gampat's hypothesis on the relationship between increased investments in public health and reduced corruption, emphasizing that expenditure strategies need to be broad-based; otherwise the result is simply a variation on demand for limited goods.*

I have been away for some time but I have been enjoying the discussions. I think Ramesh's argument is correct. I think that the relationship between increased expenditure in the education and health sectors and corruption is correct if increased expenditure results in availability of good health facilities and drugs across the board.

Where expenditure is limited to a few hospitals or where drugs are available in a few places that will create demand for the limited places or drugs, this then can increase the opportunities for corruption, despite increased expenditure. Expenditure alone is no guarantee that corruption will be reduced if it is not accompanied with fair distribution and access. I assume that this is understood in Ramesh's argument and probably in the figures.

Taryn Vian, Boston University, wrote:

***Facilitator's note:** Taryn Vian probes the complexities of the hypothesis advanced by Ramesh Gampat on supply shortages and underpaid workers as drivers of administrative corruption. Taryn points to research from Cambodia showing mitigation of informal payments through health reforms associated with user fees. More broadly, Taryn urges a contextualized approach to the political economy in order to better understand non-rational behaviour that seems to be at the core of a 'culture of corruption'.*

The previous discussions have described important types of corruption in the health sector, in particular counterfeit drugs (Sonia Gomez's contribution) and informal payments (Hasna Cheema's contribution). Several postings have mentioned the issue of underpayment of workers and shortages of supplies as vulnerabilities to corruption. Ramesh Gampat's contribution is especially perceptive, situating corruption in workplace relations and the human inventiveness in filling gaps. In particular, I appreciated Mr. Gampat's use of language, describing how under-spending on health by governments creates 'corrupt space'. This recalls the work by Peter Berman and colleagues at the Harvard School of Public Health, who discuss decentralization reforms in terms of 'decision space', accorded to managers.

Supply shortages and underpaid workers are indeed high on the list of drivers of administrative corruption in the public health sector. A research study on informal payments in Albania,

involving qualitative interviews with 151 public citizens, doctors, nurses, and administrators, highlighted the fact that citizens and public providers often perceived that providers had no choice but to engage in informal payments to be able to feed their families (Vian *et al.* 2004). They relied on informal payments as a 'coping mechanism'. Yet, there is an uglier side to informal payments: the 'inhumane actions and materialist behaviour' (as described by Hasna Cheema in her contribution). Simply paying providers more is unlikely to reduce informal payments if other factors are not considered. It thus becomes important to probe what these factors are.

1) Informal payments may be driven by patients as well as providers. Research in several countries has shown that the fear that one might miss the opportunity to get the best possible health outcome, and a belief on the part of patients that health is extremely important and worth any price, can drive patients to offer informal payments to clinicians. In countries where public sector quality of care is weak, some patients may seek quality assurance through informal fees. The solution to informal payments must therefore include systemic improvements to assure patients that providers are being held accountable to high standards of care.

2) Traditions of giving a gift to express gratitude can create ambiguity in informal payments. When is a payment a gift versus an informal fee? It really boils down to intention, which is very hard to measure (see Table 1). Policy makers and providers may argue that informal payments are simply gifts and cause little harm. Research to document actual perceptions of citizens can dispel this notion and thus can help stimulate policy reform.

3) In some health systems, health care providers must make payments to people in higher level positions, in order to retain their jobs. This type of corruption was suspected in Azerbaijan (USAID 2005). If clinicians are sending a portion of their pay (formal or informal) up the ladder to their supervisors, then simply increasing salaries will not reduce corruption.

Some other reasons for the rising prevalence of informal payments are the lack of deterrents (allowing the behaviour to appear 'normal'), social norms influencing providers (in Albania, doctors in training saw their University professors taking informal payments), and the growth of capitalistic values (suggesting that health is just another commodity in the market, to be sold by clinicians and purchased by patients).

Evidence from studies suggests that the practice of informal payments for health services is more frequent in large towns and cities, and higher amounts seem to be requested from villagers who go to cities to seek specialized care. Informal payments are less common in areas where there is greater social cohesion, including rural areas and smaller urban communities. The

community ties between providers and residents in rural areas and smaller urban communities seem to deter informal payments, both because providers would be embarrassed or feel loss of professional reputation if people were to know they were accepting informal payments, and because it is common to exempt from payment people who are well known to the provider. In addition, since there is less medical technology available in smaller urban or more rural communities, thus there is less benefit (in terms of access to quality services) to be derived from making an informal payment.

Cambodia has some promising examples of how informal payments can be mitigated through comprehensive health reforms related to user fees. For example, a 2004 article published in the journal *Health Policy & Planning* documents the experience of Takeo Provincial Hospital in Cambodia, a 157 bed hospital which had high rates of informal payments but was able to reduce them. According to surveys done in 1996, the estimated monthly revenue from informal payments was \$13,750, about 5 times the monthly hospital payroll and about 45 per cent of the total budget. Through a series of reforms that included policy changes at the MOH level, enabling official user fees with fee retention, the hospital was able to bring the payments out from under-the-table. The informal payments were replaced by formal payments, which were more predictable and smaller, on average, because the burden was shared more fairly. Admissions went up by 50 per cent; outpatient visits initially increased then had a steady decline. Some of the decline in outpatient visits was attributed to private sector competition, but could also be due to incentives to hospitalize, as that provided income for salaries. Monthly income from user fees was 32-37 per cent of total revenue. Government financing increased over time, and external donor aid was pared back. Almost all of the user fee revenue was used to pay personnel bonuses. These were 5-10 times the government salary of the workers. Patients paid less, effectively, with the official fees than they had with the informal charges, and the fees were consistent and predictable. The unequal benefits to providers were now shared across staff (Barber *et al.* 2004; Soeters and Griffiths 2003).

I think that cultural issues are just as important as economic issues in discussing the causes of corruption and the possible ways to curb it. Action by civil society to hold government accountable is indeed critical (Nabeel Salie's contribution). What this means, and how can we can operationalise it are questions that must be answered on the ground by people who are familiar not only with health and anticorruption, but with the growth and nurturing of the NGO sector. Another cultural issue is how to use a culture's natural propensity either toward capitalistic incentives (financial rewards) or communitarian values to prevent corruption. A critical challenge in anticorruption work will be how to understand social behaviour that

appears to reflect a 'culture of corruption', and to intervene effectively to reduce corruption in this kind of environment.

Table 1. Gifts versus Informal Payments in Albania

Characteristic or Attribute	Gift (dhurate, peshqesh)	Informal Payment (ryshfet, bakshish)
Given willingly	Usually true, although some people may feel they are obliged to give a gift for moral reasons (as described below)	From the providers' perspective it may be seen as given willingly, while more often patients feel forced or obliged to make informal payments in order to receive care
Fulfils a moral obligation or spiritual need	Can be true. Some people feel as though they are morally obliged to give something when they have received a service	Not usually
Gives patient pleasure	Usually true	More providers than general public respondents thought this was true.
Expresses respect, hospitality, gratitude	Usually true	Not usually, although some providers did say patients gave informal payments to express respect
Expresses satisfaction with the outcome	Usually true	According to the public, informal payments are usually independent of the patient's level of satisfaction with outcome, but providers sometimes believe informal payments express satisfaction
Given after service has been provided	Usually true	Informal payments can be given before, during, or after service is provided
Implies good patient-doctor relationship	Can be true. Gifts are sometimes given to a provider who has a relationship with patient, but the relationship need not be pre-existing	Not usually. Some providers expressed belief that patients give informal payments to create a warmer relationship with provider. Patients did not express this belief, however.

Contd...

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Characteristic or Attribute	Gift (dhurate, peshqesh)	Informal Payment (ryshfet, bakshish)
Of token value	Most informants agreed that gifts are 'symbolic' and of small, 'token' value, though some said wealthier patients give more valuable gifts	Not usually. Informal payments were sometimes of low value in Kucova and Fier, which may be why it was harder to distinguish them from gifts
In-kind	Often, though not necessarily. A gift can be cash, as in the patient who gives a doctor 1000 (old) Lek and says to 'have a coffee'	Not usually, though there are cases where large amounts of produce or goods are given as an IP (a bottle of grappa rather than a glass, kilos of oranges rather than a few)

Source: Vian *et al.* 2004.

Dr. Guitelle Baghdadi-Sabeti, WHO, wrote:

Facilitator's note: *Dr. Guitelle Baghdadi-Sabeti describes the WHO's strategic approach in the fight against corruption's blockage of access, affordability, and safety of essential medicines.*

Corruption in the pharmaceutical sector is a major obstacle to access medicines. Despite the scientific advances made in the development of new medicines and in improving human health during the past decades, most essential medicines remain unavailable, unaffordable, unsafe or improperly used in many parts of the world. This health crisis has many complex causes, including poverty, under-investment in health systems, war, and corruption in the pharmaceutical sector.

The pharmaceutical sector is highly vulnerable to corruption and unethical practices. This is due in part to the high market value of pharmaceutical products and associated financial interests; the complexity of the processes on regulating and procuring pharmaceuticals; the involvement of several different actors, and the asymmetry of information and market failures.

Corruption in the pharmaceutical system can lead to severe health and economic consequences. For instance, corruption in the pharmaceutical regulatory system can result in marketing approval for medicines that are necessarily rational - in terms of safety, efficacy, quality and price. Similarly, if inspection, market surveillance and quality control systems are corrupt, counterfeit and substandard medicines can easily enter national markets. Consumption of such medicines can prolong and exacerbate the suffering of patients, and in certain cases

lead to development of drug resistance and even death. Waste associated with corruption in the pharmaceutical sector can also be a major drain on public coffers and can have a severe impact on the poor, who depend on the public health system for their pharmaceutical supplies. Corruption also reduces the trust and credibility of governments, as well as the whole health profession in general.

Recognizing this problem in late 2004, the WHO initiated the Good Governance for Medicines programme, which offers a technical support package for tackling unethical practices in the public pharmaceutical sector.

The goal of the Good Governance for Medicines programme is to curb corruption in the pharmaceutical sector through the application of transparent and accountable administrative procedures and the promotion of ethical practices among health professionals.

Tackling corruption in the pharmaceutical sector requires a long-term strategy. The WHO has identified a three-step approach:

- o National assessment of the level of transparency and vulnerability to corruption of key functions in medicines regulation and supply management systems.
- o Development of a national programme on good governance for medicines, with the aim of increasing transparency and accountability in the pharmaceutical sector and promoting ethical practices, through a wide national consultation process.
- o Implementation and promotion of the national programme on good governance for medicines.

From 2004 to 2007 the project was gradually introduced in 10 countries: Bolivia, Cambodia, Indonesia, Lao People's Democratic Republic, Malawi, Malaysia, Mongolia, Papua New Guinea, Philippines and Thailand. Assessment of the level of transparency in national medicines regulation and public sector pharmaceutical procurement systems was conducted in all 10 countries by national assessors, using the WHO transparency assessment tool (World Health Organisation 2007). Information collected from Lao People's Democratic Republic, Malaysia, Philippines and Thailand (the first four countries that conducted the assessment) revealed that although they have different public sector procurement and medicines regulation profiles, they have some common strengths and weaknesses (World Health Organisation 2006). For example, all have transparent (written and publicly available) Standard Operating Procedures for procurement, but none requires a conflict of interest form to be completed by members of the registration or selection committees.

The focus is now to consolidate on-going efforts in the 10 countries that are already part of the programme, and, at simultaneously extend the programme to new countries and regions. Selection of new countries and activities will be planned in response to requests from governments and in collaboration with WHO Regional Offices.

Fayyaz Baqir, UNDP Pakistan, wrote:

***Facilitator's note:** Fayyaz Baqir describes a public-private sector partnership for delivery of primary healthcare, implemented elsewhere in the world before being established in the rural Punjab province of Pakistan. It resulted in a considerable increase in the number of people being treated. The dynamics encompass selected representatives (elected Councillors, teachers, women, students, professionals, minorities) serving to integrate community interests. Their priority tasks are managing human resources (salaries) and supply of medicines.*

Fighting corruption in the health sector: Case study of a public-private partnership for delivery of primary healthcare service in rural Punjab

Background

In August 1999 an initiative to improve health delivery systems commenced in the rural district of Lodhran in the Punjab province of Pakistan, with the establishment of three Basic Health Units (BHUs). These BHUs were taken over from the Punjab Government (GOP) by the National Rural Support Programme (NRSP). The three BHUs were run by one Medical Officer (MO) engaged by the NRSP at an enhanced salary. A 'Revolving Fund' of Rs. 100,000 was created using private resources, with the purpose of maintaining a store of high quality medicines. Patients had the option of purchasing medicines from this store or receiving free medicines that were supplied by the Government at all BHUs. The Fund revolved as much as twenty two times during 36 months thus showing a strong public preference for quality medicines. The turn-out of patients at the three BHUs also registered a quantum increase while it was being managed by the NRSP.

This initiative is not as novel as some are apt to think. There are at least 8 similar experiences elsewhere in the world which the World Bank has studied and documented. At present the Punjab Rural Support Programme (PRSP) is attempting to implement it in the Punjab. The initiative is indeed the first of its kind in many ways in Pakistan and the scale of it is truly without parallel. Based on the success of the programme in Lodhran it was expanded to rest of Punjab as The Chief Minister's Initiative for Primary Healthcare (CMIPHC). The CMIPHC is now launched in twelve Districts. To expand to more districts will require major capacity building at the PRSP as at the present stage it would be unable to cope with additional areas.

Numbers clearly show that many more people, compared to the past, are now receiving medical assistance at these facilities. This, in itself, should be a sufficient *raison d'être* for any such FLHF. The numbers are also an indication of the client satisfaction. During the twelve months of 2005, the number of patients receiving medical assistance from the FLHFs managed by the CMIPHC in these 10 operational Districts was 13,501,269. The highest during the year was in the month of August when 1,553,600 new patients received medical assistance at these facilities. In the same month, prior to the CMIPHC, the comparable numbers were 562,252.

Community support

A new activity at the FLHFs that PRSP envisions as the most effective way to ensure that a service delivers the desired volume and quality is to assign an appropriate role to the beneficiaries and the stakeholders in its delivery. There can be no greater assurance of the desired volume and quality, on a continuing basis, than this linkage. The CMIPHC is, therefore, proceeding to organize a 'Support Group' attached to every BHU. Each Group comprises carefully selected persons who represent important interests like elected councillors, teachers, women, students, professions, minorities, etc. The Group meets at least once a month and integrates the BHU with the community that it is intended to serve. It is the responsibility of the Group to ensure that the BHU is enabled, at all times and on a continuing basis, to provide a wider and better range of services.

A member of the DSU staff arranges, attends and minutes all meetings. It is clearly evident that numerous new possibilities are emerging as the 'Support Groups' gradually mature into operation. It is most reassuring to see the enthusiasm and energy of the community and the ready support it is providing. So far, the following Support Groups have been organized. Simultaneously work on the establishment and making groups operational continues at a rapid pace.

Medicines

One key reason behind the FLHFs being dysfunctional is believed to be the mismanagement of medical supplies. One of the first priorities with the CMIPHC was thus to ensure the availability of the required range of medicines of acceptable quality at all the BHUs/RDs at all times. So far, the initiative has had only partial success. One reason behind this is the extreme pressure of keeping all BHUs/RDs adequately supplied given the vast number and ever increasing number of patients. In a bid to alleviate this, efforts have been initiated to evolve a fresh list which meets needs better.

Almost all medicines/materials are purchased relying on 'Rate Contracts' concluded by the government(s) and reputable government institutions. As a policy, the initiative aims to improve the price in the 'Rate Contracts'. The cushions prudently built into the prices for the public sector buyers, make it possible to lower the prices for the CMIPHC.

Financial cost of the CMIPHC

PRSP had, at the start of the CMIPHC, sought funding from the Government of Punjab for the management of the initiative, on the basis of expressly designated needs for capital, salaries and non-salary expenses at the PSU and each DSU. The CMIPHC is ensuring that the average 'cost of management' of one BHU (2 RDs are assumed to be one BHU) does not exceed the upper limit of Rs. 2,000 per month. The 'cost of management' of healthcare in a district, as provided in the district budget, includes funds for salaries and non-salary expenses on the management and supervision of BHUs/RDs, RHCs, THQ Hospitals and one DHQ Hospital.

Clustering is not an article of faith with the CMIPHC as some may tend to believe. It is the result of local realities at the time the initiative enters a District. While some BHUs are being served by one medical professional in clusters of 3, a large number are arranged in clusters of two or are being managed singly by a Medical Officer. The arrangements vary across towns/villages depending on the relevant local conditions. The availability of professionals, medical and paramedics, to serve in remote villages is a serious issue. As of January 1, 2006 the CMIPHC was working with 191 clusters of 3 Facilities, 133 clusters of 2 Facilities and 153 MOs operating with a single facility.

Rui Yang, Monash University, wrote:

Facilitator's note: *Rui Yang provides an exhaustive account of education corruption in China. Illegal profiting related to the commoditisation of education, presents serious challenges to ancient traditions expressed by the veneration of knowledge. Commercialisation of education is barring many poor students from formal schooling; and evidence that urban-rural inequalities are being widened is clear in such findings as 'the more prestigious the institutions are, the lower percentage of the rural students is.'*

Let me begin by saying I enjoyed reading nearly all the previous postings. I learned more about the situation in countries like Pakistan, Sri Lanka, and India. I also found it difficult to argue against Ramesh's hypothesis, which was, as indicated by the facilitators' note, endorsed by Phil. I also agreed with Li Jing's brief description of China's anti-corruption initiatives in health.

I want to add two contributions to this discussion: the major form(s) of corruption in education provision in China, and some fundamental factors related to this issue in China, and their implications for other countries as well.

Corruption in education provision takes a variety of forms in China. However, at present, illegal charges remain the most prevalent form of corruption. Education in China is among those industries with ancillary fees and illegal profiting. In 2001, Liaoning investigated fee collection activities in 85 secondary schools and ferreted out 130 million Yuan in unauthorised and excessive fees. In 2002, Shanghai audited 150 schools and found 7,240,000 Yuan in illegal fees. In 2003, audits of nearly 3,000 primary and 1,500 secondary schools in Jiangxi uncovered 125 cases of illegally collected fees worth \$2 million. Nationwide, the government uncovered over \$20 million worth of illegally collected school fees. In 2004, authorities disciplined 2,488 people in the educational field, and dismissed 359 school principals.

Illegal charges are greater in higher education. The national government audited 18 institutions in 2003 and found 868 million Yuan was illegal. This was equivalent to 14.5 per cent of all their charges and a 32 per cent increase over 2002. In order to generate income, many universities have recently been resorting to developing 'university towns,' which have branch campuses of public universities that operate as private businesses. These towns are located in many parts of China, and are primarily found in the wealthier areas. In 2004, 249 university branch campuses were established, with an intake of 680,000 students. Many of the 'university towns' have financial irregularities. The Oriental University City in Langfang, Hebei, for example, owed a scandalous 2.2 billion Yuan in debt.

Illegitimate education-related fees are undisguised and justified by the belief that education undertakings can be commercialised to pursue the biggest profits. Rampant illegal fee collection in education is both profiteering and an abuse of public power. Availability of education at all levels does not necessarily mean accessibility for many poor youngsters if they and their families do not have the capacity to pay in the first place. The most detrimental effects of illegal profits impact an estimated 300 million schoolchildren and their families. Many parents are forced to tolerate education profiteering due to their strong desire to see their child get ahead in life. They cut back on food and clothing and spend much of their household income on their child's education. In rural areas the ratio is much higher. This enormous burden redirects a large chunk of their family income into education costs, a large portion of which does not fund education but instead enriches corrupt officials. As many families find it hard to save, their children's 'free and compulsory' state-provided education is under threat.

Many of those involved in illegal charges justify their actions by quoting the 'market principle,' arguing that their school prices should conform to the market, and claim that 'beneficiaries must invest in their own education'. A direct result of the increase in education costs and the illegal charges is that disparities in educational inequality is widening between social classes and urban-rural communities. Inequalities in educational opportunities are epitomized by the gap between enrolment and admission rates at various stages of schooling. The gap widens at higher levels of education, assuming the shape of an inverted pyramid. By 1986 when the Law of Compulsory Education was passed, primary and junior secondary education (which is compulsory in China) had already been universalized in urban areas. In contrast, compulsory education had not been universalized in 10 per cent of rural areas by 2000. The admission rate to senior secondary schools increased from 40 per cent in 1985 to 55.4 per cent in 1999 in urban areas, while it decreased from 22.3 to 18.6 per cent during the same period in rural areas.

