

Discussion Paper

# Challenging Corruption: Prioritising Social Services for Human Development



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Human Development Report Unit  
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Discussion Paper

# **Challenging Corruption:** Prioritising Social Services for Human Development

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**Human Development Report Unit  
UNDP Regional Centre for Asia Pacific  
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## Abstract

The paper explores the relationship between the scourge of corruption and human development and argues for prioritizing social services in finding solutions. While the focus is on Asia Pacific, the issues are relevant more generally for developing countries. It addresses conceptual issues in defining and measuring corruption and argues that corruption is a complex and multi-dimensional phenomenon. Its very nature inhibits a unique definition and measurement. There are popular indices of corruption which may indeed be useful for some purposes. However, no metric by itself measures this phenomenon in all its complexity. This paper proposes a complementary method to gauge the vulnerability of a country to corruption by identifying some indicators that can capture *ex ante* the climate of corruption. Such a strategy could help prevention.

Corruption hurts everyone, but the disadvantaged are hurt the most. The paper focuses on social services – in particular, publicly funded education, health and the basic utilities of water, sanitation and electricity. The better off can access other options, but it is the poor who are far more dependent on public provisioning. While there are other factors that interfere with availability, access and quality of social services, corruption is a contributory and aggravating factor. Shortages also provide conditions for survival corruption. It also generates a sense of injustice and disempowerment, particularly for the poor. Thus, while the poor are already excluded from various opportunities because of lower initial endowments, market imperfections, and asymmetric knowledge, corruption erects an additional barrier that widens inequality between the more and less privileged. However, there are success stories of anti-corruption initiatives in the region which the paper highlights.

While all forms of corruption need to be tackled, reducing those that hit the poor the hardest should be prioritized from a human development perspective. The paper proposes solutions combining *top-down-plus-bottom-up* pressure. Pressure from above, through political will, can be sustained through people's expectations, checks, and support from below. This strategy underscores the point that just as the motivations for corruption lie inside and outside of governments, the responsibility to fight corruption cannot be that of governments alone. To be successful, anti-corruption strategies must leverage checks and balances at all levels.

While details and priorities need to be guided by national circumstances, there are some common points under the overall sandwich strategy of *top-down-plus-bottom-up* that together could create a tipping point.



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# 1

## Introduction

Corruption has become an increasing concern around the world – among citizens, national and local governments, donors, media and civil society. No country is immune to it, regardless of its economic or political system. Its damaging effects go well beyond what can be measured in money terms; to restricting opportunities and choices for people. The costs to societies include the obvious loss of public revenues, economic inefficiencies and unequal access; they also include the less obvious costs of weakened institutions, unchecked environmental damage, a persistent sense of injustice and disempowerment, an undermining of values and norms, with longer term consequences that are hard to reverse. The impact on the poor, on daily lives of people, and on human development more generally, is now beginning to receive attention and needs to be more directly addressed as a poverty-focussed governance issue. Corruption, through loss of tax revenues, reduces resources available for public policies for inclusive growth, social services and safety-nets. Stepping back, it can also influence the very direction of public expenditures – channeling them to areas which are more vulnerable to collusive siphoning of resources. Further, more directly, corruption can magnify the harm to health and education services, reliable access to credit or electricity for small and micro business. It can make a mockery of social safety-net programmes, such as subsidized grains for the poor, school feeding, pensions or employment schemes which are essential to support the most vulnerable by giving them an opportunity to survive or exit poverty.

The objectives of this paper are to explore the relationship between the scourge of corruption and human development and to propose solutions to accelerate human development, especially for the relatively disadvantaged. While the focus is on Asia Pacific countries, given the pervasiveness of the scourge, and the commonality of many aspects of the circumstances, issues and solutions, it is expected to be relevant to other developing countries as well.

The premise is that corruption eventually hurts everyone, but the disadvantaged are hurt much more. The paper focuses on social services - in particular, public health, education and utilities - where the poor are especially affected, as they tend to depend heavily on public provisioning, and are least able to pay bribes for what should be theirs by right. Corruption diverts goods and services away from the poor to those who have money (so they can pay bribes) or power (so they may not need to bribe). While there are other factors that interfere with availability, access and quality of social services<sup>1</sup>, corruption is a contributory and often aggravating factor. It also generates a sense of injustice and disempowerment. Conditions of shortages drive those at the bottom to survival corruption. Thus, while the poor are already excluded from various opportunities because of lower initial endowments, market imperfections, and asymmetric knowledge, corruption erects an additional barrier that widens inequality between the more and less privileged.

*Section two* addresses conceptual

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1 For example, low policy priority, little credible pressure from users, inadequate investment, funding constraints, natural monopolies.

issues in defining and measuring corruption and presents an analytical framework to explain how corruption undermines access to social services - health, education and utilities.

*Section three* analyses the pattern of corruption perceptions and human development in Asia Pacific countries.

*Sections four, five and six* analyse the nature of corruption in education, health and the basic utilities of water,

sanitation and electricity, and present some of the implications relevant for human development, especially for the poor with possible solutions for curbing corruption. The final *section seven* discusses some policy options to curb corruption in social services to accelerate human development. Solutions need to be rooted in local conditions. Yet there are some common factors that have wider applicability. They also need to be grounded in human development if this is the ultimate aim.

### • 2.1 Concepts

Corruption is commonly understood as the 'misuse of entrusted power for private gain'. This definition includes corruption by individuals, but it does not go beyond public officials and politicians. Moreover, it is a limited definition since it portrays corruption as a one-way process driven by the greed of those in power. The balance of power is not necessarily on the side of the corrupt person with 'entrusted power', since powerful financial and other interests can overwhelm underpaid officials and weak administrations. But all corrupt transactions have at least two players – the receiver and the giver – who have a common understanding, whether willingly or unwillingly forged. Some acts of corruption involve coercion – a demand for a bribe, for example, or extortion. This tends to happen in secret but may also become public if the victim protests, though there are costs to such protests. Others involve collusion between the corruptee and the corruptors – a premeditated meeting of minds that is harder to detect as both parties have an interest in concealment. Shortages-based corruption occurs when demand outstrips supply and citizens pay sums not legitimately required for access. For example, a lot of 'survival' corruption, especially in essential services like water or electricity connections, or in quality schools or hospital beds, is conducted by ordinary people in their daily lives. Corruption can take on many forms ranging from the gross to the subtle, some of which are not widely understood. The phenomenon is thus difficult to capture in a single definition or measure as seen below.

Corruption is intrinsically bound up with social norms and practices (Gampat 2009a). However, it is important to distinguish between cultural pluralism and cultural relativism. Cultural pluralism acknowledges that traditional practices differ and that these differences will affect the forms of corruption, but it is nevertheless consistent with an underlying set of universal principles that would condemn corruption. Cultural relativism, on the other hand, would say that it is impossible to apply values across traditional practice systems – each country has to work out its own principles of right and wrong – including on corruption<sup>2</sup>.

### • 2.2 Categorising corruption

Corruption take many forms<sup>3</sup> such as *bribery, embezzlement, theft and fraud, extortion, abuse of discretion, favouritism, nepotism and clientelism, creating or exploiting conflicting interests and improper political contributions*.

*Grand and 'petty' corruption* - Classified by money value, grand corruption involves mega deals where the monetary value is very high as in large contracts. The participants are usually large businesses and high-level politicians and officials. Periods of rapid economic growth offer opportunities for grand corruption, particularly through investment in infrastructure or extraction of natural resources. But grand corruption need not wait for periods of robust economic growth: many areas of government activities – such as arms supplies, for example – are shrouded in secrecy and thus vulnerable to grand corruption.

2 A related idea is 'cultural determinism' which would find some traditional practices innately more prone to corruption. Some studies have found evidence that traditional practices do not matter but they do not show that some are destined for corruption or are likely to be more tolerant of it (La Porta *et al.* 1997; Triesman 2000; Lipset and Lenz 2000; Paldam 2002).

3 See the most common forms of corruption in UNDP (2008a).

'Petty' corruption is more appropriately called 'street' or 'retail' corruption, as although it involves much smaller transactions, they are more frequent with a much more direct and immediate impact on the poor. Retail corruption typically involves lower officials, agents or sub-agents who demand or accept 'speed money' to issue licenses, provide access to schools, hospitals or water supplies. Retail corruption often thrives during periods of weak economic growth or during periods when goods and services are in short supply – real or deliberately created shortages by agents who by erect additional bureaucratic hurdles. Although many acts of corruption, whether grand or petty, are clear enough, there can be areas of ambiguity.