In the field of higher education, the urban-rural inequalities are even more pronounced. A large-scale study jointly undertaken by the World Bank and the Chinese Ministry of Education in April 1998 showed that on average the difference of educational opportunities between urban and rural areas was 5.8 times nationwide, with 8.8 and 3.4 times respectively in national and provincial universities. The disparities became more pronounced between 1994 and 1997. There is an inverted pyramid shape of the disparities among different social strata in Chinese higher education: the more prestigious the institutions, the lower percentage of the rural students. Children from family backgrounds of factory workers, professionals and civil servants were respectively 5, 25 and 37 times more likely to receive higher education at average institutions in 1980 than their peers from countryside. Overall, the opportunity ratios for peasants to send their children to ordinary Chinese higher education institutions in comparison to workers, civil servants, businesspeople and professionals were 1:2.5:17.8:12.8:9.4. The ratios turn into 1:4:31.7:22.6:17.4 for the first-tier national ones. Generally, rural children are 5 to 6 times less likely to be able to receive higher education than their urban counterparts.

The profiteering also shakes the foundation of China's education and deprives many children of their right to education. It challenges some longstanding Chinese traditions of education, including the student-teacher relationship, the purpose of education, and attitudes towards knowledge. Education was highly valued in the Confucian tradition. The fundamental purpose of education is to cultivate students' moral character, and teaching is more than a job, indeed it is seen as a vocation. Such a perception has been seriously undermined by the ongoing commoditisation of education. Since commoditisation of education adds a financial element to the qualifications of attending private schools and public and private universities, it also

pertains directly to the role money plays in getting into education in the first place, which blocks opportunities for many aspiring poor to start with.

This situation leads to two key observations.

First, it is important to point out Chinese government's inaction. The Chinese state has always been strong in education, even against a backdrop of rhetorical decentralisation and devolution for years. As policy can also be defined as what governments choose not to do, the state's inaction shows its role in promoting commoditisation of education, in view of the dramatic current situation. For years, government expenditure on education has fluctuated between 2-3.5 per cent of GDP, a far cry from what has been recommended by the UNESCO, and lower than the 4 per cent promised by the government in its 1993 Programme. The percentage plateaued around 2 per cent during the 1990s when commercialisation of education was rampant, reflecting the government's tacit consent to it. As a result of the reallocation of educational resources based on a principle of financial capacity to pay fees, China's public education contributes to social divides, instead of promoting equity and equality.

Second, the commoditisation of education is not simply a technical change in the management of the delivery of educational services. It involves changes in the meaning and experience of education including, what it means to be a teacher and a learner. It changes who we are, our relation to what we do, and the framework of possibilities within which we act. It is thus a process of social transformation, a change that is part of a more general set of movements in the social terrain. With the emphasis on the lucrative nature of the education business, its effect is detrimental.

Developing (not accidentally, non-Western) countries will benefit from the prevailing neo-liberal form of globalisation only if they possess what most of them manifestly lack – sound institutions. Without the necessary support of institutional infrastructure and socio-cultural traditions, the commoditisation of education affects them even more seriously. Poor people within these countries have been particularly disadvantaged due to the combination of the shortage of democracy and widespread corruption in these societies.

For example, The Bretton Woods institutions have always included in their advice package to Nigeria, the need to reduce government overheads by making Nigerians pay for their education. They suggest that the introduction of market forces into education will raise the performance of the education system. This premise, however, has been based on faith rather than hard facts.

After a decade of school reform initiatives informed by the faith, increasing empirical studies suggest those policies have a stratifying effect, by social class and by ethnicity, even when they are explicitly designed to remedy inequality.

Closing message

Dear network members,

Time has regrettably run out on the subsection on health and education. Many thanks for your continued interest. In a separate email we will shortly introduce the next area of discussion: Water, Sanitation, and Electricity.

Reflecting on the past 2-weeks, the discussion has helped bring further clarity to the approach that the Asia-Pacific Human Development Report is expected to take. We have seen that health and education are relatively strong drivers of administrative corruption; yet, chief among these are political and economic factors, in all their various cultural expressions. These drivers are directly associated with under-investment by governments, as Ramesh Gampat has observed. One critical outcome concerns wages, that are too low to enable officials to make a decent living; and this increases the likelihood of demand for unofficial payments. Yet, those who have to pay up are still vulnerable to fake, unsafe medicine as well as to inadequate education outcomes for their children.

These past 2-weeks have seen increasing agreement on the power of a 'contextualized political economy approach' to help clarify the varieties of corruption. It is an approach that challenges neoclassical economic theory on multiple levels. Importantly, it traces its starting point not to exchange dealings but to workplace relations, where production happens, and where wage levels have an impact. This raises a question about ensuing exchange transactions, whether the 'informal' exchanges invariably required between doctors-patients or teachers-parents are rational in character, as neoclassical theory would have us believe. Alternatively, are these simply dealings between persons maximizing their respective interests? This is unlikely, according to views that have been expressed. This past fortnight has demonstrated that much more needs to be learned about the complex kind of logic/coherence that is evident when social goods are in short supply.

In a day or two we will turn to a different set of variables, concerning the provision of water, sanitation, and electricity services. What distinct drivers of demand operate in these situations? What patterns of reasoning show up? We will send a separate email with further questions to help guide discussion.

Meanwhile, we appreciate your continued interest. Special thanks for all your contributions. Please make your views known in the next phase of this very challenging investigation.

All the best
Jim Chalmers

3.4 Offline Discussion

Dieter Zinnbauer, Transparency International, wrote:

Corruption in the health sector

In 2006, Transparency International made corruption in the health sector the special focus of its Global Corruption Report. It is encouraging to see that the topic of corruption and health continues to be the focus of informed exchange as a facet of human development in the Asia-Pacific region. We hope the following excerpts from the 2006 report might help to shape this debate, and encourage those seeking more detailed information to access the full publication from our website (www.transparency.org/gcr).

Most importantly, the report reveals that corruption has devastating effects on health systems around the world. Money lost to corruption could be used to buy medicines, equip hospitals or hire badly needed medical staff. The diversity of health systems worldwide, the multiplicity of parties involved, the paucity of good record keeping in many countries, and the complexity in distinguishing between corruption, inefficiency and honest mistakes makes it difficult to determine the overall costs of corruption in this sector around the globe. But the scale of corruption is vast in both rich and poor countries.

The report also finds that certain characteristics make all health systems – whether public or privately funded, in rich and poor countries – vulnerable to corruption:

- o An imbalance of information prevails in health systems. Health professionals have more information about illness than patients, and pharmaceutical and medical device companies know more about their products than public officials entrusted with spending decisions. Making information available can reduce losses to corruption.
- o The uncertainty in health markets – not knowing who will fall ill, when illness will occur, what kinds of illnesses people get and how effective treatments are – is another challenge for policy-makers, as it makes it difficult to manage resources, including the selection, monitoring, measuring and delivery of health care services and the design of health insurance plans. The risk of corruption is even higher in humanitarian emergency situations when medical care is urgently needed and oversight mechanisms are often bypassed.

- o The complexity of health systems, particularly the large number of parties involved, exacerbates the difficulties of generating and analyzing information, promoting transparency, as well as detecting and preventing corruption. The relationships between medical suppliers, health care providers and policy-makers are often opaque and can lead to distortions of policy that are bad for public health.

The report also indicates that the Asia Pacific region has experienced both setbacks and triumphs in the struggle against corruption in the sector.

In 2006, Cambodia's health record was amongst the worst in Asia, with the region's highest maternal mortality rate, and a staggering rate of infant mortality. "Such a poor state of health exists despite money pouring into Cambodia's health sector over the past decade to reconstruct a health system that was systematically decimated under the Khmer Rouge regime (1975-78) and underfunded in subsequent years. Researchers, health workers and administrators interviewed in July 2005 said it was widely assumed that between 5 and 10 per cent of the health budget disappears before it is paid out by the Ministry of Finance to the Ministry of Health. More money is then siphoned off as funds are channelled down from the national government to the provincial governors and to the directors of operational districts, and then to the directors or managers of local hospitals and clinics."

"A study of health care delivery in the Philippines finds that poor and middle-income municipalities report longer waiting times at public clinics than rich ones, and a higher frequency of being denied vaccines when corruption is rampant. Corruption affects health policy and spending priorities...Corruption in public clinics is also more likely to deter households living in poor municipalities and forces them to opt for self-medication."

Despite these challenges, the region also shows causes for hope.

In India the leading manufacturer of diagnostic machines which check for life-threatening blood diseases refused to participate in corrupt activities. Despite the time and money lost in legal battles and stalled processes, Suresh Vazirani, the company's founder, has never paid bribes to further his business. When a politician suggested it would be 'an opportunity' if he and Vazirani pocketed part of the World Bank aid the politician had received to improve health care, Vazirani replied: "Yes, and is it an opportunity if we land up in hospital needing urgent care ourselves?"

In Thailand, the Rural Doctor's Forum (RDF) exposed corruption in the procurement of medicine and medical supplies. In addition to publicly petitioning the prime minister to investigate corruption in the health sector occurring within the government, the RDF also formed a coalition with other NGOs to fight corruption in medical supplies.

These brief glimpses demonstrate that corrupt practices continue to pose a dire threat to the health sector in the Asia-Pacific region. Nevertheless, the integrity and determination demonstrated by many individuals in the region also gives cause for hope. We invite you to take a closer look at these stories, and related research in the 2006 Global Corruption Report (Transparency International 2006b).

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Social Services: Water, Sanitation and Electricity

Contents

4.1 Discussion Questions	137
4.2 Contributors	137
4.3 Online Discussion	138
4.4 Offline Discussion	149
4.5 References	150

4. Social Services: Water, Sanitation and Electricity

4.1 Discussion Questions

Objectives of the discussion

- o To understand the impact of corruption on the delivery, access and quality of social services – particularly as it relates to water, sanitation and electricity (WSE) – and its effects on poverty and human development.
- o Obtain ideas on innovative and creative solutions to mitigate the effect of corruption in water, sanitation and electricity.

Questions to guide the discussion

- o What motivates corruption in the water sanitation and electricity (WSE) sectors?
- o What are the patterns and the incidence of corruption in WSE across Asia Pacific region?
- o What are the implications of corruption for access to and quality of service delivery (costs, infrastructure maintenance and upgrading, investments, market structure), particularly on the poor?
- o Is the issue of corruption in WSE more serious in rural than urban areas? Why?
- o What is the role of local governance structures, privatization, decentralisation and community involvement in facilitating or curbing corruption in the WSE sector?
- o Is the mode of organization crucial (e.g. centralized monopoly power, competition)?
- o What regulatory, anti-corruption mechanisms exist to deal with corruption in the water sanitation and electricity sectors? How effective are they?
- o What are the barriers to more effective use? Please share any best practice or solutions.

4.2 Contributors

Responses were received, with many thanks, from:

Hasna Cheema, UNDP Regional Centre in Colombo

Sergio Feld, UNDP Regional Centre in Bangkok

Ramesh Gampat, UNDP Regional Centre in Colombo

Biswajit Padhi, Society for Rural Upliftment & Socio Technological Initiative, India

Gurpreet Singh, Municipal Corporation of Delhi

Herman Semes, Transparency Micronesia Inc.

Niranjan Sarangi, UNDP Regional Centre in Colombo

Cecilia Tortajada, Third World Centre for Water Management, Mexico

Dieter Zinnbauer, Amnesty International (received offline)

4.3 Online Discussion

Hasna Cheema, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Hasna Cheema highlights cases of good local governance in Pakistan that help reduce very serious effects of corruption caused by elite-capture of decentralization processes, and by privatization monopolies of big international companies*

The access to water, sanitation and electricity and how corruption affects the delivery of these basic services, is of great significance. The WSE sector is marred by corrupt practices including bad administration, poor management of scarce resources, negligent conduct, and financial embezzlement, mainly at the higher administrative levels. Additionally the delivery mechanisms including devolution, privatization is exposed to political driven motive and profit based proclivities.

The WSE sector, in Pakistan, is confronted with multiple dimensions of corrupt practices. In the Water and Sanitation Authority (WASA) for instance, there are serious allegations of millions of rupees being taken by senior officials, from the salaries of the sweepers and being distributed as bribes amongst sanitation officials. The sanitary workers are deprived of their meagre monthly wages as officials take a portion of their salaries as a bribe for them to remain absent for 10 to 15 days or as many days as they wish. The sanitation officials in return mark the absent staff members present in the attendance register. Similarly in the Water and Power Development Authority (WAPDA) the malicious practices ranging from electricity theft, meter-tampering, fiscal embezzlement, shrouded procurement deals to the utter negligence of the maintenance of physical infrastructure are common.

To fully comprehend the gravity of the situation, it is imperative to examine the role of local governance structures (local district and municipal administrations), decentralization and privatization in facilitating the malaise of corruption in WSE sector in Pakistan.

With the promulgation of LGO-2001, the responsibility for the delivery of water and sanitation has been decentralized to the 'Tehsil' tier of local government. The Tehsil Municipal Administration (TMA) has been introduced with primary aim of assuming responsibility for the planning and implementation of water supply and sanitation services. Regrettably, the local governing structure's performance is affected by corrupt influences including elite-capture of local constituency, poor administration and embezzlement of meagre resources for water and sanitation programmes.

What are the consequences of institutional and administration corruption in WSE sector for Pakistan? Only 54 per cent of the population has access to sanitary latrines (86 per cent urban and 30 per cent rural). Almost half of the population does not have access to clean drinking water. The crossing over of water and sanitation pipelines gives rise to solid waste disposal and drainage disarray posing a threat to human lives.

The role of private multinational companies in delivery of water, sanitation and electricity to developing countries tends to be monopolistic and profit driven. This is a unique dimension of corruption where private multinational companies collude with international organizations (including World Bank) to make billions of dollars of profit at the cost of the poor living in the developing countries. Big companies like the Suez Lyonnaise des Eaux, Vivendi, Saur-Bouygues, Anglican Water and the United Utilities work in different areas of water sector in many countries and make billions of dollars in profits. The World Bank is at the forefront of imposing conditionalities on developing countries, which includes the opening of the water sector to foreign multinationals. This collusion between World Bank and private multinationals only adds to the daily sufferings of millions of impoverished communities in developing countries exposing them to ill health and deprivation of fundamental human needs.

In this mayhem, it is imperative to highlight local best practices which minimize the ill effects of corruption. Community Led Total Sanitation (CLTS) is one of these practices which aims to create creative awareness on the negative impacts of open defecation. The CLTS approach involves no subsidy as it only promotes an attitude of external expectation and dependence. Neither does it prescribe latrine models. Rather it encourages the initiative and capacity of the community. The CLTS approach was first pioneered in 1999 by Kamal Kar working with the Village Education Resource Centre (VERC) in a small community of Rajshahi district in Bangladesh. Since then the approach has continued to spread within Bangladesh and has been introduced in a number of Asian and African countries including Pakistan.

As the delivery of WSE has become one of the primary functions of the local governing structures, it would be essential to put in place stronger accountability and monitoring mechanisms to hold local leadership accountable for any financial or institutional wrongdoing.

Dr. Gurpreet Singh, Municipal Corporation of Delhi, India, wrote:

***Facilitator's note:** Dr. Gurpreet Singh concurs with recent comments that the issue is multifaceted and includes issues such as supply and demand imbalance, monopoly providers, etc. Gurpreet notes*

that for many well-heeled persons, corruption is a leverage situation, they are happy to conserve. But this ought not to prevent citizens from doing something about it by insisting on more space for public participation and third party monitoring through the media and civil society organisations, through decentralisation, enforcement of rule of law, and transparent decision-making processes.

The issue of corruption in public services like health, education, electricity, water supply etc. is multifaceted. The prime reason of course is the demand and supply imbalance. Another reason is that historically there has been only single player (government) for most of the time, leading to a monopoly situation.

Another reason for corruption, particularly in health is the desperate situation in which people find themselves when they are sick and suffering. In the absence of an adequate safety net, for most population belonging to lower and lower middle class, the situation is ripe for exploitation.

A rather disturbing trend is that corruption has become institutionalised and is now more or less accepted in society. People expect officials to be corrupt and people with adequate resources offer bribes on their own to get their work expedited or for bending of rules in their favour. For many people, with adequate resources, corruption is good as they can exploit the situation in their favour. Most of the time there is no large-scale social protest or movement against corruption.

This leads us to another important issue – as to what can be done? Or in other words even with the existence of the demand and supply gap, what mechanisms should have been established to prevent corruption? And the single most important answer is- good governance.

The institutional mechanism needed for this includes the enforcement of rule of law, transparency in decision-making, decentralisation, use of instruments like a citizens charter, public participation, third party monitoring through good instruments like the media, NGO sector etc. Even though we are a committed democracy with a well-written constitution many of these institutional mechanisms are still evolving. All of us need to contribute to this evolution.

Ramesh Gampat and Niranjana Sarangi, UNDP Regional Centre in Colombo, wrote:

Facilitator's note: *Ramesh Gampat shares his cross-country statistical assessment on the WSE sector done with Niranjana Sarangi, which shows: 1) community access to sanitation is lower at higher levels of corruption (and vice versa); 2) improved access is causally related to government*

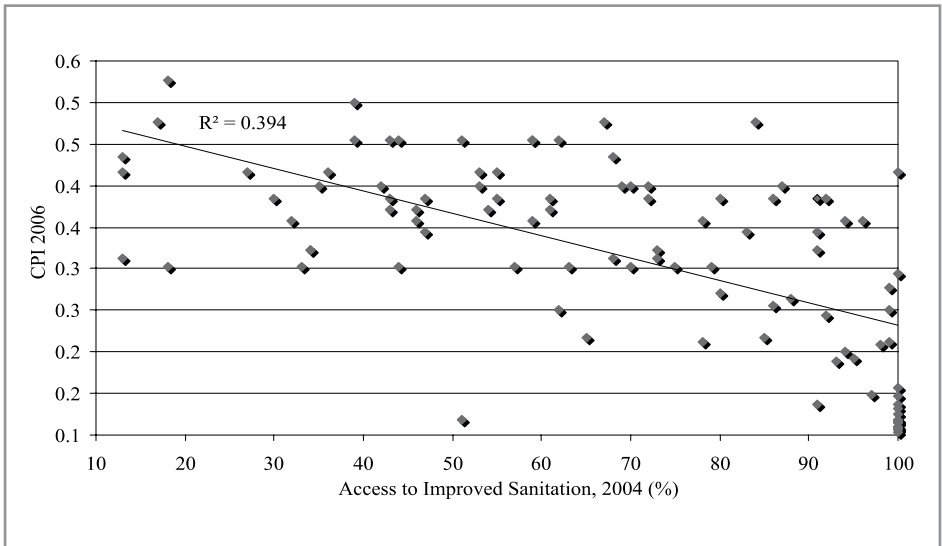
effectiveness, and 3) investment to expand supply is inadequate without associated actions. There is thus a need to address areas such as lack of awareness of rights and prices, collective action problems, asymmetric information, etc. Without a combination of such actions, unequal power relationships and inequalities appear to thrive. As a result the linkage between access and corruption could surge from a problem of corruption to even greater inequality.

Hasna's observation that the "WSE sector is marred with corrupt practices" prompted me to undertake another empirical exercise. With the assistance of my colleague, Niranjana, we have assembled data for 97 countries, including 17 from the Asia Pacific region. Data on WSE were obtained from the 2006 Global Human Development Report. For corruption, we used Transparency International's 2006 Corruption Perceptions Index (CPI). The CPI has been transformed [by taking the reciprocal so that the values range from zero (highly clean) to 1 (highly corrupt)], so that higher values reflect higher levels of corruption and vice versa.

Scatter plots were done for access to sanitation and corruption, access to water (for consumption, not productive, purposes) and electricity consumption and corruption. To capitalize on space, we show only the plot for the former but the trend line is significantly similar for the other two (water and electricity), except that the R square is much higher in the case of electricity consumption and corruption. The overall evidence for the entire WSE 'sector' is clear. The cross-country results show a strong and direct relationship with corruption, as gauged by the CPI. For example, access to sanitation is lower at higher levels of corruption and vice versa, as can be seen from figure 1 (if you are interested in the other figures, please send me an email). There are, however, some exceptions. For example, Burkina Faso, Cameroon, Ghana and Madagascar are relatively clean (transformed CPI values of less than 0.32) but yet have low access to sanitation (less than 32 per cent of the population), while Trinidad, Belarus, Honduras and Uzbekistan are relatively corrupt (transformed CPI values of over 0.4) but yet have relatively high access to sanitation (over 80 per cent).

Why is there such a strong relationship between WSE and corruption (even though the CPI is more a reflection of the receptivity of the 'business climate' to international capital) and how is corruption manifested in the WSE sector? As with health and education, it seems that demand supply imbalances, lack of awareness of rights and prices, collective action problems, asymmetric information, all of which encourage unscrupulous behaviour, are at the heart of corruption in the WSE sector. Could it be that these factors strengthened or created conditions for unequal power relationships and inequality (of assets and income), which, in the absence of effective anti-corruption measures, allowed corruption to flourish? Or perhaps the relationship

Figure 1. Corruption and Access to Sanitation



Source: UNDP 2006; Transparency International 2006.

could run from corruption to inequality? As to the nature of corruption in WSE, it would seem that petty corruption is pervasive. Here are some quick facts and figures:

- 1) Lack of access to clean water is estimated to cause 5 million deaths worldwide each year.
- 2) Report card surveys in Bangalore, India, found that approximately a third of the city's poor had to pay a bribe to get a service or to solve a service-related problem.
- 3) According to TI, more than 60 per cent of consumers in India report irregularities in their electricity connection processes.
- 4) Thampi (2002) reported that, in Pakistan, 92 percent of the households using public education services reported the payment of bribes averaging 4,811 rupees (\$86).
- 5) In Bangladesh, revenues are collected for only 55 per cent of the power generated. Corruption and mismanagement account for about half of the total system losses.
- 6) World Bank data suggests that 20-40 per cent of water sector finances are lost to corruption.

At one of our meetings, a rather interesting story was related by a colleague. According to him, somewhere in an Indian city, the water inspector was called to check out a problem in a high-rise that literally rose, like the proverbial beanstalk, in the middle of a slum, that was deprived of safe water and sanitation facilities and where electricity connections could only be had by

stealing or paying a huge bribe (in relation to earnings). As the inspector was leaving, the yard boy, who lives in the slum surrounding the spanking high rise, said to him: Sir is the water problem fixed? Are the people on the 40th floor getting an adequate supply of water?

Pushing his chest out, the inspector responded: "Yes, of course. The problem is now fixed." The yard boy paused and looked onto the ground, to the feet of the proud inspector. Then he asked: "Sir, how come the water flows up to the 40th floor but does not even flow to our hovels on the ground? Is there a problem with the law of gravity?" The moral of the tale is that corruption affects the WSE by determining who gets how much, when, where and how by invoking power and privileges.

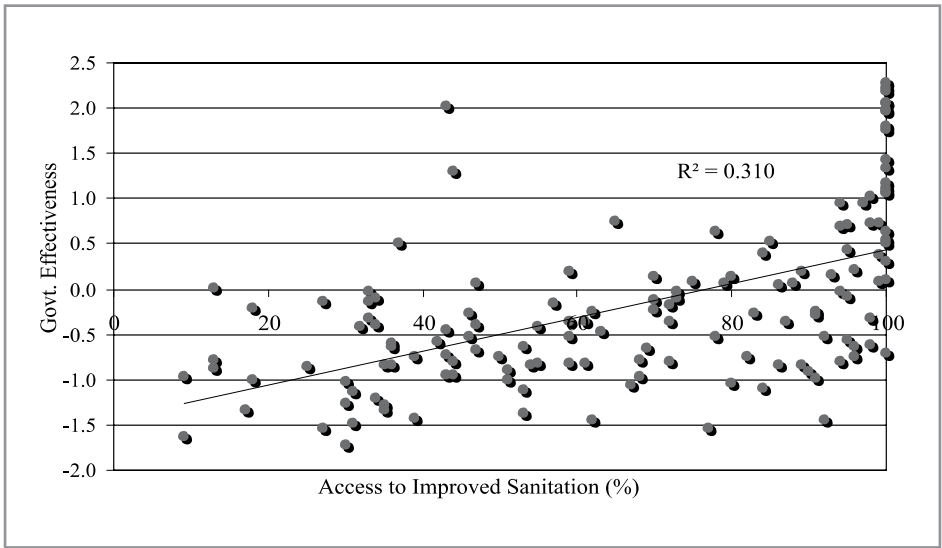
Hasna also correctly raised the issue of the structure of governance and its importance to WSE. To test this conjecture, I used data from the 2006 Global Human Development Report and World Bank governance indicator on government effectiveness. Government effectiveness measures the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The index values vary between -2.5 to 2.5 with higher values corresponding to better outcomes. The scatter plot for water, sanitation and electricity shows a strong positive relationship to government effectiveness, especially for access beyond 70 percent (see figure 2; the other figures can be obtained from the author). Two implications stem from this result: 1) even with present infrastructure, access to WSE could be improved if government effectiveness is improved, and 2) investment to expand supply will not solve corruption by itself.

In conclusion, the evidence seems to support the emerging consensus that corruption is a complex and multi-dimensional phenomenon that has to be tackled by a sustained, multi-pronged strategy. My own opinion on this, which draws on evolutionary psychology, primatology and neuroscience, is that moral restraints are not as effective as legal deterrents. Strong reliance on moral/ethical values raises a number of troubling issues, including the implication that countries with lower levels of corruption (mostly in the West) have higher moral and ethical values than highly corrupt countries (which are mostly poor).

Biswajit Padhi, SRUSTI (Society for Rural Upliftment & Socio Technological Initiative), India, wrote:

Facilitator's note: *Biswajit Padhi writes that India needs more civil society actors dedicated to helping people. Under such circumstances they are less likely to be cheated by public servants. If there is a lesson, Biswajit says, it is that people can check corruption, if supported in efforts to understand and*

Figure 2. Access to Sanitation and Government Effectiveness, 2004



Source: World Bank 2007; Transparency International 2006.

become aware. But right now there are too many laws and checks and balances, and this obstructs the fight by poor people against those bullies who raise bribes whenever government schemes increase public entitlements.

I agree with Gurpreet on many points. But in India - corruption prevails primarily due to limited choices available (to the people/subscribers/consumers) and more importantly because of the sheer numbers of our population. An example of this view is given below.

Recently, the government introduced a scheme termed Janani Surakshya Yojana where incentives are given to women who deliver their babies in hospitals. The immediate fallout of this has been that doctors in government hospitals have raised the amount of bribes to match what people can now afford to pay. This is possible because over a period of time we have kept the majority of our population illiterate and subjugated to the whims and fancies of government servants, who are 'empowered' because of their capacity to dole out government scheme benefits (all government grants are considered doles by people and not as their right).

It is indeed ironic that despite so many checks and balances in the system, corrupt people have found ways to dodge and indulge themselves. Are so many checks and balances really necessary? Perhaps what is actually needed is something else. For instance, in India we have not been able to yet take full advantage of internet technology to spread the message and to end / check corruption.

I suggest that internet could be used to spread awareness about the different government schemes available. But this requires another supporting player: there must be a civil society organisation to upload available information to the net. Aside from internet, in low literacy areas, we need more civil society organisations involved in translating such information into the vernacular language in order to disseminate it through folk media or literature. We did a campaign on National Rural Employment Guarantee Act (NREGA) in a very limited way, but the results were a great success. We not only persuaded people to demand jobs and their entitlements but were happy to note that the panchayats were too scared to ignore the demands of the people. The Right to Information (RTI) was also very effectively used. However, such campaigns need to be scaled up and sustained on a continuous basis if they are to be successful.

There is little doubt that fighting the corrupt is a major issue, and thus requires dedicated players to take it on. A common woman or man will find it very difficult to fight the corrupt with so many laws and rules in place. Since the poor lack the resources to fight a bully, dedicated organisations independent of government control should promote such causes.

Thus, a serious effort must be made to increase literacy which in turn will give voice to the people. Many vested interests, like politicians, and touts in villages, do not want their bases to be eroded by educating people. Because the state of Orissa had a flawed policy of not producing enough medical practitioners in the latter part of 19th century, we now have a situation of too few doctors and several vacant posts. Government doctors take advantage of the situation to indulge in corrupt practices, fully knowing the government's helplessness in initiating action against them. If a lesson is to be learned from this, it is that we can check corruption in many government run institutions, be it in health or education.

Herman Semes, Transparency Micronesia Inc., wrote:

Facilitator's note: *Herman Semes points to personal enrichment and private resource use and other forms of out-of-sight favouritism that contribute to the stagnation of public WSE monopolies in the Federated States of Micronesia.*

WSE is provided by government-owned utility corporations that monopolize the provisioning of the services in the Federated States of Micronesia. Rates as established by the utility corporations are reviewed and approved by the government rate control agency. Members of the rate control agency do not have the technical capabilities to thoroughly review the rates as established by the utility corporations. Members could easily be convinced or bribed by the professionals in the utility corporations to approve rate increases.

As government-owned companies, they are expected to provide WSE services to all citizens who need their services. These companies are designed to operate on a commercial basis, to be self supporting and at the same time be able to expand their services to the public. Currently however many people have no access to WSE. However, these government monopolies are operating without any evidence of growth supported by internally generated revenues. Costs of operation are relatively very high compared to other government entities. Its management teams are among the highest paid government servants in the country. While it may appear legitimate to have high salaries, it was obvious that its professional management team were again very influential in convincing the Board or decision makers to agree to such high salaries. Past board members admitted that they were given benefits by the management, such as free power and water which is clearly a form of bribery to win support of the board members, especially the influential ones.

The public remains unaware of the financial status of these corporations, which are intentionally kept under a tight lid. The management continues to blame the spiralling cost of fuel as the principal factor contributing to the high cost of operations. The top management take long off-island trips for purposes unknown to the board and the public. Employees who are responsible for reading electrical and water meters are known for not doing actual reading but taking the average of previous readings to formulate bills. This is clearly demonstrated by the fact that consumers whose water meters have been submerged underground for long time continue to get a water reading appearing on their statements. A very unusual situation occurred when a meter reader could not reach a customer's residence because of dogs. Instead he tried to use mirror to get the reading of the meter which was quite far from where he was. The customer was watching as the meter reader was doing this. The customer later got his bill. He did raise the matter with management later. In these non-profit government-owned corporations, employees are getting free services in addition to their legitimate compensation.

There is apparent favouritism in providing the services to the people. High level people in society receive preferential treatment compared to ordinary citizens.

As is clearly apparent, there are corrupt activities such as bribery, grease payments, and improper use of resources occurring in these corporations which are not apparent to the public. Other activities that the public remain unaware of are rate setting, salary increases, extra benefits for board members and staff, favouritism, travel, use of equipment, etc. All of these contribute to the utility corporations not being able to grow and expand their services to the general public while a few continue to capitalise on this and enrich themselves from these operations.

Sergio Feld, UNDP Regional Centre in Bangkok, wrote:

Facilitator's note: *Sergio Feld refers to the issue of 'illegal connections' in WSE.*

I have read with interest the excellent comments and what struck me was that the one element missing from the discussion was the role of the poor and under-served themselves, in both exacerbating and potentially, curbing corruption related to the delivery of water, sanitation and electricity.

I am referring to the issue of 'illegal' connections. I am putting quotes around illegal because we tend to see access as a matter of right, and hence any practice that seems to correct delivery failure may be ignored. But, more often than not it is a chance for corrupt practices. Illegal water connections account for much of the non-revenue water and poor utility performance (Elshorst and O'Leary 2005).

In the face of poor service, the rich are the first to pay for and get illegal connections and the poor soon follow in a frenzy which is rather a tragic situation. But attempting to rectify this problem is not impossible.

Mr. Ek Son, head of the Phnom Penh Water Supply Authority (PPWSA), received the 2006 Magsaysay Award for his work in improving the governance of PPWSA. One of the key activities he introduced and actively pursued was the control of illegal connections through inspections, penalties and education. The improved efficiency of the utility allowed for raising salaries and curbing employees' own corrupt tendencies (Chan 2006).

Biswajit Padhi, SRUSTI (Society for Rural Upliftment & Socio Technological Initiative), India, wrote:

Facilitator's note: *Biswajit Padhi raises the issue of privatisation of water resources and corruption.*

Water is a precious resource. But of late the government in Orissa, being dictated to by the World Bank, is trying to privatise it. Water since time immemorial has been a common property

resource and it should remain that way. Efficient use of water can be promoted by taxing the corporations who exploit it for commercial purposes, and there are several ways to do that without privatising it. Why I am trying to say this is that once it is privatised there will be limited access to a product which has wide and regular uses - which will be main reason for promoting corruption in that sector.

I need feedback from the enlightened colleagues on this.

Closing Message

Dear AP-HDNet members,

As we move to wrap up this sub-section on Water Sanitation and Electricity, and then head on to the next subject of corruption in 'Special Development Situations', I value the opportunity to say how much your continued involvement is appreciated. It probably seems like a lengthy expedition to a pond where many others have drunk before us. But what we are taking in is uncommon. We have shed more light on a key recognition that anticorruption is a multifaceted problem. Respondents rarely if ever engage in a quixotic search for single core reasons why corruption happens in this sector.

Instead we have heard how a blend of public awareness and collective action on rights and prices are essential to contest unequal power relationships. In turn, we have heard how inequalities are inflamed by corruption's ruinous effect on access; indeed, the problem of access could explode into much broader inequalities unless supply and demand imbalances and stagnant monopoly situations are countered with equal force. And overwhelmingly, respondents see 'equal force' as the prerogative of citizens, not governments or donors. Yet, support by development actors is essential in order to further develop citizens' capability to resist – support such as insisting on more space for public participation, third party monitoring through the media and civil society organisations, and through decentralisation, enforcement of rule of law, and transparent decision-making processes. None of these things can work in isolation, but together they could bring about more capability and human freedoms.

Special thanks to all your contributions. Shortly, we will email the details of the next phase of the discussion in a separate message.

Thank you
Jim Chalmers

4.4 Offline Discussion

Dieter Zinnbauer, Transparency International, wrote:

I have followed the discussion on corruption in WSE with great interest and commend you on the perceptive analysis that is emerging around this eminently important topic.

You may be interested to learn that the Global Corruption Report 2008, one of Transparency International's (TI) flagship publications, will focus on the topic of corruption and water. TI has selected this topic since corruption in the water sector assumes many forms; is estimated to be of enormous scale and plays a pivotal role in holding back equitable human development. To give you a preview of some of the findings for the report, an analysis of the impact of corruption in water infrastructure provision in low-income countries estimates that the bribes paid for winning infrastructure contracts and covering up sub-quality work alone raises the price of sustainable water connections by 25 to 45 per cent.

The report will bring together contributions from practitioners and researchers to analyse corruption risks with regard to water pollution and environmental sustainability, drinking water and sanitation, irrigation and agriculture, as well as hydropower. As we have learnt in the commissioning process, one of the main challenges is to really identify and isolate the corruption dimension from the multiple broader policy failures in this sector that leave more than one billion people without safe access to drinking water. Pinpointing the dynamics of corruption in this sector is not only an analytical challenge but has important ramifications for practical policy work and designing appropriate anti-corruption strategies.

Although we have already commissioned most contributions, we are still very eager to learn about interesting case studies, new empirical assessments and innovative strategies to combat corruption in these water-related areas. Any pointers to such information are greatly appreciated and can be sent to dzinnbauer@transparency.org

And I would like to take the opportunity already now to invite you to visit the report on our website or obtain a hardcopy from Cambridge University Press, when it will be published in mid 2008.

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Special Development Situations

Contents

5.1 Discussion Questions	153
5.2 Contributors	153
5.3 Online Discussion	153

5. Special Development Situations

Asia Pacific has been the scenario of various conflicts and natural disasters. High profile recent cases such as the Indian Ocean Tsunami 2004 and the South Asia Earthquake 2005 have attracted considerable attention from the media, facilitating fundraising and attracting generous amounts of aid – which have opened up new avenues for corruption as standard operating procedures no longer operate. The diversion of humanitarian aid through corruption assumes a legal and ethical dimension, since it undermines the very spirit of humanitarian action to ‘help’, instead in turn jeopardizing livelihoods and putting human lives under greater risk.

5.1 Discussion Questions

Objectives of the discussion

- o To understand the vulnerability of special development situations (SDS) to corruption, due to the complexity of systems by which special development situations takes place, variety of actors involved in it and the type of emergency to which they are responding.
- o Obtain ideas on innovative and creative solutions to mitigate the effect of corruption on the poor and disadvantaged groups.

Questions to guide the discussion

- o Why are countries in special development situations prone to corruption?
- o Do you have examples/case studies of any NGOs, governments or donors that have been implicated in corruption?
- o Are there best practices?
- o What are some measures that could be implemented to reduce corruption in SDS?
- o To which extent can human development (access to information etc.) contribute to addressing corruption in SDS?

5.2 Contributors

Responses were received, with many thanks, from:
Christian Lemaire, UNDP Indonesia

5.3 Online Discussion

Christian Lemaire, UNDP Indonesia, wrote:

Facilitator’s note: *Christian Lemaire suggests that rebuilding after disaster situations could actually provide distinctive opportunities for transforming corrupt situations, by exploiting the charged environment that prevails. There are serious challenges: to also guard against ‘the means*

corrupting the end' and against exacerbating existing problems when institutions are suddenly torn apart, and expediency inclines donors to turn a blind eye, simply to keep chaos at bay and save lives. Will corrupt officials exploit the changed environment, or will donor affinity be shaped by 'strategic means transforming the end'?

Earlier discussions have highlighted the pervasiveness of corruption in the societies of the region and the fact that the price of corruption is mostly paid by the poor. When such a society is confronted with a disaster (be it one caused by nature or political/civil upheaval) and falls in an SDS, one can contemplate on the extent of the aggravation the new parameters will have on an already existing problem. Will the new emergency erase previous efforts at fighting corrupt practices in the various sectors of the economy and will the sudden institutional weakening and/or the breakdown of law and order promote expediency at the detriment of efficiency? Will the donors be more inclined to turn a blind eye on corrupt practices in order to expedite aid deliveries, keep the peace at all cost, and save lives? Will corrupt officials have a field day in the new environment? And will the means ultimately corrupt the end?

Well-meaning emergency responses do not need to be less principled. It is essential that the same message prior to the emergency is conveyed early, in the response to the disaster, as it relates to the continued unacceptability of unethical and illegal behaviour as well as would be profiteers. There is a need for a well-publicized, standard code of conduct applicable to all intervening parties, which will leave no doubt on the policy in place during the period of emergency as well as the ensuing SDS. Reconstruction will be at stake.

One could even be tempted to argue that, given the long, difficult and not necessarily successful struggle against corruption having taken place in normal circumstances before the onset of an SDS, the disaster may also provide unique opportunities for change and what is commonly referred as 'building back better'. This is not a cynical or insensitive position but one that considers the inevitability of the new situation and tries to put a positive spin to an otherwise tragic event. There is all the more reason for upholding and promoting high moral and ethical standards right from the emergency response phase.

When disaster of any kind strikes, local institutions and capacities may be unable to function normally, followed by a period of weakness and rehabilitation (SDS). CSO's may have better survived the disaster or had a quicker recovery, and may find themselves at the forefront of emergency response and reconstruction/peace building. This is another huge opportunity for strengthening their capacities and watchdog roles against corruption. Even during emergencies,

they can provide a channel for reporting and exposing corrupt practices and it is essential that donors be seen as openly supporting their role. As conditions return to normal, then CSO's may have gained more credibility and respect in their watchdog role and other independent forces such as the media, judiciary and law enforcement agencies can be brought to bear on the side of investigation, prosecution and reparation.