*Legality and illegality* – Acts many people would regard as corrupt need not automatically be illegal. Thus, until a few years ago, it was legal for companies based in OECD countries to bribe officials in other countries. Only recently<sup>4</sup> has this become a crime in home countries. On the other hand, there are many illegal acts that are not corruption. Theft of a car is an illegal not but a corrupt act. Some types of facilitation by lawyers or accountants can be technically legal.

*State capture* – Happens when private interests have effectively taken over some state functions subverting the system (Kaufman and Vicente 2005). For example, if an international mining company determines the contours of a country's mining policy, this is 'state capture' by non-state actors. Where profit potential is very high, private interests may influence the business of state in one way or the other to adjust laws or regulations that make their activity 'perfectly legal and perfectly corrupt' (Rajivan 2008).

*Lobbying* – Many developed countries frown at bribery yet allow high-powered lobbyists to bombard the public with one-sided information and arguments. The lobbyists do not provide cash but may offer free 'services', such as research and information with the intention of influencing law-making or contracts.

*Private and public* – Private entities, such as businesses, professional sports, research, stock markets can all engage in corruption, no less than politicians and officials. Corruption also occurs at the *interface* between the public and private sectors. In many countries across Asia and island states of the Pacific, where there are strong notions of hierarchy, it is considered appropriate to make payments to those in authority as a way of showing respect. In these cases the public-private interface can be ill-defined; power seen to reside not in offices but in the persons of high officials. These lines can be further blurred when loyalty comes into play and officials have ties based on, say, ethnicity or religion – and may favour groups even without direct financial gain.

*Gift giving* – When is a gift a bribe? In many Asia Pacific societies, daily transactions and social networking traditionally involve gifts, typically consumable items such as food. Indeed, in many Pacific countries *not* giving a gift can be seen as corruption. However, as traditional systems of governance intermingle with 'introduced' systems the potential for corruption emerges: for example in gifting of non-consumable items of high value like land or gold. This manipulation of a traditional practice has often been used to justify corrupt acts.

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<sup>4</sup> The 1997 Revised Recommendation on Combating Bribery in International Business Transactions (OECD, n.d).

### • 2.3 Distinguishing features of corruption

Corruption is certainly not a new phenomenon. Rulers have been occupied with this issue ever since the states started collecting funds from the governed – initially then peasant agriculture. The Indian statesman-philosopher Kautilya wrote in the fourth century B.C. about the king's servants: "Just as it is impossible not to taste honey or poison that one may find at the tip of one's tongue, so it is impossible for one dealing with government funds not to taste, at least a little bit, of the King's wealth."<sup>5</sup> While Kautilya is here speaking of corruption in government, it is a phenomenon observed no less in the private sector, as seen in sections 2.1 and 2.2. Corruption occurs due to a strong prioritization of immediate gain, even at the expense of others, and is especially observed in common property situations. A potential for corruption arises in situations of 'gatekeepers' who need to be passed for a benefit to accrue, where power can vest.

Gampat (2009b) pondered over the larger question "whether corruption is part of human nature?", and concluded that a full understanding of the phenomenon requires us to step outside of the economic domain and draw upon sociology (social norms and practices), anthropology, evolutionary psychology, evolutionary biology and neuroscience.

While underlying causes of corruption are complex and difficult to identify, six core characteristics or prerequisites for a corrupt act may help understanding the reasons for corruption better (Gampat 2009a; Rajivan 2009). These are:

- The existence of a **Gap** between group and individual interest or between short and long-term benefits.

- **Two or more parties** since one can hardly be corrupt with one's own self.

- **Consenting persons** that have a common understanding, with reciprocity, explicit or understood, whether by collusion, coercion, through perceived lack of choice, passive or facilitative.

- **Benefit furtherance**, be it private, sectional, or political party interest.

- **Existence of power** that could be grabbed, usurped, entrusted or otherwise available; corruptors (givers) can have power; it should be available, whether in public or private hands or both.

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

The last prerequisite is complicated by the fact that what constitutes 'misuse' or unacceptable behaviour could differ by context, shaped by local norms and priorities<sup>6</sup>. Whose or which norms should receive primacy remains an open question.

### • 2.4 Issues in measurement

Corruption is largely an unobserved phenomenon and, therefore, hard to measure directly. Measurement is also complicated as "there is no single, comprehensive, universally accepted definition of corruption" (Langseth 2006). Consequently, no single metric satisfactorily captures the phenomenon. For example, corruption could be measured in terms of its consequences - loss of money siphoned off or by the number of people affected. Perception based measures attempt to gauge people's perception of corruption, which may be different from "experienced" corruption.

<sup>5</sup> Kautilya, *The Arthashastra*. Edited, rearranged, translated and introduced by L.N. Rangarajan in 1992.

<sup>6</sup> For example, in rural India the poor may think it is perfectly legitimate to draw water from pipelines that take water to the city (making unauthorized holes in the pipes, paying the field staff a 'fee') when the pipes pass through wayside villages without serving them. But others would consider such local collusion corruption - field staff collecting bribes in return for turning a blind eye to the water theft.

Moreover, corruption can happen at many different levels, from the lowest to the highest, and also cross national boundaries. Measures of one kind can only imperfectly represent a country as a whole. It is difficult to capture the extent of an inherently under-the-table phenomenon, including its role in undermining institutions, values and norms. Yet measuring corruption is an important element of any anti-corruption strategy – for focusing public attention, shaping public policy, and for monitoring the phenomenon. Donors and investors frequently use available measures of corruption to guide aid and other financial commitments.

They are in fact a number of measures to gauge corruption (see Annex) but the two most popular indices are:

*Corruption Perceptions Index (CPI)*- Produced annually by Transparency International (TI), since 1995 the CPI is perhaps the best-known index of corruption<sup>7</sup>. By 2007, the CPI, which is based on perception surveys, covered 180 countries. Several Asian countries are listed regularly as some of the most corrupt countries in the world.

*Control of Corruption Index (CCI)*- Produced since 1996 by the World Bank, is another popular corruption index. Although its title suggests that it is measuring the effectiveness of measures to control corruption it is, in fact, another perception index. It does differ, however, in a number of respects from the CPI. The CCI gathers data from a wider range of sources than the CPI and also covers petty and grand corruption as well as state capture. In addition, the CCI uses different statistical techniques that make it better suited for comparisons across countries and over time. However, because the CCI is based on both perceptions and observed data, interpretation

can be tricky.

A complementary innovative approach<sup>8</sup> is to gauge the climate of corruption by identifying observable and measurable indicators that make a country vulnerable to corruption. The corruption vulnerability index (CVI) is a first step in this direction (Gampat *et al.* 2009). Using 21 directly observable and measurable indicators in 12 dimensions (Table 2.1), such as the marginal tax rate and relative wages in the public sector, the CVI gauges the country's susceptibility to corruption<sup>9</sup>. Equal weight is applied to all the dimensions and all the indicators in calculating the CVI. In short, the

$$(1) \text{ CVI} = \sum_{j=1}^N X_j^* / N$$

where  $X_j^*$  is the scale-free indicator that is obtained by applying the range equalization method to observed  $X_j$ . Thus,  $X_j^* = (X_{ij} - X_{j \min}) / (X_{j \max} - X_{j \min})$  where  $X_{ij}$  refers to observed value of  $j$ th indicator for  $i$ th country,  $X_{j \max}$  is the observed maximum value of the  $j$ th indicator,  $X_{j \min}$  is the observed minimum value of the  $j$ th indicator,  $N$  is the number of indicators.

There are three distinct advantages of measuring vulnerability to corruption. First, an ex ante assessment of the potential that a phenomenon may, in fact, occur helps in assessing the need for a prevention strategy. Second, appropriate selection of indicators can help policy makers to target their interventions on the most vulnerable areas. Third, difficulties in measuring non-observable aspects of a complex phenomenon can be minimized by a focus on the 'climate' that influences the likelihood of the phenomenon. The aim of the CVI is to complement the existing outcome measures, such as CPI and CCI, and not to substitute or improve upon them.

7 "The goal of the CPI is to provide data on extensive perceptions of corruption within countries" Transparency International (2007a).