Closing message

Dear Network members,

The deadline has now passed for this sub-section. Perhaps the small number of postings has helped to spell out the difficulty of this topic for many agency people – difficult because situations like the Indian Ocean tsunami are acutely painful environments to work through; difficult because handling massive amounts of cash (including personal donations) transfers enormous responsibility, heightened when the work is in countries that have a reputation for corruption; difficult because there is acute time pressure on spending the money, requiring too-quick decisions about who to recruit and procure from, with limited data and local knowledge (under intense media spotlight); difficult because the transfer of goods is invariably in volatile security environments; and difficult because competition between different agencies are contesting shares in an intense donation market. What actions can be taken to develop policies and mobilise funds to promote agencies and staff who decide to tackle corruption? UNDP is launching websites that enable governments and communities to monitor spending on reconstruction projects. What are other steps are needed?

What actions can be taken to ensure the groundwork and risk assessments are not too hasty but are effective? Transparency, consistent application of rules, publicity – all these help; but administrative processes alone will not win the fight. Local communities' involvement is essential for transparency, rules and publicity to work. Only when combined with systematic community engagement (particularly involving recipients) will administrative actions be able to tackle diversion. Local engagement is critical for watching over who receives benefits and how much, and who gets the jobs or takes the kickbacks. This also involves communicating easily understood information to communities about the projects, and what relief they can expect, and what compensation they are entitled to. These measures cannot guarantee the military will not levy taxes on vehicles trucking in supplies, or that officials will inflate how many people need aid in their districts, or that people will resell the goods in the market, or that expatriates will divert assets or take kickbacks. But if the interim goal is to get agencies talking about this problem, and to support those who do something, then we could expect the beginnings of a different culture or set of expectations when \$11 billion or so next flows into

an emergency situation. Corruption is only inevitable if people deny it is happening. Accepting that it occurs, and providing support to agency people who take the first steps against it will enable environments far less conducive to corruption. And this will save more lives.

The next topic will be announced in a follow-up email. It is on the natural resources sector. And to up-date you on remaining topics: the NR topic will be followed by Police and Judiciary, and then the forum will be completed by a discussion on Localisms.

Thank you all for your continued interest, and Christian Lemaire for his observations.
Jim Chalmers

Natural Resources

Contents

6.1 Discussion Questions	160
6.2 Contributors	160
6.3 Online Discussion	161
6.4 References	182

6. Natural Resources

Corruption in natural resource management involves the complex interplay of a variety of actors, both at the national and at international levels. There is a need to question the classical definition of corruption as an 'abuse of public office for private gain'. A general image of the state as the main predator that controls access to resources or extracts resources for the benefit of a small class has to be balanced.

Particularly for the natural resources sector, the boundaries between legal and illegal activities are not always clearly defined, which poses some conceptual challenges. The current concepts of corruption do not seem to be able to capture the complexities of the problems. The extractive industries show that corruption is not just a public sector problem that concerns the relationship between the state and its citizens. Much of the grand corruption in this sector is the result of legal and illegal deals between large private sector players and the state.

Corruption may occur at various stages of natural resources management. When analysing the phenomena of state capture, there is difficulty in distinguishing between outright criminal activities and the more subtle ways in which companies may exert undue influence on policy making. These include political lobbying, companies offering donations to political parties and the conflict of interests that may exist between politicians and certain firms. We may also note the tendency of companies to 'bully' governments into changing policies by threatening to relocate to more favourable economic environments. Because these forms of undue influence need not always break the law, or they are allowed to occur due to legal loopholes, they are called 'legal corruption' or the 'use of public office/policy for private gain' – a term introduced by Kaufmann and Vicente (2005).

There is a consensus that natural resources are essential for economic progress in both developed and developing countries. Natural resources also have a significant bearing on global efforts to reduce poverty and achieve the Millennium Development Goals. Asia Pacific countries face the prospect of vastly increased income from minerals, oil and gas in coming years. Will the revenues advance human freedoms and capabilities or promote repression?

In Mongolia right now, two of the world's biggest mining corporations are setting up a shop. It is a country that in 2006 ranked 99th out of 163 countries on the Corruption Perceptions Index (CPI), down 14 places from the 2005 CPI. Securing adequate pay for Mongolian decision-makers would help. But so too would requiring these companies to publicise how much they pay to the government in taxes, fees and royalties. Reforming the mining code could be a vehicle in helping Mongolians hold their government accountable. But what are the leverage points

for community actors to transform tolerance by insisting companies publish what they pay, because companies will not do it voluntarily? What role, for instance, could environmental protection play as an instrument of awareness to combat corruption in this sector?

This e-discussion will aim to address the challenges facing resource rich countries in curbing corruption through more effective and transparent systems. Ensuring the sustainable use of resources and that the benefits accrued from their extraction or use can benefit local communities heavily dependent on them.

6.1 Discussion Questions

Questions to guide the discussion

- o What motivates corruption in the 'natural resources sector' and how widespread is the pattern and incidence of corruption in the region or/and across countries?
- o Is there a difference, in the way in which corruption manifests itself across sub-regions (petty, grand and state capture): East Asia, South Asia and the Pacific?
- o To what extent is the management of these resources – water for productive use, land, forests, fisheries and minerals – a factor that encourages corruption?
- o What are the most common forms of corruption in this sector? Is the sector more open to state capture corruption? If so, why? Illustrate with examples.
- o What are the consequences of natural resources corruption for the livelihoods of the poor in rural and urban areas, with a focus on indigenous groups and women?
- o Please provide examples and case studies of how corruption in the natural resources sector has been addressed. Is there any useful experience that could be replicated?

6.2 Contributors

Responses were received, with many thanks, from:

Fayyaz Baqir, UNDP Pakistan

Gernot Brodnig, UNDP Regional Centre in Bangkok

Sergio Feld, UNDP Regional Centre in Bangkok

Phil Matsheza, UNDP Bureau for Development Policy

Renata Rubian, UNDP Regional Centre in Colombo

Andre Standing, South African Institute for Security Studies

Sumitra Sundram, UNDP Regional Centre in Colombo

Frank Vogl, Vogl Communications and Amnesty International

6.3 Online Discussion

Sergio Feld, UNDP Regional Centre in Bangkok, wrote:

***Facilitator's note:** Sergio Feld responds to the question 'what motivates corruption in the natural resources sector' by insisting corruption is an issue of scarcity not abundance. He elaborates, suggesting the hypothesis of the persistence of poverty in resource-rich countries can be explained by the fact their resources are sold/extracted far too cheaply, notwithstanding the bribes etc. paid.*

In regard to the question of what motivates corruption, the bulk of the literature has emphasized the well-known cases of 'resource curse', where abundance is considered as fuel for corruption. It would be useful to highlight cases where resource scarcity promotes corrupt behaviour (be it in the state, private sector or the population at large). Deprivation makes any society particularly vulnerable, but any form of scarcity induces public misconduct. Without unfulfilled demand, suppliers could not command any additional price and potential purchasers would not seek unfair access. Planning and regulation to ensure greater access and fairer distribution distort market conditions, setting in motion 'corrective' underground arrangements, and black markets aggravated by public monopolisation. This is the case regarding scarce water resources in Pakistan (see Matthew and Zaidi n.d.).

There is a theoretical debate as to the relationship of natural resource abundance or scarcity to armed conflict (a close relative of corruption). You may refer to Le Billon 2001. I would suggest that in regard to corruption it is always an issue of scarcity, of what can be a locally, nationally, regionally or globally scarce (and needed) resource. Depending on the geographic scale of the scarce resources (in terms of supply and demand) the actors involved in the corruption are, in turn, local, national, regional or global. Hence governance solutions must be applied that match the geographic spread of those involved in corrupt management of natural resources (see Alley *et al.* 2007).

Often, a country is referred to as resource-rich but it a more apt term would be resource-cheap. It is the ability to access and extract a resource cheaply (even when considering bribes, transport and protection fees) that should concern us. See Palmer's paper on illegal logging in Indonesia for a discussion on the confluence of market and government failures (Palmer n.d).

In Asia, it is not only demand from G8 countries, but the region's fast developing economies that count on their least developed neighbours to extract raw materials. This 'drive to the bottom' also applies to the disposal of waste. A highly anticipated and controversial Thailand-Japan free-trade agreement (FTA) draft agreement would allow Japan to export to and dump

in Thailand unlimited amounts of the hazardous and toxic waste it generates. Already without the FTA, Thailand allows the importation of an increasing amount of hazardous waste from Japan without proper disposal records. In this situation, the scarce (read expensive) resource is landfill space in Japan which can be accessed cheaply in Thailand. The Basel Convention on the trans-boundary movement of hazardous wastes (1989), together with the Basel Ban Amendment (1995) effectively bans hazardous waste exports from OECD and Liechtenstein to all other countries. While this trade may not be considered illegal (that is, unless the countries sign on to the Convention, which neither Japan nor Thailand has), the actual transport and disposal within Thailand remains undocumented and thus a recipe for corruption.

It would also help to trace the dynamics of natural resources-corruption by identifying the timeline of opportunities: zoning, EIA, licensing, monitoring, enforcement, transport, etc. The issue of environmental protection is often raised as an instrument of awareness in the fight against corruption. In this regard, we must acknowledge that the experience to date is rather grim. The corruption (politicization and lack of transparency) in the application of EIA (environmental impact assessment) is rampant and involves many government parties, private sector (including EIA consultant firms) as well as development banks. There are lots of examples (see Briffett 1999).

This situation will be exacerbated in the future, as more private companies rather than development banks will start funding large projects. Corruption, and the opportunity to make quick money, is also behind the improper selection of infrastructure requiring lots of concrete (more money to be made by a few and more environmental impact) rather than investing in ecosystems conservation (less profits to be privatized and obviously less negative impact). This is a very insidious link between corruption and chronic environmental degradation in the name of progress. In general, the investigative focus on corruption has been on the government agencies that are supposed to be custodians of a given resource, or their client arrangements with private sector, but we should broaden that view to encompass the role that judiciaries and the courts have played. See EIA International Study about Indonesia's forests (Environmental Investigation Agency and Telepak 2007) and mining pollution (Shawl 2007).

To end on a more positive note, I recently came across this quote: "Unless the region be preserved essentially in its present wilderness condition, the ruthless burning and destruction of the forest will slowly, year after year, creep onward ... and vast areas of naked rock, arid sand and gravel will alone remain to receive the bounty of the clouds, unable to retain it." Cambodia? Indonesia? No, it is a description of the Adirondack region before the 6-million acre Adirondack Park was created in 1882 by the New York State Legislature.

Phil Matsheza, UNDP Bureau for Development Policy, wrote:

***Facilitator's note:** Phil Matsheza adds to Sergio Feld's recognition that the 'resource curse' is a myth: the problem of natural resources is not abundance, rather, it is weak systemic management at the point of discovery, leading to overly-generous terms for the exploring companies. A remedy that Phil encourages in the way of participatory, transparent systems is to publish the outputs and financial gains.*

I would like to thank Sergio for an interesting article. Last week I attended a meeting to launch a Steering Committee for Natural Resource Revenue Management for pro-poor growth, local development and MDGs, a project being developed by the Africa Regional Bureau. We addressed the issue that natural resources if not properly managed can open opportunities for corruption and can lead to conflict over the resources. The only addition I would like to add to Sergio's paper is that abundance of natural resources per se is not the problem. The issue is the management of these resources for the public good.

If the resources are available for, let us say diamonds or oil, the rules, regulations and laws for their management at the point of discovery tend to be very weak, while the terms for the exploring companies are generous. If the systems are not developed on licenses to exploit and distribute the resource as well as determining government royalties then it will be easy for corrupt officials to take advantage of the grey area to benefit themselves. The emphasis should be on participatory and transparent systems governing the exploitation of natural resources. Publishing the outputs and the financial resources realized from taxes is one area that is being encouraged. Botswana a country in Southern Africa was very poor twenty years ago. The discovery of diamonds and a proper management of the money from taxes companies paid have led to a prosperous country. Unless there is a proper management of natural resources, it is true that they can be a curse instead of a blessing.

Fayyaz Baqir, UNDP Pakistan, wrote:

***Facilitator's note:** Fayyaz Baqir probes the historical reasons for corruption, and identifies ways that communities through mutual protection can halt reliance on government and exploitation by middlemen. Fayyaz's call for people-centred development based on principles of self-governing individuals and mutual aid, evokes other important pieces of work. Martha Nussbaum's vision of democracy with its foundation of self-aware, self-governing citizens with a compassionate imagination 'capable of respecting the humanity of all our fellow human beings..... who can think for themselves rather than simply deferring to authority, who can reason together about their choices rather than just trading claims and counter-claims'. Amartya Sen's image of agency focused on community initiatives that "redress the crippling effects of an exclusive dependence upon the*

state agency”, and highlighting “the practice of mutual aid and its successive developments [that] have created the very conditions of society life in which man was enabled to develop his arts, knowledge, and intelligence.” Jerry Zaslove’s rights-based vision of human relationships among members of a self-regulating ‘group’ that operates on the basis and social values of “reciprocity and co-operation, sharing and listening.” The collective wisdom of Kenyans whose ‘harambi’ custom is integral in the provision of health care and water, and of villagers in India who collectively manage resources including forests and wells, and of Bougainvilleans who mutually protect themselves and their natural surroundings by dedicating a day in the week to managing their ecosystems.

Corruption made inroads in the rural social economy when the vacuum caused by the collapse of feudal authority was filled by various kinds of mafias. These mafias encroach on the commons, siphon off the subsidies provided to rural households by the government, and act as power brokers to obtain cuts from people for mediating their claims for their due share of natural resources.

Corruption can be eliminated by mobilizing communities to create ‘developed’ villages. A ‘developed’ village will have two new features: 1) protection and improvement of its territory; and 2) cooperative services and supplies.

Territory will include all the land in and around the village, with all its resources, water, soil, forest, pastures etc. A developed village will have a clear concept of responsible ownership of its territory, its protection and improvement, instead of the present suicidal concept of plunder. In addition a developed village will organize cooperative services, supplies for credit, marketing, plant protection and animal husbandry.

Frank Vogl, Vogl Communications and Amnesty International, wrote:

Facilitator’s note: *Frank Vogl notes that when businesses in the extractive industry insist they operate within the local law they are talking about laws they possibly drafted themselves, with an eye to opening up ways to make ‘legal payments’ – through such clauses as ‘geologist training’ (tapped to pay the overseas school fees of the family of a local elite). Add to this maximum contract secrecy, and the monitoring challenges for civil society organisations take on extreme proportions.*

Whoever was responsible for the geographic placement of natural resources had a sense of humour, as these resources tend to be located in very remote places, usually in poor countries where the transportation and communications infrastructures are weak, where health/safety/human rights labour laws are rarely enforced (if they exist at all) and where political governance at the local, municipal and national levels leaves an enormous amount to be desired.

Needless to say, the opportunities for bribe-paying and bribe-taking in such environments are enormous - from getting basic licenses and permits, to hiring labour, to shipping minerals. Even companies that may strive to place integrity at the centre of every single action can find that extortion - demands to pay bribes - can be very powerful in many countries. Companies can always say no and withdraw from further endeavours in such countries. This is an option that receives far too little public discussion. Companies can opt for total transparency in every aspect of their operations and accept that this may mean significant delays at times in securing permits and licenses. This course takes great single-minded determination by corporate leaders (I describe in detail a case example of Sutton Resources, which eventually was bought by American Barrick, and operated in minerals in Tanzania - see Vogl and Sinclair 1996). The Sutton story is one of a corporate leader determined to be totally transparent, of the powerful support of key diplomats, the wise guidance of local experts and the honesty of the then Minister of Mining and Energy who is now the country's President.

More generally, there is a danger that contracts that seek to bring the players together at the national and international levels, such as the EITI, will find common ground only at the lowest levels. How can we guard against this? How can we ensure that the companies really do disclose everything, when we know that they operate in many countries where public authorities and local partner firms are specialists in opacity? EITI is a terrific initiative and it must succeed - but it needs some sort of external, credible, group to monitor its progress if it is to really make a difference - do you agree?

Many companies claim they operate fully within the law. They do. But they are referring to local laws in countries where they may have had an influence (conspiring with autocratic local leaders) in writing the law. Such a law may in fact enable payments to officials that in turn enable such officials to boost their personal wealth. It is exceptionally difficult for civil society organizations to effectively monitor potential corruption in the extractive industries sector. Many contracts between companies and governments are secret. Several clauses in contracts provide opportunities for bribery but civil society never gets to see how and where payments are actually made. Mining companies often have clauses in exploration and development agreements with governments that include provision for personnel training, which is meant to be to train local geologists and so forth, but may well end up being used to pay for the school fees at a posh Australian or British board school of the sons of the mining minister! Few civil society organizations in countries that are oil and mineral wealthy are trained to really understand contracting in these sectors and thus lack the skill to monitor efficiently.

The potential for corruption in extractive industries in much of the former Soviet Union is enormous and to a very great extent civil society organizations have no means at all to engage in this sector here. Additionally there appears to be a conspiracy of silence by the multilateral organizations, such as the UNDP and the World Bank about the real barriers in these countries to the free operations of NGOs. Meanwhile, there is water. The scale of corruption in water is a horror story - it will be the special subject of Transparency International's 2008 Global Corruption Report.

Sergio Feld, UNDP Regional Centre in Bangkok, wrote:

***Facilitator's note:** Sergio Feld concurs with Frank Vogl's view that foreign operators are often called to participate in the development of extractive industrial standards, and this is of particular relevance to monopoly situations. When there is competition, a different scenario arises in which powerful companies command the bidding process, squeezing out minions by insisting on government adherence to unrealistic, too expensive engineering solutions.*

I agree with Frank's note to some extent. Please see a paper I co-authored (Armstrong *et al.* n.d.) regarding environmental licensing of oil and gas operations, comparing the situations of Indonesia, Angola and Brazil. In each national context, foreign operators face very different demands and sometimes they are called to take part in the development of standards themselves. This approach may could be likened to putting the fox in charge of the hens, but it only leads to corruption if the tendering results in a monopolistic arrangement. In instances where there are several operators, companies themselves will use environmental stewardship as 'peer pressure' and ability to apply strict environmental compliance to keep minor operators out. Governments with poor infrastructure or legislation that is unable to be implemented may be thus caught in a bind.

For example, proper disposal of toxic waste originating from extractive industries can be very expensive, especially when there are no in-country facilities. Countries may have well formulated laws governing treatment and disposal, but the reality begs for cheaper and illegal solutions. Governments need to be strengthened to negotiate contracts that include realistic costs of compliance, including building of proper disposal facilities if they do not already exist. Often, governments are reluctant to do so if they fear companies will go elsewhere. Such companies are those that governments should keep out of business.

Renata Rubian, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Renata Rubian investigates the role of corrupt land administration in the links between poverty and people's insecurity about access to their land. She points to the fact that land*

management is the most corrupt sector in many Asian economies, and how the lack of access to land is a key reason for poverty. Renata emphasizes it is not people's lack of land that is the problem. Rather it is the insecurity about having continuing access to their land. This insecurity, in turn generates a vicious circle marked by administrative loopholes that enable others (the military, and business persons in cohorts with local officials) to grab land and to grant illegal approval for such activities as construction. This exploits the absence of 'an integrated formal system of property rights' (that underpin capitalist economies). Additionally it puts local food security at great risk.

Corruption and land

Hernando de Soto's work on the importance of property rights for development and the legal empowerment of the poor, enlightened the world several years ago (De Soto 1989). He argued that many of the capitalist economies were built on an integrated formal system of property rights, while developing countries tend to lack such a system [1]. The consequences are clear: the poor are unable to access and, consequently, generate capital.

Guaranteeing access to assets and productive tools for the poor, including land, is a key factor to lift the poor out of poverty and generate economic growth. Regrettably, land corruption is becoming a common trend in Asia – characterized by corruption in land administration (petty and grand) and land grabbing (grand).

Land administration can be defined as 'the process of determining, recording, and disseminating information about ownership, value and use of land, when implementing land management policies' (UN/ECE 1996). As the administration of land lies within the domain of government authority, abuse of public power can become an issue. In addition, countries under customary law, which recognizes access to land as dependent on kinship, might be more vulnerable to practices of nepotism, favouritism, and clientelism.

'Land grabbing', according to UN-HABITAT, is used to describe the irregular allocation or sale of public land to individuals to reward political patronage – a practice common in rural and urban areas.

A household study conducted by Transparency International (TI) in Bangladesh (2005a), India (2005b), Pakistan (2002), and Nepal (2003) reveals that land administration is in the top three sectors prone to corruption. Corruption is manifested through:

- 1) Bribery (payment by third parties) for the registration of property rights or change of title, acquiring land information, cadastral land survey and land use planning – as observed in Bangladesh, India, Nepal, Pakistan, Vietnam and China.

- 2) Fraud (personal gain without third party involvement) in the sales of land and shares of plantations – observed in Malaysia, Vietnam, Thailand, Cambodia and China.
- 3) Nepotism, favouritism and clientelism (abuse of discretion for the benefit of family and friends) in issuing property rights to land that belong to others – observed in Vietnam, Cambodia and China.

In Bangladesh (TI 2005a), a survey of 2000 households reveals that 97 per cent of households paid bribes for land registration; 85 per cent paid bribes for land mutation; 85 per cent paid bribes to obtain land related documents; 83 per cent paid bribes for land survey; and 40 per cent paid bribes to receive land.

In India (TI 2005b) the scenario is not different. Among those surveyed, 79 per cent of those interacting with the Land Administration Office perceived this agency as corrupt. Among those who paid bribes, 36 per cent paid to department officials; and 33 per cent paid money to middlemen (e.g. document writers, property dealers etc). Out of these, 39 per cent paid bribes for property registration; 25 per cent for land mutation; 12 per cent for land survey and 4 per cent to obtain documents.

In Pakistan (TI 2002) 8 per cent of respondents indicated facing corruption when dealing with the Land Administration Department. Although the numbers seem lower than the other surveyed South Asian countries, there is no indication that corruption in this sector is actually lower. Surveyors and tehsildars (revenue officers) appeared to be the most involved in corruption.

Most strikingly, in Nepal (TI 2003), respondents indicated land administration as the most corrupt sector, followed by the customs department, police and the judiciary. Similar to Pakistan, surveyors and tehsildars were considered the most prone to corruption.

A survey on corruption in Vietnam indicates that land management tops the list of corruption acts. Land corruption crimes included: 1) using government projects to appropriate land, particularly in forestation and residential areas, and resettlement programmes; 2) abuse of power in leasing large areas of land at low prices for investment purposes, while bypassing routine administrative procedures; and 3) abuse of power in asking for gifts and money to perform administrative services related to land (e.g. land allocation, lease, land rights transfer, certificate granting, land compensation and site clearance) (Vietnam Net 2005).

Dependency on natural resources for sustaining livelihoods does not automatically translate into poverty. But lack of access to resources does. Landless farmers and villagers are commonly among the poorest in a country. The case of China and Cambodia illustrates this scenario.

In China, complaints about the illegal approval of farmland for construction (e.g. for road conversion, industrial and residential purposes) and the granting of rights to exploit mineral resources at low prices have increased over the years owing to growing urbanization, economic development and population pressure. This jeopardizes local food security, while driving a mass of small farmers and peasants into poverty (People's Daily 2005). Often, farmlands are seized without due compensation being paid. However since cultivated land is collectively owned, either by the state or village cooperatives, each individual farmer has limited legal right over the use of the land and limited recourse in the case of expropriation. In addition to land grabbing and corruption in administration, complaints have also increased due to issues of pollution – which can be associated with corruption acts or not. Overall, it is estimated that there are 40 million landless farmers in China and 2 million are added to this figure every year.

In Cambodia, significant incidences of corruption and lack of transparency allied to rising economic and military appropriation of communal lands has exacerbated land disputes, skewed land ownership patterns to the disadvantage of both the rural and urban poor, with a negative impact on the living conditions of the indigenous population and women. This is a vicious cycle: insecurity of land tenure has also driven land grabbing – practiced mainly by the military and business with connections to local officials. Difficulties in redressing the problem arises due to: 1) absence of land records and cadastral index maps; 2) lack of transparency of land registration systems; 3) inadequate land laws; 4) unclear delineation of state land; and 5) the weakness and inability of the justice system to deal with land disputes (UN 2005).

Overall, the problem of land corruption is not the lack of productive land, but rather the mismanagement of land, thereby opening venues for corruption. Sergio Feld and Phil Matsheza's argument that the resource curse is a myth – since the problem is dictated not by abundance but by scarcity - is a valid one. Fayyaz Baqir's argument on the 'developed' villages that mobilize for the protection and generation of public goods is already a best practice in many countries across Asia Pacific. For example, in Bangladesh, the Shidhurai Swanirvar Sangstha supports 2,000 landless poor who now own land and water bodies (khas). In Cambodia, the Mlup Baitong, a community based around the Kirirom National Park and heavily dependent on NTFP (non-timber forest products), focuses on the generation of alternative income for women and on the

training of different social groups (Buddhist monks, military, school teachers, and villagers) to address the problem of overexploitation of natural resources affecting both the protected area as well as the livelihoods of the local people.

Finding alternative ways to guaranteeing access to natural resources to local communities will certainly have a positive impact on human development. We would like to hear other best practices from network members.

Notes

[1] De Soto's ideas about the importance of titling for lifting people out of poverty have been criticized as being too simplistic. It was argued that, in certain countries, titles to small plots did not enable people to obtain credit more easily. To those, he responded that his ideas were not to be interpreted as a silver bullet for the problems of the poor, but that property rights should be accompanied by serious political social reforms.

Gernot Brodnig, UNDP Regional Centre in Bangkok, wrote:

***Facilitator's note:** Gernot Brodnig responds to questions of motivation and best practices. Further, in categorizing key differences on how corruption manifests across sub-regions, Gernot suggests this is a question better posed within a matrix that considers the different stages that mark different countries and engagement, within the following areas: environmental/NRM governance, policy and regulatory development, utilization of environmental resources, permit and certification processes; and environmental enforcement (inspections and policing).*

What motivates corruption in the 'natural resources sector'?

The somewhat trite answer to this question is that natural resources do have high economic value, whether it is in the national or local context. This precondition translates into corruption opportunities due to complex regulatory frameworks, lack of oversight/monitoring in remote areas, low salaries of officials, etc. Stakes and returns are high and the risks often low. A good summary of issues and factors can be found at WRI's World Resources Report 2002-2004 (Mock 2003).

Is there a difference, in the way in which corruption manifests itself across sub-regions (petty, grand and state capture): East Asia, South Asia and the Pacific?

It might be difficult to work out sub-regional differences and commonalities, despite the fact that social and cultural factors often influence corruption patterns. A more useful categorization could be construed around the different stages of environmental/Natural Resource Management governance.

- o Policy and regulatory development.
- o Utilization of environmental resources.
- o Permitting and certification processes.
- o Environmental enforcement (inspections and policing).

Examples and case studies of how corruption in the natural resources sector has been addressed are provided by Global Witness in Cambodia and Global Forest in Indonesia.

A common anti-corruption approach revolves around enhanced transparency. Well documented examples include the work of Global Witness in Cambodia (Global Witness. n.d) with its emphasis on third-party forest monitoring and investigation, and Global Forest Watch in Indonesia (Global Forest n.d), which uses satellite imagery to uncover illegal concessions and underlying 'irregularities'.

Sergio Feld, UNDP Regional Centre in Bangkok, wrote:

***Facilitator's note:** Sergio Feld introduces a critical point on how people perceive and act on the legitimacy of a government's authority in the field of how it deals with natural resource issues. His observations draw out a thread that has run through the entire discussion and differentiates it from the neoclassical economics approach to anticorruption. This concerns the notion that governance is both about being governed and how it feels to be governed. The basis of modern systems of representational government is invariably rooted in a social agreement about what rules to follow. Importantly, governance has its basis in trust, and not in power. The election process illustrates this. The exercise of authority is always a negotiation. The measure of whether authority is legitimately exercised is people's perception about a government operating under democratic principles and being subject to their will. However elections do not exhaust people's options if they detect illegitimacy. Civil society organizations have increasingly been contesting the authority of states, public decision-making processes, and the whole broader issue of power relations between those who govern and those who are governed. One way they are doing this in the natural resources sector is by creating non-state governance systems based on 'certification'. The aim is to develop and implement environmentally and socially responsible management practices. Turning away from traditional state-based authority (rejecting its legitimacy), these civil society systems and their advocates gather the various actors in the supply chain (i.e. producers, who generate the flow of resources into and out of the combined operations constituting the respective livelihoods of the actors). The purpose is to create a different set of incentives and to promote the basis of a new legitimacy under which citizens are asking companies and governments to operate. In other words they are re-drawing the conditions under which people in democratic states grant authority. Their conceptual grounds cover very wide grounds of pragmatic, moral, and cognitive legitimacy.*

For purposes of implementation, they have put empirical emphasis on certification of sustainability, in a fairly narrow spectrum to date, which currently runs from forestry products to biodiversity and labour market aspects of trade in commodities like coffee.

When addressing corruption and natural resources, we must agree that not only are markets imperfect, but that governments themselves are often less than perfect. In his book 'One World' on the ethics of globalization, Singer (2002) poses the thought-provoking question: "what gives a government the moral right to sell the resources of the country over which it rules?" International law acknowledges that once a government is recognised as legitimate, that legitimacy confers it the right to trade in the country's resources. Yet the sole test for such recognition is effective control of the territory, no matter how the government came to power or how it governs. The Jeffersonian principle that a government can be rightfully acknowledged as legitimate on the grounds that it has been formed by the declared will of the people is not used in practice even by the United Nations when granting membership.

Singer asks us to contemplate the possibility of an international body, in front of which governments would need to satisfy the requirement that their legitimacy to have the right to sell their countries' resources stemmed from the support of its people. Like a private citizen who buys a watch knowingly or reasonably suspecting it to be stolen, anyone who receives goods stolen from a nation by those who have no claim other than the fact of exercising force would be committing a crime. Singer's suggestion is far-reaching but not far-fetched. He notes that in the 2001 Summit of the Americas in Quebec City the leaders of 34 nations agreed that a country that ceases to be a democracy cannot participate in the continuing talks toward a free trade pact planned by the Summit and or access the support of institutions like the Inter-American Development Bank.

Andre Standing, South African Institute for Security Studies, wrote:

Facilitator's note: Andre Standing proposes a new definition of corruption, which enables policies to be generated against the ways, that corporate corruption and 'state capture' undermine democracy. Countering the prevalent view of corruption as a barrier to a fully-fledged market society, Andre's definition explains that the problem of corruption is the problem of those with economic power dominating policy for their own self-interest. It is critical, Andre suggests, to move on from the image of a corrupt state as one whose officials intrude on the efficiency of entrepreneurs. The reality is that a corrupt state results from the nexus of wealth and power acting to deter democratic representation. This definition gives rise to distinct policy ideas, with clear aims, first, to restrict the power and purpose of multinational companies concerning the capture of policy making, and second, to empower citizens in the exercise of greater control over decision making.

It is tempting to comment on numerous issues relating to this debate on corruption, natural resources and human development [1]. However, in not wanting to burden you with a long essay, I just want to make a simple point about the concept of corruption and how this relates to rival policy views.

As recognised in the opening comments of this debate, a distinction can be made between corruption that represents the 'grabbing hand of the state,' from corruption that represents 'illicit influence on the state by third parties' (so-called 'state capture'). Although we can visualise situations where one form of corruption may dominate, these two forms of corruption are not mutually exclusive. Moreover, owing to conflicts of interest, such as government officials having a direct stake in private companies, there can be a blurring of the divide between the state and the private sector.

We can therefore see that corruption is not a uniform malaise but a concept that covers a rather wide range of activities. This is one reason why single scores given to countries for their levels of corruption are highly misleading and lack validity. Yet we can also detect how corruption can be ideologically loaded. If corruption is narrowly understood as the abuse of public office for personal gain, then corruption may be associated with the negative impact of the state on private commerce. From this perspective, a corrupt state is one that intrudes on private business transactions, extracts burdensome rents, and causes uncertainties for companies and investors. By adopting this view of corruption, some analysts depict levels of corruption in a given country as being a risk for companies and a strong disincentive for foreign investment.

However, if corruption is understood more broadly to include forms of corporate corruption and state capture, then we should also be concerned about how the power of third parties undermines democracy. In other words, in contrast to seeing corruption primarily as a hindrance to free market dynamics, it is also viewed as integral to the weakening of the nation state and the domination of policy by those with economic power. By adopting this view of corruption, a corrupt state is one where there is an excessive fusing of wealth and power, to the detriment of democratic representation.

Such differing views on corruption become critical in relation to policy analysis and formulation. Our first view of corruption – that it is primarily a hindrance to the free market – is complementary to broader policies of economic liberalisation and privatisation. Indeed, many leading texts on corruption advocate privatisation as a potential remedy as it lessens the opportunities for rent-seeking officials. This appears as an orthodox understanding, advocated by many leading international organisations. Thus, as Michael Johnston writes, "...the consensus worldview

[has] converged at a global level to influence both corruption and the ways we understand it. Corruption has come to be seen as both cause and effect of uneven or incomplete economic liberalisation, and of an intrusive, inefficient state. Rank-ordering countries from high to low corruption effectively defines the problem as the same everywhere, and its scope and effects are judged primarily in economic terms. Reform is seen as moving societies toward a neo-liberal ideal of market economics, and market-like political processes, facilitated by a lean, technically competent state that is little more than a kind of referee in the economic arena” (Johnston 2001).

However, our second view of corruption – that it represents a threat to democracy by corporations and those with financial power – suggests quite different policy ideas, which aim to restrict the power of multinational companies and empower citizens to have greater control over decision making. In combating corruption, the goal is not to create an efficient environment for capital accumulation and foreign investment, but rather to ensure that the wealthy do not capture policy making for their own self interests.

It is worth noting that the well-supported EITI, although undermined by straightforward technical problems, is an initiative that addresses a very limited aspect of corruption in the extractive industries. While few would disagree, that greater access to information on revenue flows would be desirable, EITI does not offer any sort of remedy for conflicts of interest, or state capture. This is because corruption is more than the embezzlement of funds, which is the key problem EITI seeks to address. Thus, a risk is that those who champion EITI, tend to overstate its effectiveness. Even if it was successful on its own terms (which appears highly unlikely), it does not offer a panacea for corruption. To what extent EITI is supportive of corporate-led globalization, or representative of an attempt to increase social justice and human development, remains uncertain.

Notes

[1] Two other critical questions I would have liked to discuss include: 1) How significant is corruption in explaining the perverse outcomes of extractive industries? What political reasons are there for explaining why its significance has been exaggerated?; 2) the widespread assumption that the extractive industries, devoid of corruption, represent opportunities for human development correct? What vested interest are behind such arguments?

Sumitra Sundram, UNDP Regional Centre in Colombo, wrote:

Facilitator’s note: *Sumitra Sundram observes that corruption in the Asia Pacific timber industry has generated opportunities for rent capture, at both local and state levels in a ‘legalised’ form of*

corruption. This involves a major shift in the permit allocation process. Previously, management of timber permits was controlled by expert state institutions; now the allocation process is increasingly shaped by politicians, resulting in the erosion of customary land rights and contributing to climate change. Further details of this shift that Sumitra identifies have been brought to light by NGOs in Papua New Guinea (PNG). PNG is home to 5-10 per cent of the total species on the planet. About 80 percent of PNG is covered by rainforests that comprise one of the last major tropical wildernesses in the world and includes a high percentage of the world's total ecosystem types. More than half the rainforest areas are designated to be logged. In 2006, the NGO Forest Trends published a study of 14 logging projects in PNG: they found all are operating in a form of 'legalised corruption'. This includes transfer pricing based on complicity between companies and the political elite. Transfer pricing is a hard-to-detect way that companies escape tax payments, e.g. by selling logs to its foreign subsidiary for processing. This gives them choices over how the transfer price affects the division of total profits between the company's different subsidiaries.

Price transferring has two aspects: crude under-reporting of volumes logged on one side, and on the other, misquoted real prices by basing 'tax payable' on government sanctioned, totally out of date 'export price' schedules. Transfer pricing is currently 'remedied' by monitoring log export volumes; while at the other end where processed timber is received – in Europe and the US – there is no monitoring. But even at the point of logging, monitoring is ineffectual, as the following case shows. The chief logger in PNG and the sub-region is the Rimbunan Hijau group, owned by the Tiong family in Sarawak, East Malaysia. They provide the government monitor with a car and 'privileges'. As an industry analyst has been reported as saying: "The forestry officer has to use a company vehicle to get out to the area, and his kids go to a school provided by Rimbunan Hijau."

Far better remedies include support for local landowners to better understand and defend their rights to access the forests through which they live.

I have been following with great interest the discussion on corruption and natural resources. There are two issues that I would like to highlight. One is on how corruption in the timber industry in the Asia Pacific region has provided opportunities for rent capture at the local and state levels in a 'legalised' form of corruption. The allocation of timber logging permits among a number of countries in the region, e.g. Indonesia, Malaysia, and the Philippines, provides examples of how corruption and political patronage can influence these transactions. According to Ross (2001) rent-seizing to reward political supporters, becomes an excuse for politicians to dismantle state institutions that restrain their predatory behaviour. The allocation of timber permits has shifted from being controlled by state institutions to being increasingly influenced by politicians, resulting in a breakdown of state institutions that previously would have had the

expertise and incentives to plan for sustained-yield forestry. Native or customary land rights also get eroded by corruption in the timber industry.

The second issue that I would like to highlight in the role of corruption in the timber industry is its negative impact on climate change. Though the world's largest forest region is in Latin America (which accounts for 34 per cent of the world's tropical rainforests), Asia Pacific has important reserves of forests that serve as carbon sinks. Seven per cent of the world's forest reserves are in Southeast Asia. Fifty seven per cent of the region's intact forests exist in two countries - Indonesia and its neighbour, Papua New Guinea. Six countries in the region have so far destroyed their intact forests – Bangladesh, Fiji, New Caledonia, Taiwan, Sri Lanka and Pakistan. Less than 10 per cent of the forests remain intact in 10 countries – Vanuatu, Thailand, Malaysia, Philippines, China, India, Nepal, Laos, Vietnam and Cambodia (Markets Initiative n.d).

Malaysia and China are both strong investors in the timber industry in Indonesia and Papua New Guinea, especially since strong national legislation in their own countries has restricted the quantum of the logging that can be done within their own borders. Malaysia is the single largest investor in Papua New Guinea. Unfortunately Malaysian companies operating there do not maintain the same levels of labour and environmental standards that they would have to in Malaysia – a form of South-South Cooperation that is less than ideal.

Andre Standing, South African Institute for Security Studies, wrote:

***Facilitator's note:** In this piece, Andre Standing emphasises the growing recognition that resource extraction needs to be better administered at local levels. The principal beneficiary would be indigenous groups, whose human rights are being abused as a result of the exploitation of natural resources on their lands. This is happening with 'disregard of free prior informed consent' and/or with 'broken promises and lack of accountability'. Andre examines case studies of such tendencies found to highlight the key issues.*

Corruption, natural resources and the rights of local communities

Natural resource exploitation, including mining and logging, often occurs in rural areas inhabited by people who have lived in the region for generations. Many of these people are recognised as indigenous and have a traditional way of life intimately connected to their environment. With the continuing expansion of the resource sectors caused by increasing demand and the search for new deposits of minerals, metals or tropical trees, an increasing number of such communities are coming into contact with companies.

In theory, both mining and logging represent opportunities for local economic development, as these industries create jobs and have enormous wealth potential. However, there is overwhelming evidence that throughout the Asia Pacific region, the governance of resource extraction offers inadequate protection to the indigenous people. Additionally where corruption and weak state capacity exists, we find examples of extreme suffering and human rights abuses. Often the resulting tensions lead to conflict and violence. Indeed, in the World Bank's Extractive Industries Review (EIR), the issue of how mining impacts on indigenous communities was given considerable attention. It was noted by the EIR, that the vast majority of human rights abuses reported to international human rights organisations by indigenous groups stems from the exploitation of natural resources on their lands.

Due to increased awareness and campaigns, in many countries there is growing recognition that resource extraction needs to be better governed at a local level. Furthermore, it is clear that many leading mining companies seem to be taking a more proactive approach to mitigating the negative impacts of mining on communities through corporate social responsibility programmes. However, progress remains at best sketchy, and the claims made by governments and companies that improvements are being made are strongly challenged by a wide range of commentators, including numerous civil society groups and indigenous people's organisations. In some countries, such as Myanmar, the prospect of a truly just and transparent approach to the governance of resources seems particularly distant.