8 This work was part of the research that went into the Asia Pacific Human Development Report, *Tackling Corruption, Transforming Lives* (UNDP 2008a).

9 See Gampat *et al.* (2009) for detailed method of calculating CVI and justifying the selection of indicators.



Table 2.1: Factors capturing the vulnerability of countries to corruption

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

Source: Gampat *et al.* 2009.

## • 2.5 A focus on corruption in social services

Corruption reduces the level of effectiveness of social spending and as a consequence increases income inequality and poverty (Gupta *et al.* 1998). The

poor depend much more on public provisioning of health, education and utilities, such as water and electricity, with very direct human development implications. Corruption can also aggravate gender inequalities as unmet demands for bribes may further restrict women's



access to health and education. Corruption may also undermine services such as the provision of water which may increase women's labour; as fetching water is often a task traditionally assigned to women; or they may be unable to participate in cottage industries or micro-businesses if electricity is not available.

Social services are open to several types of corruption – from grand to retail to state capture. Here both greed-based and need-based survival corruption can be observed and participants can come from the public and private sectors as well as the unemployed. Corruption may take the form of licenses to private companies producing counterfeit drugs or large construction contracts for education or utilities projects. Shortages of electricity or hospital beds arising from supply-demand gaps motivate citizens to jump queues through side deals.

Corruption in these sectors also has serious negative externalities. Poor health leads to greater absenteeism from work and loss of person-days. Poor water and sanitation can lead to spread of infectious diseases that cut across income classes. A cross-country study by Gupta *et al.* (2000) finds that corruption in access to hospital facilities can contribute to higher child mortality. The study also found that corruption in education increases drop-out rates in schools. While everyone loses eventually, the poor face immediate and direct losses. In a situation of shortages, those who can pay have better access – with the poor losing out. The rich and the powerful can get the best deals out of the existing stock, either through bribery or connections. They also have better access to markets. Thus, while the poor are already excluded from various opportunities such as credit and insurance

because of market imperfections, corruption erects a further barrier. Significantly, the poor use up a higher proportion of their income to pay bribes even if they do so less frequently than those who are better-off.

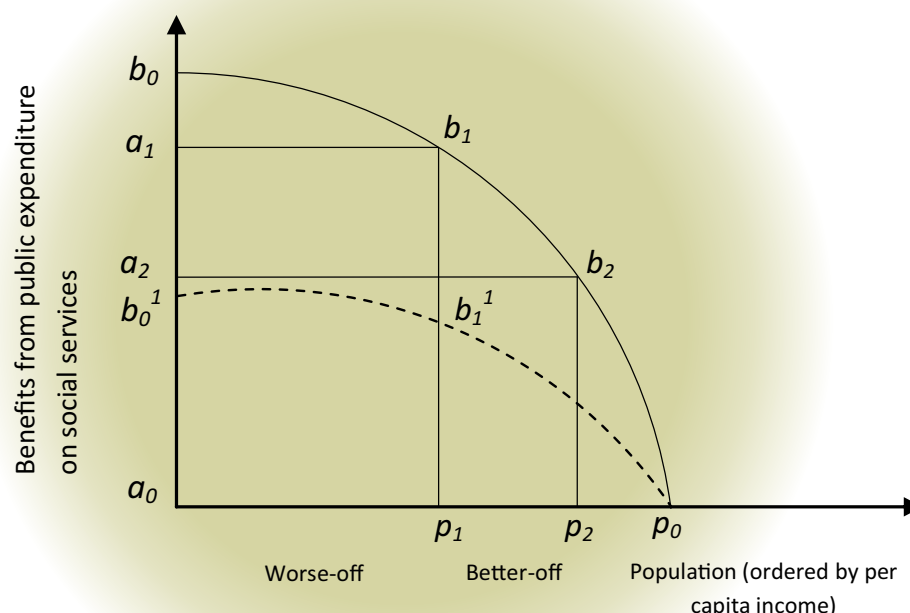
Important ways in which corruption in social services operate to harm the poor can be analysed by adapting the framework of Shleifer and Vishny (1993). *First*, corruption can limit the supply of social services, for example, when government officials create conditions in which people have to pay a bribe for access, raising cost of access, thus limiting supply.

*Second*, corruption by siphoning public funds or material, i.e., 'corruption with theft' as Shleifer and Vishny (1993) call it, results in revenue loss to the government treasury. This happens through collusion between influential persons and officials, favouritism or under-invoicing the cost of providing services. Such corruption, in the long run, can affect the supply of public services.

*Third*, corruption can divert public funds to unintended beneficiaries. For example, teachers restricting admissions without bribes in schools or providing government funded books intended for poor students to others. It would be harder to achieve the objective of a literate population under such circumstances. Safety net programmes in some Asia Pacific countries also suffer from such leakages (Burra 2009, Rajivan 2007).

*Fourth*, distortion of public policies can occur through a preference for more lucrative larger contracts (military, large construction) rather than smaller projects that may be better aligned

**Figure 2.1: Social services: How corruption erodes benefits to the worse-off**



to the needs of the worse off. This can also limit the supply of social services (Mauro 1997; Shleifer and Vishny 1993). Figure 2.1 presents a graphical representation.

The figure shows the total potential benefits (per capita) from publicly funded social services in the form of a production possibility curve  $p_0b_0$ . We call it the *benefits possibility curve*<sup>10</sup>. The shape of the curve depends on the returns to public expenditure on social services. Since the better off can exercise private options, we assume that benefits to them are less than those to the worse-off or the relatively choiceless. Conversely, loss to the worse-off from denial of access to public provisioning of social services is higher than that to the better-off.

In other words, with increase in per capita income there are diminishing returns to public provisioning of services. This implies that every time a better-off person enjoys the benefit, which may come at the cost of poor, the loss of benefit to poor is higher than the gain accrued to the rich. So the benefits possibility curve is concave to the origin. Under constant returns to public expenditure for all, regardless of income per capita, the benefits possibility curve would be a downward sloping straight line.

The full benefits of the public expenditure on social services are realized anywhere along the curve  $p_0b_0$ . The point  $a_0$  shows the potential benefit of publicly provided social services when these are available to the whole population, in-

<sup>10</sup> This is a conceptual figure for illustrative purposes assuming that reduction in potential per capita benefit is only through corruption. In other words, we hold constant factors like inefficiencies, budgets, different policy priorities, etc., which can also limit per capita benefits.

cluding all the rich. The minimum level of benefit accruing to each individual beneficiary is  $a_o$ , which is positive and asymptotic to zero as the benefits are distributed among all the population. The point  $b_o$  shows the potential benefit of public expenditure on social services when this is concentrated on a single individual, the poorest. So  $b_o$  is the maximum benefit that can accrue to a single individual. If only the worse-off section of population<sup>11</sup> gets the benefits of the public provisioning, the level of benefit is  $b_i$ . Now, assume corruption diverts a chunk of the benefits from the intended beneficiaries—from those who are worse-off to those who are better-off ( $p_1 p_2$ ). So the level of benefit per

head goes down to  $b_2$ . Loss of benefit to the poor is equivalent to  $a_1 a_2$ . Thus the full advantage to society of public provisioning of social services is not realized.

Corruption, by siphoning off revenue from the government treasury, can lead to reduction in supply of public services. Shifts in public investment away from social services to large, lucrative projects would also reduce supply of social services. This will shift the benefits curve down to  $p_o b_o$ <sup>1</sup> (the dotted curve). The maximum benefit that the poor can get in such a situation will be  $b_i$ <sup>1</sup>. Both scenarios show that corruption undermines the benefits accruing to poor.

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11 This could, for example, be identified on the basis of some specified criteria, as part of public policy.

As we have seen in section 2.4, there are unresolved issues in measuring corruption as no single metric adequately gauges it. The perceptions based measures, such as the CPI and CCI, have become popular in corruption literature recently. Table 3.1 presents both CPI and CCI for the latest years of data availability for 25 Asia Pacific countries. As a complementary measure to these outcome indices the CVI, which gauges vulnerability of countries to corruption, is also presented for 17 Asia Pacific countries<sup>12</sup>. The table adds the HDI, enrolment in higher education and inequality indicators to examine the pattern of corruption indices with key human development indicators.

Among the Asia Pacific countries, perception of corruption perceptions, measured by CCI 2007 and CPI 2007,

are highest in Myanmar, Bangladesh, Lao PDR, Cambodia and Papua New Guinea in the descending order of severity. However, the CVI shows that Pakistan, Lao PDR and Papua New Guinea are relatively more vulnerable to corruption. It is pertinent to note here that the CVI uses indicators that can capture ex ante the potential vulnerability of a country to corruption. A comparison of the three indices shows that the CVI does not correlate strongly with the CPI<sup>13</sup>, although its correlation with CCI is relatively high<sup>14</sup>. However, the three indices do generally point in the same direction. If the CVI, CPI and CCI all point in the same direction for a given country, this will probably be a robust result. On the other hand, if measures show inconsistent results, then there is perhaps a need for closer scrutiny.

**Table 3.1: Corruption and human development in Asia Pacific**

	Control of corruption index (CCI) <sup>a</sup>	Corruption perceptions index (CPI) <sup>b</sup>	Corruption vulnerability index (CVI) <sup>c</sup>	HDI <sup>d</sup>	Higher education enrolment, gross (%) <sup>d</sup>	Inequality: (Ratio of expenditure shares of richest 20% to poorest 20%) <sup>d</sup>
	2007	2007	2004	2005	2004	1990-2004
<i>East Asia</i>						
<i>Cambodia</i>	-1.08	2.0	0.486	0.598	2.9	6.9
<i>China</i>	-0.66	3.5	0.403	0.777	19.1	10.7
<i>Indonesia</i>	-0.72	2.3	0.398	0.728	16.7	5.2
<i>Japan</i>	1.20	7.5	..	0.953	54.0	3.4
<i>Korea, Rep. of</i>	0.36	5.1	..	0.921	88.5	4.7

12 The CVI pertains to year 2004 since this index is constructed by using 21 observable and measureable indicators for the latest available years (See Table 2.1).

13 Gampat *et al.* (2009) calculated Spearman's rank correlations between CVI and CPI for the sample 17 countries to test the direction and strength of relationship between the two indices. It is observed that the correlations between CVI and CPI 2005, or CPI 2006, are insignificant even at the 10 per cent level. The correlation between CVI and CPI 2007 is marginally significant (only at the 10 per cent level). However, a close look at the CPI 2007 shows that there are drastic changes in perceptions of corruption in certain countries such as Bhutan, Lao PDR, Papua New Guinea and Thailand. There was also a change in the methodology for the computation of the 2007 CPI values. Nevertheless, the rank correlations between CVI and CPI do not show any consistent pattern.

14 The rank correlations between CVI and CCI, using data for 2005 and 2006, for the sample 17 countries, are significant at the 5 per cent and 10 per cent level respectively.

**Table 3.1: Corruption and human development in Asia Pacific (contd.)**

	Control of corruption index (CCI) <sup>a</sup>	Corruption perceptions index (CPI) <sup>b</sup>	Corruption vulnerability index (CVI) <sup>c</sup>	HDI <sup>d</sup>	Higher education enrolment, gross (%) <sup>d</sup>	Inequality: (Ratio of expenditure shares of richest 20% to poorest 20%) <sup>d</sup>
	2007	2007	2004	2005	2004	1990-2004
<b>Lao PDR</b>	-1.00	1.9	0.544	0.601	5.9	5.4
<b>Malaysia</b>	0.19	5.1	0.312	0.811	32.0	12.4
<b>Mongolia</b>	-0.61	3.0	0.439	0.700	38.9	9.1
<b>Myanmar</b>	-1.46	1.4	..	0.583	..	..
<b>Philippines</b>	-0.79	2.5	0.317	0.771	28.8	9.7
<b>Singapore</b>	2.20	9.3	..	0.922	..	9.7
<b>Thailand</b>	-0.44	3.3	0.267	0.781	41.0	7.7
<b>Timor-Leste</b>	-0.92	2.6	..	0.514	..	..
<b>Viet Nam</b>	-0.69	2.6	0.455	0.733	16.0	6.0
<b>South Asia</b>						
<b>Bangladesh</b>	-1.05	2.0	0.479	0.547	6.0	4.6
<b>Bhutan</b>	0.92	5.0	0.524	0.579	..	..
<b>India</b>	-0.39	3.5	0.477	0.619	11.8	4.9
<b>Nepal</b>	-0.66	2.5	0.431	0.534	5.6	9.1
<b>Pakistan</b>	-0.83	2.4	0.552	0.551	3.2	4.3
<b>Sri Lanka</b>	-0.13	3.2	0.398	0.743	..	5.1
<b>Pacific</b>						
<b>Australia</b>	2.05	8.6	..	0.962	72.2	7.0
<b>Fiji</b>	-0.46		0.377	0.762	15.3	..
<b>New Zealand</b>	2.36	9.4	..	0.943	85.8	6.8
<b>Papua New Guinea</b>	-1.05	2.0	0.514	0.530	..	12.6
<b>Samoa</b>	0.24		..	0.785	..	..

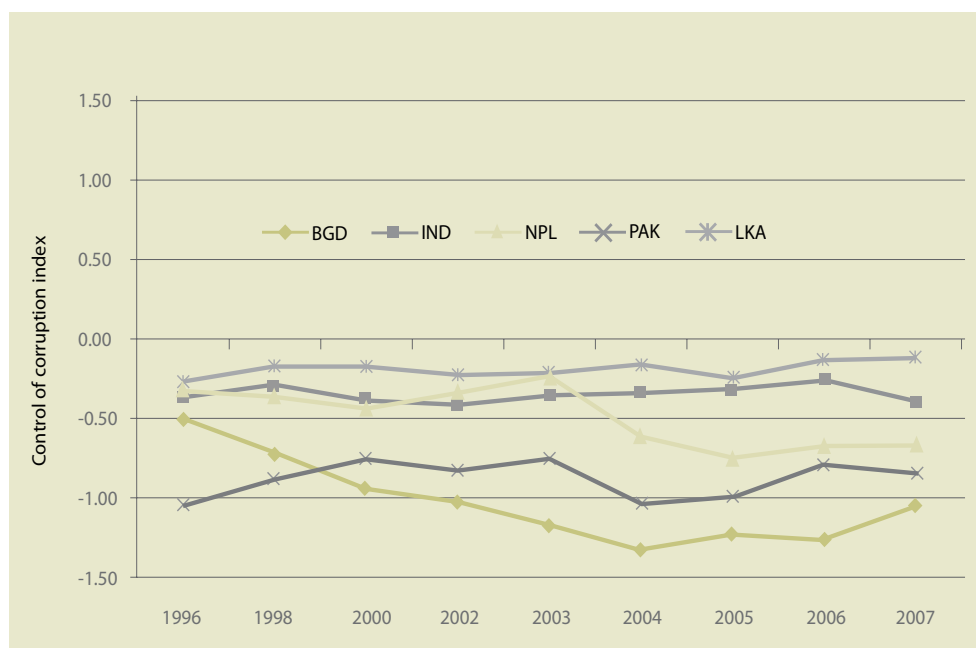
Note: CCI values range between -2.5 to 2.5; higher values represent greater control of corruption. CPI values range between 0 and 10; higher values represent low perceptions of corruption. Source: (a) World Bank 2008; (b) Transparency International 2007b; (c) Gampat et al. 2009; (d) UNDP 2007.

In terms of trends in corruption in Asia Pacific, the CPI series is available from 1995 to 2007 for a few countries (though not strictly comparable over time because of changes in methodolo-

gy and data sources). For most countries in the world, the CCI is available since 1996 with comparable data<sup>15</sup>. However, one major shortcoming of both indices is that many of the data sources are

15 The CCI 2007 revises all back year series up to 1996.

Figure 3.1: CCI trends in countries of South Asia



Source: World Bank 2008.

based on perceptions, which are sticky in the short-run. That is, both CPI and CCI can be expected to change insignificantly in the short-run. This makes it *hard to distinguish between a lack of change in actual corruption and the stickiness of perceptions*. One example is the CCI series for sample South Asian countries (figure 3.1). Except for Bangladesh, which shows a worsening corruption situation, the CCI values for other countries do not vary much from 1996 to 2007.