Although there are a wide range of experiences in the Asia Pacific region, let us consider some of the tendencies found in case studies to illustrate the main problems and concerns.

The disregard of free prior informed consent

Although contested, it is recognised in international law that indigenous groups have the power to withhold their consent to activities that adversely affect their human rights. Such groups are expected to have access to information, be fully integrated into relevant decision making processes, and are autonomous - an ideal referred to as 'free, prior, informed, consent' (FPIC). Numerous countries in Asia Pacific region have protected the rights of indigenous communities in national legislation, although some have not.

However, even where there is formal protection granted to indigenous groups, in several cases of resource exploitation, FPIC is not adhered to. In extreme cases indigenous groups are simply ignored. They only realise their lands have been handed to companies when work begins or

eviction notices are given. Forced removals can follow and the resulting suffering caused is tremendous. This appears to be a major human rights concern in Myanmar, where both logging and mining activities seem to show almost no concern for local communities, some of whom are also subject to forced labour. Although it is the military regime that appears to be the main instigators of these abuses, foreign companies working in the country are also complicit.

Where mining companies do seek formal consent from affected communities, this is often achieved through propaganda, impressive presentations and extremely attractive promises for the future, which critics cynically feel are misleading. People are assured employment opportunities, investment in local infrastructure, including roads, schools and healthcare. Individuals are promised generous sums of money for relocating. Local people who are either illiterate or unable to access more information seem easily swayed by such offers, yet communities are rarely offered unbiased assessments which also include the potential negative impacts of mining or logging.

In cases where communities are reluctant to grant their permission to logging or mining companies, instances of intimidation and violence have been reported. In a report published by Greenpeace, it was claimed that some forest communities in Papua New Guinea have been forced at gunpoint to sign letters of consent by Malaysian logging companies, a claim contested by the companies involved. Likewise, in the Visakhapatnam district of India, communities claim that companies involved in mining aluminium and bauxite, bribe police and hire 'thugs' to intimidate those who object to proposed developments and relocation plans.

However, ensuring consent from communities is not always achieved through such crude tactics. It is not uncommon for companies to offer direct payments or gifts to communities. Where one draws the line between philanthropic gestures and bribery is not always clear, and there are no guidelines regulating this practice. Moreover, critics see the process in allocating these awards as being selective and designed to cause divisions. In effect, there is a sense that companies can engage in 'divide and rule' tactics to gain access to land. In a damning report on mining in the Philippines, written in 2006 by a group of NGOs led by then British MP Clair Short, it was explained that: "A pattern appears to exist of mining companies attempting to capitalise on, or generate, division within indigenous communities. In cases where the consent of the indigenous people has not been forthcoming, non-representative indigenous leaders have been created and recognised by the National Commission on Indigenous Peoples and the mining companies. The indigenous peoples view the selection of elders through procedures that do not respect customary laws as invalid. According to them consent obtained in this manner should not and cannot be the basis of FPIC" (Doyle et al. 2006).

Even more worrying is the practice of companies making payments to community organisations to win their support. For example, Australian Climax Arimco Mining Company (CAMC) in Naeva Vizcaya, Philippines has been accused of making illegal payments to community organisations in order to stifle community protests. In a report submitted to the 2003 Extractive Industries Review by the Tebtebba foundation it was detailed that CAMC needed to win over the support of the Dipido Barangay Council. This was a strategic sector because they were the duly elected leaders in the community. The council was previously staunchly opposed to any mining activity in Dipido. Most of them acquiesced after the Company's aggressive cooptation campaign. Manila-based non-government organisation Legal Right Based Centre observed: "Barangay officials were offered jobs in the CAMC bunkhouse until all of them, save for one, have acquiesced to the operation of CAMC." CAMC oppositionist added that the pro-mining officials received regular, and arguably illegal payments from the company, in exchange for their active support.

Broken promises and lack of accountability

Further cause for grievances are caused by broken promises. Guarantees made by companies to communities form part of their voluntary corporate social responsibility programmes. They are typically not legally binding and communities can be presented with ambiguous detail on time frames. The situation is ripe for broken promises and disappointing outcomes. Yet the power of companies can mean that communities have no way of holding them accountable.

In this regard, we can also say that a general tendency is that companies have a poor track record of compensating communities for environmental degradation. As is well documented, mining operations can impact local communities severely, through water shortages, air pollution, contamination of natural water supplies by toxic waste and the resulting loss of local bio-diversity.

Making matters worse, the local economic development achieved by mining tends to come at the detriment of indigenous people, with women being particularly hard hit. Where financial compensation for relocations is given, these are often presented in the form of one-off payments. In comparison to the enormous wealth that mining companies enjoy these payments are frequently seen as miserly and are quickly spent. Yet in this respect the lack of clear guidelines is partly at fault. Although compensation for communities relocated due to mining activities may often be scandalously low, there are no industry standards in this regard. Calculating compensation is therefore arbitrary and mining companies complain that any amount given will be seen as too little by their critics.

Although communities are sometimes promised access to mining jobs, employment opportunities are in fact limited due to the shortage of skills. The majority of new jobs are acquired by an influx of specialized labour, and indigenous people tend to occupy a marginal and precarious position in the resulting new economy. Due to the loss of their traditional lands, they can be denied the ability to live in a self-sustainable way, and are expected to find new money-making ventures to survive.

The impact of badly planned and poorly governed resource extraction is typically greater for women. Whereas women traditionally occupy an integral position in indigenous communities, resource extraction tends to promote men's dominance in the local political economy. Companies, almost exclusively run by men, tend to negotiate with local men, ignoring women completely. The few jobs available through mining are given to men only, and the influx of mining labour tends to comprise of men without families. Mining communities are therefore characterized as being excessively patriarchal.

The negative impact on communities is exacerbated when mining operations close, and this can occur suddenly, without any consultation. Closures of mines create an upsurge in local unemployment, which results in myriad social problems. Infrastructure maintained for the sake of resource extraction may be neglected, and its upkeep becomes overly burdensome for local authorities. Local communities often complain that with the ending of mining, there is a significant deterioration in their quality of life, and they are faced with the long-term consequences of unemployment and an impoverished environment.

In conclusion, where resource extraction at a local level has conformed to these tendencies, it is tempting to label the entire process as corrupt and lacking in transparency and accountability. Critics of this situation may feel that the immense economic power of companies and their undue influence on state authorities explains why the rights of local people are frequently ignored or compromised.

Closing message

Dear Network members,

The time has come to close the discussion on the section of natural resources. There has been sustained interest throughout the discussion, which comes to an end because we have a time line.

The discussion has generated some important observations on Natural Resources. Members have added clarity to the reasons why land management has become the most corrupt single sector in many Asian economies, and advocated ideas to shift this. Contributors have put to bed the myth of the resource curse, seeing clearly that corruption is not an issue of abundance. Rather, it is about weak public management and the under-valorisation of natural resources. These causes manifest in poverty, underpinned by people's insecurity about access to their land. We have further read that insecurity produces a vicious circle in which administrative 'loopholes' allow 'crisis entrepreneurs' to grab farm land and issue illegitimate permits. Contributors have explained why monopolies in the private sector can point to the 'legitimacy' of their operations: they probably drafted the law, and are certainly complicit in maintaining the status quo of contract secrecy.

We have learnt about the major shift in the permit allocation process, where, previously, the management of timber permits was controlled by expert state institutions; now the allocation process is increasingly shaped by politicians, resulting in the erosion of customary land rights and contributing to climate change.

While all this makes monitoring by civil society organisations extremely challenging, they are becoming increasingly active: creating non-state 'certification' systems to develop and implement environmentally, and socially responsible management practices. This represents a rejection of the legitimacy of traditional state-based authority pertaining, in particular, to how states have mismanaged natural resources.

All these findings have been encapsulated in the call to redefine corruption, in order to transform decision-making, and to base public policy on pragmatic principles of self-governing individual and collective management of natural resources – needed to counter the capture of policy by the power and purpose of corporations whose actions in this sector too often violate the interests of democratic representation.

Thank you all for your continued interest and for your insights and recommendations. We will shortly send an email that describes the next topic of police and judiciary (access to justice).

All the best,
Jim Chalmers

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Police

Contents

7.1 Discussion Questions	188
7.2 Contributors	188
7.3 Online Discussion	189
7.4 References	210

7. Police

If we all found ourselves contemplating over ways to improve access to justice and protection of rights through better policing, many of us would focus on cases we know of poor and vulnerable people, especially women and children. This would necessarily raise questions about the origins of unequal access to justice and ways and means to eliminate these inequalities.

The key task of the police sector is to protect the public from violence and theft. However, in many countries in the world, the real experiences of people are quite the opposite. According to Transparency International Global Corruption Barometer (2006), about one in every six contacts with the police – the guardians of the law – results in an illegal act, and the most frequent bribe paying worldwide (as opposed to the largest amounts) is paid to the police.

The implications have a devastating impact. When those guilty of serious crimes can pay their way out, while innocent people may face jail sentences unless they pay a bribe, the foundations of security and trust needed in a society are being severely undermined. Instead of protecting the population, the police become a source of distrust and fear, and again those most vulnerable are women, minorities and the poor.

Do we know how the poor, women and minorities actually experience access to justice? Yes, there are studies that clearly show the poor feel justice is linked to wealth; and that they overwhelmingly feel that legal system actors discriminate and are corrupt in ways that escalate inequality of access for vulnerable populations. In one such study from Latin America (Correa Sutil 1999), almost two-thirds of those surveyed thought police treated the well-dressed well and the poor badly; 63.5 per cent felt judges behaved differently with the rich and the poor; more than half thought that the intent when police detained people was to charge them money; almost 90 per cent felt there is one justice for the rich and another for the poor; almost 90 per cent thought lawyers were too expensive; and 90 per cent felt the quality of a lawyer's assistance is linked to how much money is paid. Such findings raise critical questions around whether governments have stepped away from responsibility to promote demand by poor people for reform.

More than ever before in history, the material security, democratic involvement, state control of justice and guarantee of rights depends on decision-making by the police and the broader judicial system. This means that access to justice is a critical issue. Its starting point is the escalation of demand for police services not controlled by corruption. Only then could the court system begin to constitute a more equal social order in which the poor participate in litigation and have their voices heard. But this could only happen in a legal system not controlled by corruption, which then becomes the only forum where powerful political interests cannot

hush voices, as they do in the market where poor people have insufficient power. This is why economic development approaches do not provide the answers to poverty alleviation. And this is why this discussion which is very interested in questions of human rights and equality of access, has taken a political economy approach to anticorruption.

The following two weeks of our discussion will aim to address the inter linkages between police, corruption and justice – and the policy implications for human development.

7.1 Discussion Questions

Questions to guide the discussion

- o How does corruption affect the relations between the police and disadvantaged groups?
- o In many Asian countries people avoid going to the police for help, particularly women. Why this is different in most developed countries, and what can be done in Asian countries facing this problem?
- o How does corruption in the police affect access to justice, and what are the long term consequences for the legal system in these countries?
- o What are the causes of police corruption?
- o How are the links described between corruption in the police and crime?
- o Do people in countries where the police are known to be corrupt, join the force to reap the advantages - or to stop crime and corruption?
- o Who polices the police?
- o How can corruption in the police successfully be addressed?
- o Are there mechanisms to monitor – watchdog entities – in the police? Are there any useful examples that can be replicated in Asia Pacific?

7.2 Contributors

Responses were received, with many thanks, from:

Jens Chr. Andvig, Norwegian Institute of International Affairs (NUPI)

Basil Fernando, Asian Human Rights Commission, Hong Kong

Ramesh Gampat, UNDP Regional Centre in Colombo

Sandy Gauntlett, Pacific Indigenous Peoples Environment Coalition

Chitra Khati, Armed Forces Medical Services of India (Ret.)

Thusitha Pilapitiya, Casals & Associates, Malawi

Jon Quah, National University of Singapore

Anuradha Rajivan, UNDP Regional Centre in Colombo

Basant Kumar Rath, Police officer Jammu and Kashmir

Nabeel Salie, UNDP Regional Centre in Colombo

7.3 Online Discussion

Basil Fernando, Asian Human Rights Commission, Hong Kong, wrote:

***Facilitator's note:** Basil Fernando notes that the power to choose whether to arrest and detain is inherently corruptive. Add to this the unparalleled facility of police units to encroach on investigations into their internal affairs, and we clearly see the need for a wholly independent lead authority. Basil goes on to specify the qualities of such an agency, sharing both a Hong Kong success story and a guide note of the Asian Human Rights Commission (AHRC).*

The power of arrest and detention are vested with the police. These are very great powers. Power corrupts and absolute power corrupts absolutely. By utilising the power of arrest and detention there are many ways in which the police can make extra earnings for themselves. Power of arrest and detention also means that the power of not arresting or detaining or prosecution in court is also with them. By giving assurances that a certain illegal activity can be carried out without the threat of being investigated or the wrongdoer being arrested, the police can make a profit. In the case of drug dealers for example, if they are assured that there will not be investigations and prosecutions into their activities, they would proceed to engage in their activities quite freely and would willingly give a share to their partners in crime. The possibility of the police becoming partners in graver crimes in society is very high. In fact it can be argued that no major crime can occur without the active cooperation of the police. Whether these are crimes of politicians who abuse their power or whether they be crimes of people who engage in drug dealing and other sorts of mega crimes, or the crimes of the underworld, in all these crimes the cooperation of the police is necessary.

This then gives rise to the important question of what can be done to prevent corruption in the police force. What is clearly evident is that preventing the police from being corrupt cannot be left solely to the police. Only an authority that is outside the police, and one that has the necessary powers of investigation into corruption and which has the necessary resources to deal with corruption, including that of the police can succeed in creating a law abiding police force. In fact, probably the most difficult area of dealing with corruption is dealing with corruption of the police. This is primarily attributable to the fact that the police have the means to know when investigations against them are being carried out, and they can then use their various powers to intimidate witnesses, they can destroy documents and they also have the means to secure the patronage of powerful persons in the political field. What is required is an agency that is sufficiently empowered to deal with these problems and possesses the requisite capacity to conduct proper investigations (without being hampered) and which has the competence to deal with police crime, particularly police corruption.

One successful example of such an agency can be found in Hong Kong which up to about the early seventies was one of the most corrupt places. The Hong Kong police were as corrupt as, or even more corrupt than the police of many countries. Both the people in Hong Kong as well as the administration had come to realise that something had to be done to arrest this malaise. Following several experiments, Hong Kong finally created the Independent Commission against Corruption (ICAC). This is an agency which is entirely outside the police. It has its own investigation mechanism and its investigating officers are drawn completely outside the police force, which means that even when a policeman is inducted he will sever connections with the police from then on. The ICAC functions under the control of its own leadership and is therefore independent. It is this that led to a major success story, one that has taken Hong Kong to rank among the least corrupt places in the world. Here dealing with corruption was not dealt with in the same way as other crimes. Other crimes are dealt with by the police. However, since the police are a necessary component of crimes of corruption in society this was taken completely out of their mandate. Thus, by doing this the police are deprived of the use of their powers of arrest and detention and prosecution to gain personal financial advantage. They are made to do their jobs as expected of all civil servants purely on the basis of principle and their accountability is not held on moral terms but by a machinery that can control them. Police corruption can be stopped only by direct control not just by preaching. It is the top echelon of the police that needs to be brought under strict control. If the top layers of the police are not corrupt there is very little room for the lower ranks to be corrupt. The necessary component for a corruption agency was mentioned in the AHRC's recent statements. The successful establishment of an effective corruption control agency depends on adequate investment. The failure to provide adequate resources for the running of an institution which is expected to eliminate corruption amounts to deception. Thus, budgetary allocations to the agency should be under constant public scrutiny. It is futile to criticize an inadequately-resourced institution for its failure to carry out its functions.

Equipped with laws, personnel and money, an effective corruption control agency should be organised incorporating the following components:

- o An operational component to deal with investigations.
- o A training component for staff.
- o A policy research component to study and make recommendations to eliminate corruption.
- o A legal component to advise the agency on all issues relating to law arising from its work and educate its staff.
- o An advocacy component to inform the public constantly on all matters relating to the elimination of corruption.

- o A research and development component, which constantly updates the quality of work and materials.

All these components should be independent but coordinated. There should be no overlap of functions within the institution itself. The success of an effective anti-corruption agency also depends very much on the integrity of the justice department or ministry and prosecution branch of government. It must be able to trust that in all circumstances the prosecution will act with professional integrity and competence. In many countries this trust is absent. Some defects also arise from the absence of sufficient staff in the prosecuting branch or the absence of competence of its officers, sometimes leading to leakages of information when preparing indictments and prosecuting. Thus defective prosecution agencies may defeat all the efforts made by an anti-corruption unit and even endanger the lives of its staff.

Jens Chr. Andvig, Norwegian Institute of International Affairs (NUPI), wrote:

***Facilitator's note:** Jens Chr. Andvig proposes the value of rational choice theory (the prevailing microeconomics theory) to understand behaviour related to corruption. This paradigm assumes individuals choose the best action according to what they prefer and what their options are and what the expected outcomes are. The advantage of assuming humans make choices in a rational way, rather than through other kinds of logic, is that our actions could be more predictive and modelled. What it also raises, as Nussbaum has done (and Kant before her), are questions about our uses of reason and power: what we ought to do with our practical reason, whom we ought to associate with, and how we should use our political power. In turn, this raises questions about how much education on alternate choices we need to have access to, before we can say we have 'rationally' chosen. And, can it be said that we have freely decided on a course of action if poverty or other vulnerability constrains our decisions?*

When discussing policy issues related to corruption it is my impression that many consider corruption as a kind of abnormal, almost evil behaviour, a kind of social illness that somehow will disappear through exorcizing and condemnation. This way of thinking may assist in writing political pamphlets, but is basically fruitless in terms of policy and in terms of understanding.

Roughly most corrupt acts are driven either by a kind of profit motive or by a feeling of loyalty to another organization than the one which pays you. As I have argued before (Andvig and Moene 1990), even if everyone seeks to maximise their private income from a public position, it is possible that most people will choose not to use the corrupt option, or they may. The outcome hinges upon how many others do it. If the officials have typical, but an uneven degree

of moral qualms about it, we will have mainly two possible outcomes, one with a high fraction of corruptible persons, and another with a low fraction. Hence it is theoretically possible to have widely varying levels in countries with the same institutional structure and the same individual preference. Note that even when the corruption level is high some stay incorrupt. That may be explained by their individual characteristics, but many of the incorrupt ones in the low corrupt situation have also chosen to stay honest because many of the others do so. A political or economic shock may make them switch.

In theory this kind of explanation may work, but somehow it would be more plausible if most officials behave more corruptly than the norm. If everyone always looks for relatively risk free economic gain in all situations, corruption levels should be high everywhere and always. While it may be analytically plausible to explain high and low levels within the same model it may not be true. Perhaps different models for high and low level corruption should after all be made where officials' behaviour genuinely shift. If so, some countries in the Asia Pacific could be explained by versions of the high corruption model others by the low corruption one.

The psychologist and game theorist Anatol Rapoport (1960) illustrates this beautifully through paraphrasing a Mark Twain story: Tom Sawyer, the new boy in town arrives, well dressed and with proper manners. He naturally annoys the dirty incumbent. They begin to consider a fight. Rational calculations about relative strength, useful aggression levels, likely fighting experience and training are made. If none do so and fighting starts, that model will often break down. The experience of being weaker drives weak people to be aggressive because the motivation now is not calculation, but rage. To explain how the interaction will eventually work out, a model of the strengths, the erratic sequence of punches and actual fighting capabilities is needed to predict the final equilibrium: the knock-out.

What does this have to do with explanations of police behaviour - except for the knock-out? When a public organization works normally, it focuses on its tasks, and the motivation for most of its members' will be task-solving. However if the organisation lacks basic pre requisites; the necessary resources are absent, the tasks to be performed are difficult and there is lack of co ordination, then in such circumstances the official's motivation shifts, and is likely to lean towards individual profit maximization. In sum, the official thinks, 'what shall I do in order to get the maximum income from my position with the least effort?'

Drawing from the list of possible corrupt actions by the police, it is clear that plenty of opportunities exist, in particular inefficiency.

I think, it is fairly well documented that the attitudes to the police are quite different in rich and non-rich countries, and that it is considered on average the most corrupt public bureaucracy is in most developing countries. However this might be only a perception.