What is the relationship among corruption and human development? If, for example, corruption influences human development, is there a feedback effect from human development to corruption? Corruption can directly affect human development because it reduces government expenditure on education and health (Mauro 1998). But it can also do so indirectly by lowering eco-

nomic growth and incentives to invest. Figure 3.2 plots CCI 1996 against HDI 2005; that is HDI for a later year with the CCI for a previous year. The correlation shows that countries having higher control of corruption in the past tend to have higher human development at present, such as Malaysia, Japan, Singapore, New Zealand and Australia. Alternatively, there can be feedback effect from human development to corruption. Figure 3.3 plots the CCI 2007 against the HDI 2005; that is HDI for a previous year with the CCI for a later year.

This figure also shows that countries that have higher (better) control of corruption also have high human development, as is the case with Malaysia, Japan, Singapore and Australia. On the other hand, Bangladesh, Timor-Leste, Papua New Guinea have lower control of corruption and lower attainment of human development. Bhutan

is an outlier; it has a higher corruption control but relatively low human development. The pattern thus seems to suggest that human development conditions and corruption control move together. While correlation is not

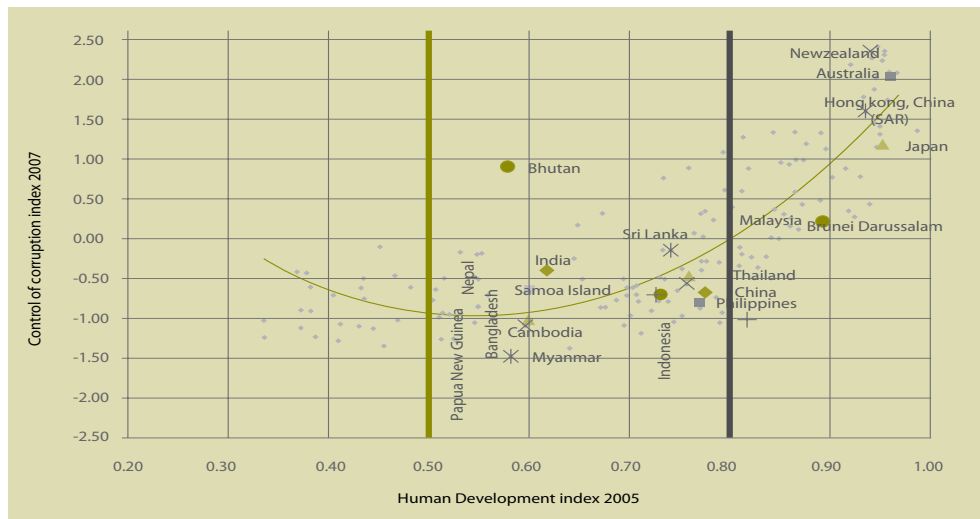
causation, it is probable that causality may run from human development to corruption while acknowledging that, simultaneously, high corruption control may positively influence human development.<sup>16</sup>

**Figure 3.2: Control of corruption and human development**



Note: The **green** line marks countries between low and medium human development; the **black** line marks countries between medium and high human development.  
Source: World Bank 2008; UNDP 2007.

**Figure 3.3: Human development and control of corruption**



Note: The **green** line marks countries between low and medium human development; the **black** line marks countries between medium and high human development.  
Source: World Bank 2008; UNDP 2007.

16 Plotting CCI 2006 with HDI 1980 to allow for the effect of initial levels of human development also reinforces the same pattern.

# 4

## Corruption in education

### • 4.1 Why is education important yet vulnerable?

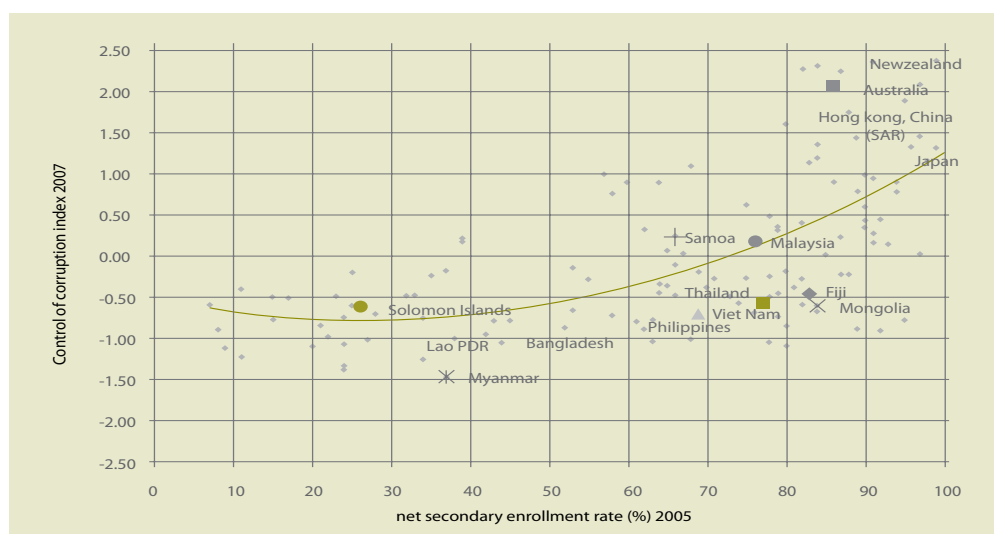
One might expect the wider spread of higher education to contribute to promoting discerning minds and empowerment that can help in controlling corruption. Does higher education in fact imply better control of corruption? Higher educational attainments imply better human development. Education, not just literacy, empowers citizens: it helps them to access entitlements, to demand rights, to raise their voices against irregularities; and reduces asymmetric information, all of which can contribute to vigilance over corrupt practices. One would, therefore, expect higher educational attainments to be associated with lower corruption. The correlation between perceived corruption and secondary enrolment rate is illustrated in Figure 4.1. Corruption perception is measured by the CCI 2007 and second-

ary enrolment rate relates to 2005, the latest comparable data available. Countries with higher attainment of secondary enrolment do show higher control of corruption.<sup>17</sup>

Better education can also have inter-generational effects as well. Higher educational attainments can be part of the solution set. But, of course, the education sector itself is plagued by corruption in several countries.

A number of factors contribute to vulnerability of this sector. The number of employees, low salaries, the construction contracts, the purchase of text books, desks and other supplies, the shortage of seats in better schools, various levels of desirability associated to postings, inadequate accountability and monopoly of power are among the factors that make this sector vulnerable. Contracts arising from building construction, running of hostels, and purchase

**Figure 4.1: Secondary education and control of corruption**



Source: World Bank 2008; UNDP 2007.

<sup>17</sup> Plotting CCI 2007 with Net secondary enrolment rate 2000-01 to allow for the effect of initial levels of secondary education also shows the same pattern, reinforcing the conclusion.



of school supplies; and benefits for poor students like free uniforms or scholarships provide opportunities for corrupt behaviour. The large size of many educational operations and far-flung locations can make supervision difficult. Accountability is therefore often low.

#### • 4.2 Types of corruption in education: Examples from Asia Pacific

Corruption by category of participants in education systems in Asia Pacific are summarised in Table 4.1. Corrupt practices range from misappropriation of public funds, to misuse of public office, abuse of administrative and political power, theft, kickbacks and the exchange of informal payments and favours. Six common ways in which corruption

occurs in the education sector are:

- Distorting public policies and laws.
- Siphoning of public funds.
- Taking and giving bribes.
- Personnel-related corruption.
- Corruption with theft - stealing goods.
- Negligent regulation.

*Distorting public policies-* A well-known form of distortion in public policies is the prioritisation of expenses and programmes that provide a greater scope for corruption. In this regards, Mauro (1998) and Knack and Sanyal (2000) found that corruption reduced the share of public expenditures on education. Part of the reason for this has to do with the allocation of resources: preference given to construction rather than operation and maintenance because it offers greater scope for corruption.

**Table 4.1: Corruption in the education sector by participant category**

Student-Teacher	Payer-School	School-Supplier	Within School/Ministry
Bribes for admission	"Ghost schools" for processing vouchers	Kickbacks for purchase orders for textbooks, equipment, supplies, meals and cleaning services	Sale of jobs and promotions and transfers
Bribes for grades and promotions	Inflating number of students to get reimbursements	Bribes for approval of textbooks	Theft of funds
Induced demand for private tuitions	Loan officers bribed to give loans to rich students or non-students	Board members bribed by publishing houses for selecting their textbooks	Theft of supplies
Absenteeism	Students who stay in university for decades to collect stipends	Bribes for turning a blind eye to photocopying textbooks and violating intellectual property	Fraudulent billing for expenses
Teaching badly		Kickbacks for construction	Under allocation to education
Sale of exams and bribes for letting professional exam-takers take exams for students	Commission in order to receive salary		Prioritizing Public-sector priorities in favour of rent-seeking expenditures

Source: Azfar and Azfar 2009.

*Siphoning and diversion of funds-* Non-functional or non-existing institutions and personnel and the diversion of benefits to ineligible persons siphon off and divert funds. In Pakistan, the first Education Census in 2006 revealed that 7.7 per cent of all educational institutions were non-functional and, in all probability, “ghost institutions”. Student loans, free uniforms or other supplies may be given to people who are neither needy nor students. The implementation of voucher schemes may lead to the proliferation of “ghost schools” that process vouchers without providing education—similar to fraudulent health reimbursement schemes.

*Taking and giving bribes-* Unofficial payments of bribes to access the most basic education services, whether willingly or unwillingly paid, arise from collusion, extortion and/or shortages. Based on the findings of the report-card survey in Bangladesh, Hallak and Poisson (2007) found numerous irregularities in the education system. Students were required to make unofficial payments for school admissions, the purchase of books, attendance at sporting or religious events, promotion to higher classes and even the right to sit for examinations. Over 96 per cent of the students paid to be allowed to sit for the first term examination as teachers did not receive payment for conducting exams. The total amount of unauthorized fees collected in the eight upazilas (sub-districts) surveyed amounted to about 20 million Bangladeshi taka - equivalent to about US \$ 350,000 (Hallak and Poisson 2007).

*Personnel-related corruption-* Hiring, postings, transfers, promotions and

even regular salaries payments are all open to corruption. Those on hired based on considerations other than merit can hardly be expected to perform their assigned duties. In other cases, teachers are “hired” but simply do not exist: they are “ghost teachers,” a practice quite common in South Asia. In this part of the region, teachers pay between US \$200 and \$1,400 to get a job and then collect a monthly salaries of US \$70-\$100. They do the minimum possible work but have to share their salaries with their supervisors, who turn a blind eye to absenteeism. In Pakistan, for example, it is estimated that around 32 per cent of the teachers never show up for classes (Burke 2000), while many more who buy their jobs or procure them as favours are incompetent or even illiterate.

In a study in Afghanistan, one third of teachers (out of total surveyed) indicated that they had to pay a modest commission (on average equivalent to about US \$1), usually to a bonded trustee, for the receipt of their salary every month a practice that was considered “normal” as a fee for travel expenditures (World Bank 2005). One report states that, based on visits to many hundreds of classrooms in remote rural areas in Africa and Asia, where the majority of children live, roughly 70 per cent of teachers fail to show up for work on a typical day (Bennett 2000).

Absenteeism is probably the most discussed form of corruption in the literature on corruption and education in developing countries. It not only has implications for cost (Table 4.2) and quality of teaching; it can generate corrupt values as students internalise corrupt practices as ‘normal’.

**Table 4.2: Teacher absence rate in some Asia Pacific countries and cost implications**

Country	Absence rate in primary schools (%)	Budget leakage (estimate in %)
India (2002)	25	22.5
Indonesia (2002)	18	16.2
Papua New Guinea (2001)	15	13.5

Source: Hallak and Poisson 2007.

#### ***Corruption with theft - Stealing goods-***

Not only funds, but material resources also disappear through corruption with theft, undermining the quality of the education system and diverting benefits to unintended beneficiaries. Corruption can occur in the purchase of textbooks, desks, blackboards, and other supplies, as well as in contracts for cleaning services and meals. Supplies and funds are frequently misappropriated. In one province in Pakistan a social audit estimated that only 16 per cent of textbooks procured by the government reached the intended children (CIET 1999). In Bangladesh in 2001, 25 million secondary level children started the school year without textbooks and when the books were finally delivered they were found to be full of errors (U4 Anti-corruption Centre n.d.).

### **• 4.3 Effects of corruption in education services**

The human cost of corruption has been assessed in several specific studies. For example, the impact on girls' education and drop out rates was illustrated by the results of a social audit in the North-west Frontier province in Pakistan. School facilities were a major factor in determining whether parents sent girls

to schools. On the day of the survey conducted by CIET, only 44 per cent of the schools had latrines. CIET estimated that just providing latrines in schools could increase the enrolment rate by 17 per cent. The survey revealed that teachers' attendance, punctuality, behaviour and teaching were also important: if parents were not satisfied, a girl was 5.5 times more likely to drop out than if the parents were satisfied (CIET 1997).

Several studies — notably Gupta *et al.* (2000) and Rajkumar and Swaoop (2002) — have shown negative effects of corruption on education outcomes in cross-country analyses<sup>18</sup>. Using a univariate regression, Gupta *et al.* (2000) showed that corruption is correlated with school enrolment, repeater (failure) rates, drop-out rates, continued schooling through grade five, and illiteracy. The regression (despite its potentially serious omitted variable problems) can be interpreted as demonstrating the total effect of corruption on education outcomes—if we assume that the level of income is endogenous to the level of corruption. The coefficient of 0.36 on drop-out rates implies that improving the corruption index by two points would halve the drop-

18 These studies use different corruption indices. However, they find similar conclusion.

out rate. The coefficients on illiteracy and repeater rates are a little lower at 0.24, implying that an improvement of two points in the corruption index would reduce the drop-out rate by around 40 per cent. After controlling for income, corruption is correlated with repeater rates and drop-out rates, but not with enrolment, persistence to grade five or illiteracy. The coefficients on repeater rates and drop-out rates each fall by about a third, implying correspondingly smaller effects of corruption on education outcomes. The coefficient of 0.20 on drop-out rates implies that a two-point improvement in the corruption index would reduce drop-out rates by around 33 per cent.

Gupta *et al.* (2000) also conducted a multivariate analysis of drop-out rates, controlling for average female education among adults, public education spending, the dependency ratio and urbanization. Though the coefficient drops to 0.13, they found a persistently significant effect of corruption on drop-out rates, implying that a two-point improvement in the corruption index would reduce drop-out rates by around 22 per cent.

Clearly, there seems to be huge dividends from tackling corruption in education – the immediate universalisation of education is of value in itself; it shapes young minds to allow them to lead and sustain future generations; it could raise productivity; and improve health conditions. Better educated populations are also part of the solution set on the preventive side. Governments urgently need to address corruption in education without which schools will continue to transmit a culture of corruption to succeeding generations. This will undermine anti-corruption initiatives.

#### • 4.4 Uprooting corruption in the education sector

Though few countries in the region have been able to approach the issue in an effective manner, a number of initiatives have been tried, some more successfully than others. Given the wide geographical spread and large staff involved in education services, the evidence shows that closer supervision from above combined with greater control over schools by communities, through parent-teacher associations and other local organizations, has worked. Some successful initiatives include:

*Digital attendance in India-* Most rural schools in Rajasthan have only one teacher. When the teacher is absent, children miss an entire day of school. Because villages are often remote, it is difficult to monitor attendance and the absentee rate has been over 40 per cent. The NGO Seva Mandir came up with a novel solution – requiring teachers to take a photo of themselves with the students at the beginning and end of each school day, using cameras with tamper-proof date and time functions. They randomly selected 60 schools to serve as treatment schools and another 60 as a control group. Teachers received a salary of about US \$22 if they were present for at least 21 days in a month and a bonus of US \$1 for each additional day but were penalized US \$1 for each day they were absent. In the control schools, teachers simply received a monthly salary of US \$22 but were reminded that they could be fired for poor attendance and were warned of unannounced monthly school visits. The results were striking. The schools with cameras made dramatic improvements and increased the number of child-days taught per month by one-third. The experiment was also

cost-effective: average salaries in both groups were similar, excluding the costs of cameras and programme administration – annually around US \$6 per child (Banerjee and Duflo 2006).

*Counting books in the Philippines-* Textbook procurement and delivery in the Philippines has long been plagued by theft, patronage and favouritism. To tackle this, one of the country's best-known anti-corruption advocacy groups, Transparent Accountable Governance (TAG), organized Book Count 2 in 2004. This initiative brings together a range of civil society groups, from NGOs to churches to Girl and Boy Scout groups, to monitor the delivery of books all over the Philippines. TAG is a joint project of the Makati Business Club, the Philippines Center for Investigative Journalism, the Philippines Center for Policy Studies, and Social Weather Stations, with funding provided by USAID, through a partnership with the Asia Foundation (Johnston 2009).