The question of behaviour shifts may be used to explain phenomena related to use by police of its legal instruments of violence. If someone is banging your neighbour on the head and afterwards someone asks you about whom you perceive as being the most corrupt – what are you going to answer? This does not really explain why the police are so popular in the rich and so unpopular in most non-rich countries, however. Maybe they bang heads more frequently there than here in Norway, but if so why? And does that have anything to do with corruption? It might simply be their job.

While the evidence here is more sporadic, it appears that the police is also in fact the most corrupt public agency, at least in non-rich countries. That is, for a given number of interactions between households and a public agency, the ones with the police are the ones most frequently accompanied with an illegal payment. What is the explanation for this? It may have to do with the fact that the police after all have more interaction with criminals than other agencies. If in a normal situation a third of the public are willing to pay a bribe and a third of the officials are geared to demanding one, a little more than 10 per cent of the transactions will be accompanied with a bribe. If the criminals are criminals, (let us say 2/3 are willing to pay a bribe) and if the police is a normal agency, a little more than 20 per cent of their household interactions will be corrupt as against 10 per cent for a normal agency.

This behaviour may also be attributable to the fact that the police have legitimate instruments of violence. For instance if a third of the police want and are willing to accept a bribe and a third of the public is willing to pay, and the police accompany the bribe demand with their sticks, everyone they interact with will pay a bribe. Thus, more than 30 per cent of their household interactions will result in a bribe.

More sinister are the possible feedback effects of the instrument of violence on the degree of behavioural homogeneity in the agency. In agencies where corrupt cops are influential, they force the others to participate through some feelings of solidarity based on being exposed to external threats generated by the violence games the police by necessity may be involved in.

Even more sinister possibilities are possible. Data collected from police agencies in rich countries, clearly indicates that illegitimate use of force and corruption are strongly correlated.

An obvious connection is the loosening of the monitoring process. Might it be that their special relationship to the public, on the one hand, makes the police demand bribes from the well-off but not too powerful, while, on the other hand they bang the heads of the poor for the joy of it.

Nabeel Salie, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Nabeel Salie cautions against looking for singular root causes of police corruption in Sri Lanka – observations that serve as an important reminder that corruption involves multiple actors with motivations equally multi-faceted and ambiguous. These can be categorised as givers and takers, those who resist, endure or are incognizant (yet lose some entitled social good), as well as those who facilitate a corrupt practice. Nabeel's piece further points to the value of Mark Philp's insight that the relationship between these multiple actors plays into the broader coordinating system of decision-making. How this manifests, in part, is forcing a newcomer to adopt the prevailing norms and values that surround rights and responsibilities. In the final instance, corruption corrodes an intricate system of parts, which makes public decision-making increasingly dysfunctional.*

A recent corruption survey conducted in Sri Lanka revealed the first thing that came to most people's minds when speaking on the subject was the police. Alternately the survey indicated that while it may be factually correct to say that the police sector is the largest in which bribes are paid and in doing so disallows for the justice system to take its natural course, it would be unfair to stake a claim that the police were solely responsible for this scenario. This was because bribes were voluntarily offered as often as they were demanded. Therefore, to have a balanced perspective, it is important that the approach of civil society be spotlighted as it has been an integral component in shaping, encouraging and harvesting corruption in the police.

Similarly, another vital factor for corruption in the police is that like most employees of the state, the remuneration received for their services does not sustain the rising cost of living. Therefore, at the lowest rungs of the force such as the traffic police where bribe taking is most frequent, corruption stems from want more than from greed and makes officers highly vulnerable when paltry amounts of rupees are offered for their pardon. So once again does the blame entirely rest on the police or should the state also take some responsibility?

The points trying to be made in no way justify the actions of the police, but instead try to look at the underlying reasons for their behaviour. It is important to do so if proper and committed measures are to be taken to address the problems.

Thusitha Pilapitiya, Casals & Associates, Malawi, wrote:

***Facilitator's note:** Thusitha Pilapitiya reflects on stories of police corruption her family has encountered, concluding it is no longer appropriate for donors to focus solely on prevention (judicial training, legal training and access to justice projects). Such strategy must also incorporate investigation, prosecution and adjudication aimed at strengthening 'the judiciary's ability to adjudicate impartially, the prosecution's ability to prosecute strongly, and the anti-corruption organisation's ability to investigate fairly.'*

After working for many years in Asia, in hard core democracy and development, I came to Africa exactly one year ago. As we all know, in many countries, according to surveys done by Transparency International as well as national institutions, the police are perceived to be the most corrupt institution, including in my own country, Sri Lanka.

My contribution today does not consist of heavy, theoretical stuff but an analysis of my latest experience with police and corruption in Malawi, where I live and work, heading a project on Strengthening Government Integrity and also acting as the project's Senior Anti-Corruption Specialist. Since Malawi is little known, it is worth mentioning that it is a small land-locked country in Southern Africa, ranked 166th out of the 177 countries surveyed in the UN human development index. Lilongwe is the capital.

Exactly one year ago, I landed at the Lilongwe international airport. I cleared immigration and customs without any problem, but then was surprised to have a policeman ask me to open my bags. In surprise I told him 'but you saw customs open my bag moments ago'. He replied that a customs check was separate to a police check. He checked my bags and asked me if I had a 'present' for him. I replied in the negative and he let me go. I then encountered five policemen sitting around a desk a few feet away and they asked for my passport. They then proceeded to laboriously write down my details, and then told me that they did not have 'telephone units'. I pretended not to understand, and replied politely that I too did not have any telephone units as I had just arrived.

One month later, my husband arrived to join me. They went through the same procedure with him. Again, we managed to get away without paying a bribe. Well, we were simply not going to. However, on this occasion they turned fairly abusive, and at one point I said 'look, we are not going to pay you anything', and the policeman turned on me saying 'did I ask you for money?'. This is after arriving in the country with semi-diplomatic status, official first arrival privileges, duty free status etc.

The worst was when my son came for his vacation. After peacefully clearing customs and immigration, the police desk that is set up near customs took his passport. He was kept standing there until everyone had left. I had gone in to find out what was keeping him. We saw bundles of Malawi Kwacha exchanging hands between police and those who wanted to get out of the airport soon, or bring contraband in to the country. My son had a Malawi visa in his passport issued by the Malawian embassy in Washington D.C. When they ran out of questions, they asked him for the receipt of the visa, which really confused him because my office got him the visa and thus he had no receipt. When I steadfastly refused to pay any money, they let him go. He was the last to leave the airport. His sponsor is USAID, yet they either did not care or understand.

This is the introduction to police corruption in Malawi at the point of entry. It continues unabated inside the country with traffic, check points, and one completely avoids any interaction with the police. Corruption by the police is blatant, open, and entirely without fear of reprisal or repercussion. There are several training programmes for the police conducted by the US Department of Justice, and by my own project. Yet, the situation remains critically corrupt, which leads me to my next question which is 'are we making any difference with our development programmes to stop corruption?'

Most of our programmes targeting corruption focus on training, which is a preventive measure. I have read many project documents, and have found that most of us focus on information sharing on corruption, in some instances even developing or strengthening anti-corruption laws, developing codes of conducts, and other technical assistance and training programmes. We do not focus on the 'cure' for corruption which we believe is the responsibility of the host country. We believe that our responsibility is to keep the duty bearers and right holders informed about how to prevent corruption, so that societies are corruption free.

However, societies are already corrupt and while prevention is absolutely essential, and this is the work that I am personally focusing on at present, we have to recognize that 'cure' is as important as prevention. By cure, I mean, supporting the actual prosecution and punishment of corrupt officials. The key word is 'support' as we have no role to play in the judicial process of a host country. However, we need to focus more on the judiciary's ability to adjudicate impartially, the prosecution's ability to prosecute strongly, and the anti-corruption bureau or similar organizations' ability to investigate fairly. These can be easily incorporated in to judicial training, legal training and access to justice projects. The key is to focus on the element of investigation, prosecuting and adjudicating on corruption cases, specifically and not generally. I hope my brief thoughts will enrich this valuable discussion.

Jon Quah, The National University of Singapore, wrote:

Facilitator's note: *Jon Quah describes the case of Singapore's successful transformation of police corruption. The shifting of the threshold of tolerating corruption in Singapore can be seen in widespread and constant awareness of its pathology. This was expressed by a Singapore taxi driver, who suggested that corruption is like a malaria virus: the body is not restored to health with just one shot in the vein. But administering that shot starts a collection of responses that the body makes to protect itself against infections and viruses.*

It begins a process of recognition in some cells of the immune system; and this enables them to identify parasitical cells as abnormal, and acts to alleviate them. Unfortunately, this is not enough to get rid of a parasitical cell completely, but, the taxi driver reflected, continued treatments aimed at using the immune system to fight parasitical cells clearly have remedial value in the long run. This contribution is based on an article by the contributor (Quah 2006).

Police corruption is a serious problem in many Asian countries as the police are usually perceived as one of the most corrupt agencies in these countries. However, Singapore's case shows that it is possible to prevent and control police corruption if there is the political will to do so. After analyzing various forms of police corruption, it is possible to argue that police corruption was rampant in Singapore during the British colonial period. Since then, through the commitment of the People's Action Party (PAP) government to curbing corruption in the country, the Singapore Police Force (SPF) has succeeded in preventing and minimizing police corruption. It has done this by improving its salaries and working conditions, its recruitment and selection procedures, its training programmes, and the socialization of its members.

The SPF has come a long way since its inception in 1820. Indeed, it has been transformed from an organisation afflicted with rampant corruption during the British colonial period to an organisation that is no longer infected by the scourge of corruption today.

How did the SPF succeed in minimizing corruption within its ranks?

The SPF's success in combating corruption is also a reflection of Singapore's success in fighting corruption. The first breakthrough in curbing corruption in Singapore occurred in October 1952 with the establishment of the Corrupt Practices Investigation Bureau (CPIB) as the first anticorruption agency in Asia that was independent of the SPF. The British colonial government realised the folly of entrusting the Anti-Corruption Branch of the Criminal Investigation Department of the SPF with the task of corruption control when police corruption was rampant. It corrected this mistake with the formation of the CPIB. However, as the CPIB had inadequate powers, the second breakthrough came in 1960 when the newly elected

PAP government demonstrated its political will in fighting corruption with the enactment of the Prevention of Corruption Act (POCA), which strengthened the CPIB's capability to curb corruption considerably.

In short, Singapore has succeeded in curbing corruption because the British colonial government transferred the task of corruption control from the SPF to the CPIB in 1952, and the PAP government followed through in 1960 with the enactment of the POCA. Throughout, the SPF has been a reflection of the society at large. Hence it is not surprising that it was corrupt during the colonial period, as corruption was a way of life then in Singapore. Similarly, with the PAP government's commitment to fighting corruption after it assumed office in June 1959, the SPF has also been transformed into an effective and clean organisation not only because of the improvement in its salaries and working conditions, but also in the improvements to its recruitment and selection procedures, its training programmes, and the socialisation of its members to the four core values of courage, loyalty, integrity and fairness.

The SPF efforts in curbing corruption among its members have borne fruit, as manifested in the many cases of rejection of bribes by police officers in performing their duties. Traffic police officers are vulnerable to corruption as motorists might bribe their way out of traffic violations. Examples of various police officers rejecting bribes of up to \$500 have been cited by Koo (2004: 1-2) and Singh (2004: 1-2). The most impressive example of honesty and incorruptibility in the SPF was publicised by the Commissioner of Police when he revealed that Station Inspector Somasundaram had rejected a bribe of S\$100,000 (\$60,000) offered to him by a person under investigation for harbouring illegal immigrants (Khoo 2005: 1). All the examples demonstrate clearly that the SPF has succeeded in persuading its members to abhor corruption and resist the many opportunities for corruption that are inherent in police work.

Anuradha Rajivan, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Anuradha Rajivan writes with reasons to re-emphasise that 'police' are a heterogeneous collection of human beings with motivations both multi-faceted and ambiguous. This prompts Anuradha to wonder if it points to the starting point for strategy. Could incentives successfully be engineered around this human quality of ambiguity, specifically by targeting upright behaviour some police sometimes exhibit, and to do so by drawing on a blend of citizen voices and grassroots pressure? And could this pressure from below help to develop and sustain political will to transform police corruption?*

Dear Network colleagues,

While the police in developing countries are considered highly corrupt, one question of

relevance is: how are the same police capable of the best and worst of human behaviour? When a young person joins the police force, does he or she join it primarily for the possibilities of extra-curricular income, for power (to do good/bad?), for respect or to serve the community? There could be many different motivations. Corruption may or may not be a part of the motivation, giving us a clue that all may not be lost: there is scope for curbing corruption.

Here is a personal example. An out of town woman in a busy shopping area in a metro suddenly realised that she had lost her wallet which contained her passport, air ticket, money and credit cards. In obvious panic she looked about her, extremely anxious and at her wits end. A local constable was watching and asked her what the matter was. When she explained, he calmed her down and sharply whistled three times in a sort of code. Three pre-teen 'chhokra' boys sprang up from somewhere and reported to the constable. He gave the oldest a sharp clip on his head and demanded that the young fellow empty his pockets and hand over the missing wallet. The boy quietly did so. It was the missing wallet! The constable handed it over to the woman, who looked completely surprised - it was the quickest detection and recovery of stolen property she had seen! All her money was there and so were the ticket, passport and credit cards. No police complaint, no FIR, no investigation, no bribery, no court process! As she thanked him, and offered to pay him a tip, he just brushed it all aside. 'You are from out of town. We want you to have a good impression of this city, don't we?' he said, looking sharply at the young boys.

The constable was in collusion with the local pickpocket gang, 'allowing' them to operate- but in some 'genuine' cases he voluntarily gave up his share without even asking. There are many reasons why the police are seen as corrupt - some of them pointed out in the net discussion. In most cases the police work under the political authority, and are expected to do what the boss expects. After hard detective work, they are sometimes told to let off the big-wigs, which is a major demotivating factor for professionals. They tend to be underpaid, have very harsh working conditions, very limited scope for creativity, initiative or training, poor infrastructure, and suffer from poor public image. Rewards and recognition often are unrelated to good work. Pressure to please the immediate boss or else (where does the money for 'looking after' the boss, for refreshments, providing women, etc., come from?) and fear of sudden career disruption when governments change make many officials take action for self- protection. These include pleasing both the party in power and the opposition, or keeping tabs on both political parties (funded by unaccounted money) inherently leading to convoluted behaviour and corruption. And in any case, one clean cop can be a thorn in the flesh of the political masters and colleagues. It is very hard to avoid being sucked into the mainstream - no one wants you in the system. Moreover, if the image is bad, good behaviour of a few is not going to make it better - the public will in any case be suspicious. This, in the longer run, may affect career choices among new

recruits. Over time, instead of the 'clean', those with corrupt motives may opt to join the police force, further compounding the problem.

But as the example above shows, the police force is not a monolith. The same person can also be, both, corrupt and altruistic in different situations. In disaster situations, in accidents, there are numerous instances of police personnel going beyond the call of duty. Here is where we could find clues for policy. Can we incentivise upright behaviour through a combination of citizen voices / pressure from below? Can pressure from below help to build and retain political will?

Sandy Gauntlett, Pacific Indigenous Peoples Environment Coalition, wrote:

***Facilitator's note:** Sandy Gauntlett observes that while Singapore is often studied as a case that has effectively 'eliminated' corruption, it simply is not 'best practice'. To qualify for this the management of corruption requires a basis of tolerance; and in Singapore, control is being sustained by fear and oppression. Tolerance is a core ingredient of liberty and human capabilities. The network acknowledged this in the earlier debate which built awareness that the end goal of anticorruption is not eradication of corruption but far less tolerance of rights-impacting behaviour. The lesson of Singapore is that 'eradication' of corruption in that case has come at a too high price: the loss of diversity on which liberties and human capabilities thrive. Sandy's observations are suggestive that we need to refine this notion of 'lowered thresholds of tolerating corruption' and come up with a simple expression of 'tolerance' but one that encompasses its multiple dimensions, which can be seen as follows: 1) 'thresholds of what is normatively acceptable or censured'; 2) 'level/degree of permission or veto'; and 3) the 'impact on freedom of certain corrupt acts'. The usefulness of this multifaceted understanding of 'tolerance' will become clearer when trying to operationalise the concept. This is because its various aspects are measured differently. For instance, 'thresholds' involves measuring the critical, flexible assessment of certain acts. 'Permission' entails testing what practices are banned or accepted. 'Impact on freedom' requires measuring impacts on rights and duties, as well as the 'demands of tolerance' as gauged by how individuals respond (e.g. escaping from information by using stereotypes, or by pledging support to an oppressive ideology, or a religion where many individuals derive their ethos). In the final instance, 'tolerance' can be seen a useful aim of anticorruption because it matches the need for a universalism that contains refusal of dogma. Plus it encompasses what Anuradha has emphasised as essential human ambiguities that surround individuals' searches for a meaningful social practice.*

Singapore has indeed managed to curb much of the obvious corruption that happened amongst the police and many other officials but this change has come at a price for Singapore.

While it is a city that I have been to many times on my way to Europe and a city that I love visiting because it is so safe, the ordinary citizen of Singapore has paid a hefty price for our sense of security. We have all seen this T-Shirt, 'Singapore is a fine city' followed by a list of the fines available for such crimes as chewing gum, dancing in the street, jay walking, spitting in public and the list goes on. What many of us do not read on far enough to realise is that fines are for first offences. It is possible to go to jail for littering, chewing gum, jay walking, etc, and that appears as a little draconian. The other reality is that everyone assumes it is Lee's regime alone that has helped in the transformation of Singapore into probably the safest city in Asia. Even this is debatable and like most of the things that happen in Asia is multi-layered.

1) First let us look at the notion of safety. Does everyone feel safe or is this sense of security designed for the tourist dollar (and even then the straight white tourist dollar). Homosexuality is technically illegal in Singapore with sodomy being able to receive 10 years to life imprisonment and public indecency (which could be as simple as a kiss) capable of receiving two years. The reality is that no-one has ever been prosecuted under these laws and the city certainly has an active and vibrant gay subculture but open activists are not as common here as in many other Asian cities. Fear of imprisonment can be as effective as imprisonment itself in terms of behaviour modification. So for some people fear is obviously still a major factor.

2) On top of the available fines for things we all do, there are laws against public speaking especially where that speech is critical of the government. The Singapore Gay and Lesbian organisation (a lobby group) was refused registration and this is a society where social control is a fact of everyday life.

3) Drug crimes (at a certain level) carry a mandatory death penalty as many a young foreigner has discovered too late and this is not commutable.

Yes, corruption has lessened but having travelled to Singapore many times, I get the sense that social control in Singapore is still maintained by fear and when this fear is ingrained into the psyche as the right thing, peer pressure adds to the pressure to conform. One much less personally threatening example is the drive for economic success by learning English. On billboards, on the backs of buses, on taxis, everywhere in Singapore there are signs that say 'Be a good Singaporean, Learn English'. Again, my criticism is not so much against the surface intent, it is great to learn a multitude of languages, particularly where that might benefit you. My concern is with the secondary message in these billboards (the word good). The implication here is that if you do not learn English, you are a bad Singaporean. I might not be so concerned

if I saw as many signs encouraging people to retain their Malay, Chinese, Indian, or Arabic languages and cultures because that would provide a sort of balance.

So the next time you are travelling in Singapore and notice the lack of corruption (relatively) and walk around anywhere secure in the knowledge that you are safe, think about the price of that safety and ask if you would be prepared to pay it in your own countries. There are no simple answers to these questions and we do have to try and eliminate corruption and injustice and crime but we have to do so while allowing diversity to flourish and by building respect for other cultures, languages and lifestyles.

Dr. Chitra Khati, Armed Forces Medical Services of India (Ret.) India, wrote:

***Facilitator's note:** Dr. Chitra Khati shares a tale redolent of such teachings as Mohandas Gandhi's – transferring incentives to help progress the social goal of 'self-aware, self-governing citizens able to reason together about our choices'.*

Recently retired from the Armed Forces Medical Services of India, I entered practice in Bangalore for 6 months before moving on. One day in the third month of practice I received a call from an old colleague. He was working in a private medical college where a few other faculty members were retired military doctors too. In fact, the senior administrator (a retired Major General) had been one of my respected instructors in graduate school 26 years ago!