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

accounting of expenditures during the year. The system works because the use of funds is highly structured, expenditures are transparent and the community attaches considerable importance to the system with pride in its success (Chapman 2002).

Ultimately fighting corruption should rely less on external controls and deterrents and more on prevention through institutionalized checks and balances, self-motivation, mutual respect and self-discipline. A number of countries in the region - from Mongolia to Papua New Guinea have introduced some form of anti-corruption education for children to help them take a stand on corruption, thus countering corruption through prevention. Public education is an important part of the Independent Commission Against Corruption (ICAC) in Hong Kong, China (SAR).

These examples are an indication of what is possible. What works in one context may not work in another. Some countries have, for example, had good experiences with decentralization but in others this has merely shifted corruption from one level of administration to another. No single intervention will be sufficient in itself, rather the more successful approaches have combined a better understanding of the problem with incentives, supervision, sanctions and participation (UNICEF Islamabad 2007).

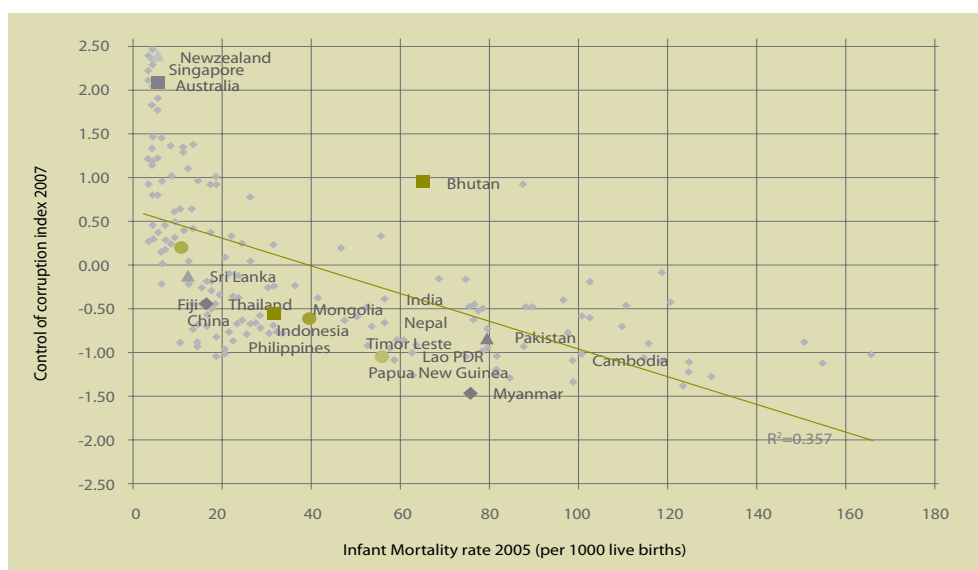
### • 5.1 Why is health important yet vulnerable?

Developing countries in the region have been expanding health services, though the region as a whole still spends less as a percentage of GDP than some other parts of the world. When much of this expenditure is eaten up by corruption, the situation is aggravated. Indeed, the literature based on cross-country regression using corruption indices and indicators of provision of health care services suggests that high corruption has adverse consequences on child and infant mortality rates (Gupta *et al.* 2000). Here we plot infant mortality rate (2004) and World Bank CCI (2007, for 177 countries around the world). The plot (Figure 5.1) indicates that countries with high corruption have high infant mortality rates. This association is particularly evident for Asia: many countries have high infant mortality rates coexisting with high perceptions of corruption; Bhutan is an outlier. Causality is plausible for a number

of reasons, including widespread fraudulent practices in the pharmaceutical trade, absenteeism of health workers, and informal payments in many countries in the region (UNDP 2008b), all of which are likely to contribute directly to poorer quality services.

The factors that contribute to vulnerability to corruption in the health sector are similar to those in education: relatively large budgets, huge staff, shortages of hospital facilities especially in remote and rural areas, construction contracts, running of institutions, purchase of drugs and other supplies, large size of operations including in far-flung locations that make supervision difficult, inadequate accountability, low salaries and monopoly over public provisioning. In addition, asymmetric information between medical professionals and users of health services facilitate corruption, allowing health professionals, drug companies and even insurance agents to collude and gain unintended benefits at the cost of lay people.

Figure 5.1: Infant mortality rate and control of corruption



Source: World Bank 2008; UNDP 2007.



## • 5.2 Types of corruption in health: Examples from Asia Pacific

As in the case of education, different types of corruption by category of participants in health systems in Asia Pacific are summarised in Table 5.1. The table, in effect, highlights targets for anti-corruption efforts.

As in education, there are six common ways in which corruption occurs in the health sector:

- Distorting public policies and laws.
- Siphoning of public funds.
- Bribery: informal payments.
- Personnel-related corruption.
- Corruption with theft: stealing goods.
- Negligent regulation.

*Distorting public policies and laws-* There are several ways in which public policies and laws get distorted. Laws are often passed that benefit individual or group interests; legal and institutional forms of regulation can be negligent or non-existent by design; and public investments can be distorted in favour of interventions that allow easier rent seeking. In more sophisticated contexts, criteria for prioritization and methodologies, such as cost-benefit analysis, can in fact be used to facilitate acts of corruption. Motivated by individual or group interests, collusion of business and politicians, bureaucrats and the military can also “capture” the legal and regulatory environment.

A new Pakistani ordinance (2007) on organ-trafficking demonstrates how

**Table 5.1: Corruption in the health sector by category of participant**

Patient-Doctor	Payer-Hospital	Hospital-Supplier	Within Hospital/Ministry
Bribes for treatment	Fraudulent billing for fictional treatment	Kickbacks for purchase orders for drugs, equipment, supplies, meals and cleaning services	Sale of jobs and promotions and transfers
Induced demand for unnecessary procedures (e.g., caesarean deliveries)	Patients with coverage get prescriptions for those without	Bribes for approval of drugs	Theft of funds
Diluted vaccines		Doctors bribed by drug companies for prescribing their drugs	Theft of supplies
Absenteeism		Non-profits and other organizations accept donations for recommending drugs	Fraudulent billing for expenses
Negligence		Kickbacks for construction	Prioritizing public-sector priorities in favour of rent-seeking expenditures
Bribes for illegal procedures like abortions			

Source: Azfar and Azfar 2009.

state-capture overrides questions of ethics, equity or the larger public interest. NGOs and lobbyists have campaigned for revisions in the law as they see it as fuelling and facilitating the organ trade instead of regulating it and protecting the poor (Azfar and Azfar 2009). Activists clearly state that the law was originally designed to facilitate the organ trade to benefit politicians and bureaucrats from organ donations, trafficking and transplants. Trade in organs bring in big money for military hospitals. In a study conducted in India in 2001, 96 per cent of the participants sold their kidneys to settle debts. The average amount received was US \$1,070. Most of the money received was spent on debt repayment, food and clothing. About 86 per cent of the participants reported deterioration in their health status after nephrectomy. Average family income declined by one-third after nephrectomy and the number of participants living below the poverty line increased. Three-fourths of the participants were still in debt at the time of the survey (Goyal *et al.* 2002).

*Siphoning public funds-* There are several mechanisms by which public funds are siphoned off. As in education, one of the most common of these is the creation of “ghost workers” i.e. staff who show up on account books but do not actually exist (Transparency International 2006). For example, in the Health Sector Risk Area Validation Survey 2004 of Bangladesh ‘..16 per cent of the employees were found fully absent...’ (World Bank 2007). In Papua New Guinea, there were at least 2000 unattached officials doing no work, a large number of ghosts on the pay roll, lack of control over growth in casual employees (many of whom do not work in return for their pay), and extraordinary high rates of

absenteeism. A significant proportion of the 78,000 public servants on the payroll are non-productive and some non-existent (World Bank 2003).

Siphoning off funds in the process of procurement is especially visible in the drug supply chain and at the hospital level. Owing to the complex supply chain and management of the drugs and medical supplies, from the R&D run by pharmaceutical multi-nationals to the availability of drugs at a primary healthcare centre, it is difficult to distinguish between poor management practices, neglect and outright corrupt practices. However, what a number of case studies and national-level studies have shown is that drugs and related medical equipment and supplies are often not available to users at the health-delivery point or are substandard. This has a significant negative effect on public health.