The call conveyed urgency. I was urged to help out old colleagues and friends in their hour of need. They were looking for a professor in Internal Medicine immediately. I had been an MCI (Medical Council of India) certified post graduate teacher and examiner and would fit the bill perfectly. Already toying with the idea of resuming teaching in my second career, I must have sounded quite enthusiastic, yet the level of urgency could not be understood.

I would be required to submit necessary documents and sign for an appointment letter within the next 2 days. An odd certificate that had not been updated or transferred to a state licensing body would be 'taken care of'. My name would go up as 'Head of Department'. I was required to be present 2 days later for a whole day. For this one day appearance I would be paid Rs 25,000 (roughly \$650). A limousine would be sent for my transportation.

My queries about class size, academic session, part-time versus full-time employment, teaching-aids, curriculum, attached hospital facilities, etc, were answered only perfunctorily. There was enthusiasm only for that one day's appearance! He said that everything else could be discussed later, and that almost any term of mine would be met.

Naturally I probed further. Then the story came together. The MCI inspecting team was to inspect for the annual revalidation of the institution's teaching capability. There were many such faculty members on paper, who made annual appearances. Names of several respected teachers were mentioned. I learnt that this was a fairly common practice in private medical colleges towards fulfilling MCI guidelines. 'If others can do it, so can you'- was the essence of the subsequent dialogue by this colleague endorsed by few others.

When I declined, the offer was stepped up. The senior administrator (my old teacher whom I had always been in awe of), came on line directly and even tried persuading me through my husband, assuring us that there would not be any strings attached. I was told that if I was so fond of teaching, I could actually teach!

Later, I learnt from elsewhere that there was almost no hospital infrastructure except for a building, few faculty members and students that paid fat capitation fees. The builder-lobby controlled this college. The Dean was a retired Vice Chancellor of a reputed university, and that such colleges exist all over the country. After seeing this ugly face of corruption in Medical Education there was something heartening too. It was the indignation and outrage shared with some of my colleagues- both old and new!

Ramesh Gampat, UNDP Regional Centre in Colombo, wrote:

***Facilitator's note:** Ramesh Gampat raises questions around various elements of effective cases of police anticorruption, including the limits of the belief that targeting police as the most corrupt sector will alleviate corruption generally. He goes on to ask whether it was effectual police reform that transformed Singapore's corruption through renewal of independence, performance and salary levels. Or did much broader strategic incentives succeed in tapping into a distinctive social historical flow of ethical values? And, does this effectiveness, measured by citizens' perceptions of low corruption, equate to a reality of higher moral and ethical standards than in countries where corruption is perceived to be widespread?*

Dear Colleagues,

Removing corruption from the police force seems to be a key ingredient in reducing overall corruption. Independent and properly functioning legal institutions seem to be key here. Does this mean that focusing on the most corrupt institution/entity pays higher (and faster) dividends than adopting a more comprehensive strategy? Could one really assert, for example, that controlling corruption in the police force will bring down the pathology significantly? Are there any features intrinsic to Singapore (and Hong Kong?) that make the police force so important in the fight against corruption?

I should observe, however, as Jon Quah suggested, that better salaries and working conditions also played a role, at least in Singapore. Yet all of these solutions seem like mechanical fixes of an issue that, by definition, arises in a social context. My readings and observations have led me to believe that, in countries riddled with corruption, there is a breakdown of moral and ethical values. This leads me to the question: what is the role of moral and ethical value in controlling corruption? More to the point: is there a role for moral and ethical values? If there is, should it be part of a long-term, broader, more comprehensive strategy while legal deterrents should comprise the immediate elements of such a strategy?

Research outside of economics suggests, “Humans are endowed with a sense of fairness that permeates social perceptions and interactions” (Moll *et al.* 2002). This same body of research also suggests that humans are endowed with innate capacities for self-seeking, self-interested behaviour. Nevertheless, these innate capacities are not absolutes and are in fact moulded by environment including culture). Thus, it would seem that, despite genetics and evolution, moral and ethical values play a role in controlling deviant behaviour, including corruption.

Yet this raises a troubling issue: if we gauge corruption by popular measures of perception, can one say that countries with lower corruption have higher moral and ethical standards than countries where corruption is widespread?

Basant Kumar Rath, Police officer Jammu and Kashmir, wrote:

***Facilitator’s note:** Basant Kumar Rath, a police officer in Jammu and Kashmir, elaborates on a critical point that the demand-side of corruption is simply explained by a public official’s aspirations for power in an underpaid situation. There are multiple actors who co-drive the demand in a backdrop of the community that the police serves. We learn that the corruption co-producers in the demand for land in Jammu and Kashmir, besides police, include ‘greedy revenue officials and vested interest groups in the context of economic growth and massive migration to cities’. On the supply side, the network comprises ‘revenue officials, politicians, criminals and businessmen’.*

Regarding ‘grand theft auto’ in Jammu and Kashmir, demand is co-driven by insurance agents and employees of Road Transport Offices facilitated by the lack of a computerized data bank on vehicle registrations. What facilitates this corruption is a supply network of hired drivers, professional lifters, receivers, automobile shops, and political patrons. It is a story that helps to explain the complex of social drivers that create demand, and insists on recognition the problem belongs to the community; it is not simply ‘over there’ in some ostensibly-isolated public official’s office.

Even if one disputes the findings of Transparency International on the extent of corruption in India, Jammu and Kashmir being amongst the top two states and the police being amongst the top two government departments, one need not be a Einstein to realize the gravity of the situation. In this posting I have tried to explain that police corruption is a co-production of various actors in the context of the local community of which the police is a part.

Co-production, as understood in development economics, refers to a process through which inputs from individuals or groups who are not 'in' the same organization are transformed into goods and services. The concept of co-production does not inherently imply positive utility of the goods and services produced as a result of this process. The product need not always be valued by the public. In the context of a public bureaucracy (of which the police is a part) co-production may not intrinsically lead to good governance. Seen this way, the concept of co-production, being value-neutral in a Weberian sense, is capable of explaining police corruption as an organic feature of the present politico-economic environment of India's public bureaucracy. The police being a public service system, means that how various actors (individuals and groups) co-opt and get co-opted by police personnel, impinges upon the quality of the delivery mechanism. The import of the argument made here is that the supply-demand equations involving police corruption are affected by co-production amongst various actors operating within the local community. Let me illustrate this with some examples:

1) *Large scale organised encroachment of public land.* Because of terrorism-induced migration from interior areas to urban locations making the real estate business extremely lucrative, public land has become the main target of the land mafias. The official figure - one thousand hectares in Jammu alone – does not tell the whole story of what the land mafia has done to vast stretches of forest land and river-beds. Other towns like Srinagar, Rajouri, Kathua and Udhampur are equally affected. Corrupt police officers have been too willing to partner with greedy revenue officials and vested interest groups. Thanks to the political patronage that the land mafia enjoys, the bureaucratic set-up has been successful in sabotaging the very interests of the state that it is supposed to serve. How this illegal enterprise has evolved is a classic case of co-production of police corruption by various groups. The demand for land, both for residential and commercial purposes, has always been there due to economic growth and massive migration to cities. The supply side has been taken care of by the co-producers such as revenue and police officials, politicians, criminals and businessmen.

2) *Organised vehicle-theft.* A substantial portion of the vehicles stolen in New Delhi, Punjab and Haryana finds its way into Jammu and Kashmir, especially the Kashmir valley. Right from

Lakhanpur to Banihal the National Highway 1-A, the life-line linking the valley with the rest of the country, is littered with traffic police check-posts that live off this illegal business. The criminal gangs have well-oiled networks comprising hired drivers, professional vehicle lifters, police officers, transport officers, receivers of stolen vehicles, illegal automobile shops and political patrons. There are instances where a legal owner of a vehicle in Delhi sells the vehicle to a gang member and then lodges a complaint of theft with the police after a couple of weeks. The existence of a huge demand-driven market for stolen vehicles is facilitated by the lack of computerized data bank on vehicle registrations and the involvement of insurance agents and employees of Road Transport Offices, which makes the enterprise extremely complicated to unearth.

Jens Chr. Andvig, Norwegian Institute of International Affairs (NUPI), wrote:

***Facilitator's note:** Jens Chr. Andvig notes that to investigate police corruption as if their role is simply a service-provider neglects the question of 'serve and protect WHOM'? The damage done to ordinary lives by this trait of their role, which is to give protection to political elites, depends on the situation where police operate: sometimes it is a well-functioning low-corruption situation, in other places it is a very corrupt environment with scarce resources and high levels of violence. The more a regime experiences violent threats the more likely it is to provide police with greater freedom to exploit its instruments of violence for private profit. Except, that as the level of violent threat grows, the regime is more likely to transfer power to the military; and the shift in the police role to a valued-information provider happens in an environment where no officials are willing to pay for it. The implication is that corruption thrives in such scenarios due to the role regression that happens, and police turn to serving and protecting unofficial elites. A more explicit implication is that when analysis is focused on the combined features of the police role this uncovers an active ingredient in the glue that makes a country's economic and political forces stick.*

In a number of articles and several books Mustaq Khan has tried to tease the anti-corruption community. I am not sure how successful he has been in this venture since he is frequently invited to community meetings. He makes a point, or rather draws attention to a set of social and political forces that are exceptionally important when gauging the roles and consequences of police corruption.

Mr. Khan criticizes most of the discussions of corruption in the public sector that consider the state as mainly a service provider, and that conclude that corruption reduces the quality of those services leading to undesirable transfers of income and together act as a negative impulse to growth. Untrue, claims Khan. Ex-ante most strong growth countries have not displayed particularly impressive numbers on their set of governance indicators. Corruption may even

contribute positively to growth by transferring resources into more dynamic economic forces, and by its violating old property rights that may block economic development. Its effects turn around the way that economic and political forces in fact are shafted together. And here the police are more clearly involved than most other public agencies.

To think about concrete examples today we may just refer to the large number of stories in China where the police are involved in throwing out poor, peasant legitimate 'owners' of land and houses in favour of well-off entrepreneurs investing, for example, in manufacturing plants. Sometimes they have the support of the legal authorities, but sometimes the transfer of the possession of land is simply achieved by paying the police. The outcome is unfair and may in the end stifle growth through increasing conflict levels or create a drag on growth through the inequality created, even though in the short term it could be a growth stimulus.

All over the world's large cities dominated by the poor, the police are involved in establishing new property rights where they have been unclear and then mostly in favour of the well-off in exchange for a pay off. They rent out their legitimate monopoly of violence and geographical knowledge acquired through their position as police to private entrepreneurs.

More generally, the police is not only a service provider protecting the citizens against each other, its second major task is to provide protection of the political elite whether that is considered legitimate or collectively rejected by the majority. In stable democratic regimes that task is mainly latent, but in most developing countries it is rather manifest, particularly in countries where the regime is violently challenged in parts or the whole country.

This means that the police's behaviour will be strongly influenced by the configuration of political forces in a country, that is, it will be brought into the force field outlined by Khan as crucial for determining the economic effects of extensive corruption. On average I would expect for a number of reasons that a regime will give the police greater freedom to exploit its instruments of violence for private profit, the more threatened the regime is, expressed by the level of violence. Power will be shifted and increased levels of illegal violence will give more opportunities for private income, but also more dangerous work for the police. But as the scale of violence increases, and power shifts to the military, and police's role is relegated to that of an information provider the opportunities for private income will become more pronounced. Maybe we can frame this in the fashionable inverted U-hypothesis: as the level of violence increases, the police's power and possibilities for rent extraction first increases and then becomes constrained mainly by the military, but also by a situation where none are willing to pay for valuable information.

In relation to armed conflict, the police's main historical role will be in the developments triggering conflicts and in their aftermath, not during the peak of armed struggle. It is particularly its role in the aftermath of conflicts that the police have attracted considerable attention from the international aid community, however not in triggering it. In the cases where the regime has been mainly challenged through its own weakening, it is reasonable to gather that weakened monitoring of the police evolves so that both increased police violence and police corruption develop at the same time.

Note that in addition to its access to violent instruments, a key characteristic of the police's part in the battery of public controls is its role in monitoring geographical areas and collecting information about it. This knowledge is extremely valuable for gaining political control and is often used by politicians also in peaceful democratic contexts when it is allowed. This is, I believe, a major reason why the police (often together with organized crime) are allowed to challenge public opinion by an open often even arrogant economic exploitation of Indian citizens. Well-known historical examples may we find also from US history.

Summing up, I believe it is difficult to understand police corruption and its effects by only looking at its service- providing work and without looking at its regime- defending tasks, which draws it into the centre of the political economic battleground that has occupied Mustaq Khan's analyses of corruption. Alas, here we meet a number of signals that may be difficult to document, but that still are essential in determining the extent of police corruption and its effects. We may believe it is important but it can only be rationalized through detailed historical analysis of the single country. And even then we will miss the data on business enterprise – police and household-police interactions that we have for some countries. To collect those in conflict areas are normally too dangerous, but does someone better informed than me know about any serious study of rent seeking behaviour of the police in the conflict areas of the Asia Pacific region?

Closing Message

Dear Colleagues,

This is a message to say that the discussion on police is now closed and to thank you.

The focus on police has spawned some of the most notable ideas to date. We opened with a view that the tradition of granting a group such imposing power to choose whether to arrest and detain is certain to generate 'unreliable' choices; and an independent agency is needed to watch over the police. A separate outlook was expressed in the idea that anticorruption strategy must go beyond prevention; donors need to investigate, prosecute and adjudicate. This evoked

a perhaps balancing view that sought an entry point for strategy in the observation that some police sometimes choose to act with integrity. Accordingly, is it possible to design incentives that could stimulate 'choices to act in upright ways' – combining citizen voices and grassroots pressure to shift political will?

Then, what about variables that help explain choice-making? What kind of literacy is needed for people to recognise they have chosen 'rationally'; and to realise that how one uses practical reason matters, and how one uses political power is critically important? Further, what constraints do poverty and other vulnerabilities have on access to this kind of education?

Such questions prompted memory of an earlier talking point that no singular root cause exists for corruption. Corruption can be traced to an array of explanatory variables and actors with motivations equally multi-faceted and ambiguous. The viewpoint on this we heard this time around is that the demand-side of corruption is not simply explained by a public official's aspirations for power in an underpaid situation: this situation involves multiple actors who 'co-drive demand'. We heard in particular that the role of police is much more than simple service delivery; and their role of providing protection to political elites was put under the spotlight. What emerged was a notable proposition, as follows: a regime who experiences a growing level of violent threat is increasingly likely to transfer power to the military; in this scenario, the role of police reverts to a simple provider of information; but it's a situation involving little demand for information; hence, this causes police to serve the corrupt domain of 'unofficial elites'.

That thesis adds further value to an earlier insight from the network that the relationship between the various actors involved in a corrupt act impacts on the whole system of choice-making. Ultimately corruption corrodes an intricate system of parts and this makes choice-making increasingly dysfunctional. We heard different views on how choice-making has been impacted by the 'reversal' of corruption in Singapore. We read the conviction that this case does not represent 'best practice', given how 'integrity' is being sustained by fear and oppression; whereas, tolerance is required as a core ingredient of liberty and human capabilities.

Additional questions were raised about whether it was police reform that transformed Singapore's corruption, or did much broader strategic incentives manage to tap into the social historical flow of ethical values? And, does the perceived effectiveness of those strategies, if measured by citizens' opinions of low corruption, equate to there being more authentic moral and ethical standards than in other countries where corruption is perceived to be widespread? But more certain on authenticity, in another scenario we read an unquestioned example of integrity in a tale of social boldness that evoked Mohandas Gandhi's teaching. And this was

suggestive of incentives that could help progress the social goal of 'self-aware, self-governing citizens able to reason together about our choices'.

Thanks to all of you who have contributed.
Jim Chalmers

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III. Annex

III. Annex

Network Discussion : Dos and Don'ts!

This write-up aims to provide network facilitators with a short guide to iron out issues that usually surface in managing net discussions. In 2007, the Human Development Report Unit integrated and revitalized the Asia Pacific Human Development Network as a part of a larger consultation process in preparing for the Asia Pacific Human Development Report *Tackling Corruption, Transforming Lives*. To ensure that useful material was provided for the Report, the discussion of each sub-theme was short and focused, although preparing for the discussion consumed a fair amount of time. Below is a short summary of our experiences and lessons learnt.

Increasing membership

When the process was initiated, our network consisted of 216 members who had joined to vote on upcoming themes for Asia-Pacific Human Development Reports. At the close of the discussion, the total number had encouragingly more than doubled to 450.

- o *Do*: Identify key persons/organizations with the necessary competence in the issues being discussed. Send them personal messages and invite them to join the network. The messages should be concise, and in essence capture the purpose of the discussion as well as clearly indicate to the prospective members the value they can add to the topic under discussion.
- o *Don't*: Forget to regularly and continuously update the membership list. Members who want to exit from the discussion should not be sent new messages; those who want to join in the middle of a discussion should receive a copy of or, preferably, a link to see previous messages posted on the network.
- o *Don't*: Do not delete completely the information on members who have left the discussion/network. Instead enter their details in a 'hold' folder. By doing so, you will be able to use the data for statistical purposes or possibly re-activate their participation at a later date or for another discussion.

Stay focused

It is essential to have a clear and up-beat opening message that explicitly spells out the themes and contours, including what input is expected from the discussion.

- o *Do*: It is very useful to formulate an initial set of issue/questions to guide the discussion for the different sub-themes. This will go a long way in keeping the discussion focused.
- o *Don't*: Insist on a specific format for the discussion. The sub-themes and questions can be revised as the discussion develops. In our case, the format had to be adjusted in line with the needs of the report. Basically a HDR is an evolutionary process.

Employing an expert to moderate the discussion

Owing to the complexity of the theme and the need to ensure a focused and constructive discussion, we hired an external expert to moderate the discussion.

- o *Do*: Ensure that there is a clear division of labor between the external moderator and the internal facilitation team. There must be a system in place to ensure that contributions do not fall between the cracks as all participants would like to see their contributions posted!

Keep the discussion lively

It is important to devote adequate human resources to the discussion network. In order for such discussions to yield beneficial outcomes, participants need to be constantly nurtured, prompted, coaxed and provoked. Bottlenecks, including technical glitches, must be dealt with rapidly to ensure the speedy and seamless flow of information. It is equally important to develop processes that ensure that the collaborative knowledge-producing potential of the network is fulfilled by constantly challenging and provoking responses from members. There is otherwise the danger that the network can wither in the absence of sustained supervision from the team.

- o *Do*: Set aside adequate time. A fair amount of time and effort needs to be devoted towards inviting specialists and stakeholders to contribute during the discussion. An important lesson learnt from our experience was that it was useful to have a couple of substantive contributions ready as well as some firm commitments from members to contribute, before the launch of a discussion on various sub-themes. This procedure worked successfully as we had a good contribution to spark off the discussion and were also able to insert a contribution if or when the pace of the discussion slowed.
- o *Do*: Try to keep a balance between very theoretical contributions and more hands-on comments. This is vital in ensuring that all your members remained engaged. Also make a concerted effort to keep the discussion lively and interesting!
- o *Don't*: Underestimate technical aspects. Unfortunately, we spent much more time than originally anticipated, on the technical aspects of the LYRIS software. Our experience was that it was more efficient to prepare the messages in Outlook, but it was equally necessary to be familiar with LYRIS in order to post messages when away from the office or when some specific features had to be used- for e.g., the hello message, adding members, survey, etc.

Synthesizing the discussion

Prepare a consolidated reply. This is a valuable exercise that enables the members to see all contributions in one place. It may also be useful to develop a synthesis/summary of the discussion, and/or each sub-theme.

- o *Do*: Reflect the diversity of your discussion in the synthesis. Nobody wants their contribution to be included as supporting an argument they contradicted or did not express their views on.
- o *Don't*: Leave the synthesis until the end of the discussion. Summarize each sub-theme, or keep a short summary that will enable you see the direction of the discussion and adjust sub-themes and questions posted on the network accordingly.



Human Development Report Unit

Regional Centre in Colombo

23 Independence Avenue

Colombo 7

Sri Lanka

Tel: +94 11 4526400

Fax: +94 11 4526410

Email: asiapacific.hдру@undp.org

Website: <http://www.undprcc.lk>