*Bribery: Informal payments-* From the users’ point of view, probably the most direct form of corruption is bribery. Bribery increases the cost to consumers, restricts access and worsens health outcomes. Bribery skews quality of service in favour of those who can pay.

South Asia, followed by East Asia, has the highest incidence of informal payments worldwide (Azfar and Azfar 2009). “A comparative study in five South Asian countries (Bangladesh, India, Nepal, Pakistan and Sri Lanka) found that in all but Sri Lanka most payments were *ex ante* demands from providers. Bribes are required in all five countries for hospital admissions, to obtain a bed, to receive subsidized medication. In Bangalore, India, citizen feedback surveys revealed that informal payments were made to ensure proper

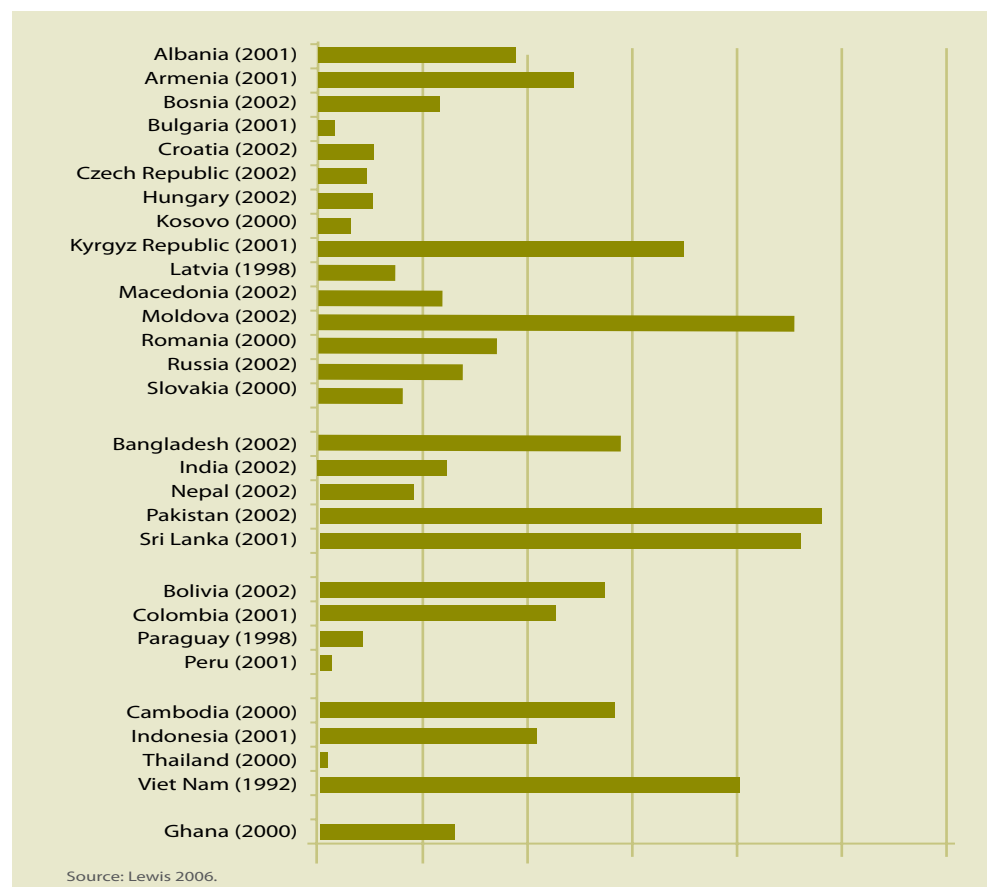


treatment, that they were typically demanded by providers, and 51 per cent of those interviewed indicated they had paid bribes in government hospitals and 89 per cent in hospitals in small cities; they had also paid informally in the private hospitals (24 per cent). More dramatically, bribes were paid to nurses in maternity homes so mothers could see their infants” (Azfar and Azfar 2009).

Figure 5.2 shows that informal payments are particularly common in South Asia. In Rajasthan (India) the poor regularly pay for supposedly free

outpatient care, though the poorest patients pay 40 per cent less than the highest income patients. On average 7.3 per cent of total household spending goes to paying for healthcare (Banerjee *et al.* 2004). Although studies show that the size of informal payments made by the poor tends to be lower than that by the rich, these payments constitute a higher percentage of the overall income of the poor (Lewis 2006). It is also possible that in some cases payments lead to the sale of assets and an increase in debt payments.

**Figure 5.2: Proportion who make informal payments among users of health services: Selected countries**



Source: Lewis 2006.

*Personnel-related corruption-* Given the high staff requirements in health (as in education), the selling of public positions, absenteeism, postings (relocation), etc., are widespread, especially at lower levels. The selling of public positions is further exacerbated by nepotism, political and military influence in postings, and non-transparent and unfair treatment at the time of hiring. Staffing on such a basis undermines discipline and harms service quality. However, the percentage of people who said that public positions in the health sector are sold is higher outside of Asia. In Bosnia and Herzegovina surveys of officials and citizens reported that 75 per cent thought bribes were required to obtain positions and for promotion. In Ghana 25 per cent of jobs were allegedly bought in government hospitals. In Uganda 20 per cent of municipal officials acknowledged that the practice occurred in the health sector, whereas in the Philippines 3 per cent noted it (Lewis 2006). Although these figures may not be strictly comparable, they give an indication of magnitude of the problem.

Absenteeism, the sale of public positions and other forms of personnel-related corruption are clearly visible to users. While this might appear to be more of a management issue than an act of corruption, at high levels of prevalence and with implicit collusion of those in authority, it undermines service delivery and systems, frequently leading to the closure of public facilities. It therefore compromises outcomes at the primary level, especially in rural areas (where typically there is just one provider). Such endemic corruption contributes to apathy and contempt for the state provision of services. It can also force the poor to pay for private-sector services and therefore creates a higher cost burden for them.

Lewis (2006) observes that absenteeism rates cluster around 35-40 per cent but is as low as 19 per cent in Papua New Guinea and as high 60 per cent in rural Bangladesh and Uganda. Absenteeism or low-level attendance varies across healthcare staff. In a study of rural health clinics by Chaudhury and Hammer (2003), it was found that on average, 35 per cent of staff and 42 per cent of physicians were absent across the clinics visited in Bangladesh. A study in Rajasthan (India) revealed that over the course of 18 months nurses were only at work in villages served by the sub-centre 12 per cent of the time (Banerjee *et al.* 2004). Moreover the pattern of absences, and therefore closure of facilities, followed no pattern, meaning that patients found it difficult to predict where they could access healthcare.

Absenteeism is higher in rural areas due to problems of access and difficulties in supervision. Chaudhury and Hammer (2003) find that absenteeism in the most isolated rural areas is 74 per cent as compared to 42 per cent for all rural health centres surveyed. Multivariate analysis showed that living outside the service village, being female and poor road access increased the likelihood of absenteeism among physicians. Absenteeism was associated with clinics in disrepair as well as with lower patient demand, suggesting that absenteeism compromises quality and quantity of services.

*Corruption with theft: Stealing goods -* A World Bank (2007) study in Bangladesh notes the most common symptoms of pilferage as:

- Drugs not being properly recorded in the register of drug stocks.
- Misuse of drugs including dispensed drugs being resold.
- Discrepancies found between the registration of drug deliveries and drug supply.

- Inconsistencies found between prescriptions and registers.

This study also found that a total of 9902 medicines were stolen from four hospital complexes. Cohen (2002) found that 32 per cent of users had prior knowledge of theft in government pharmacies in Costa Rica. Corruption may extend beyond the illegal acquisition of medicines. While conclusive evidence is not available, there are signs of apparent collusion amongst bidders, an absence of real competition, and pressures on purchase committees to seek the lowest possible price, irrespective of quality.

*Negligent regulation-* Poor or inadequate regulation facilitates corruption in the pharmaceutical industry, for example in professional associations. Khan (2006b) observes that in Pakistani professional medical circles cronyism and favouritism are considered normal. The award of honorary membership is viewed as an extension of the same cronyism. In one instance in Pakistan the College of Physicians and Surgeons awarded a Fellow of the College of Physicians with Surgeon's Distinction even though he did not have a first author publication in a peer-reviewed journal. Part of the justification given for such a relaxed approach to qualification may be the very poor ratio of specialists to patients. In the case of Pakistan, for example, the ratio is 1 psychiatrist to 1 million population.

Private sector involvement is evident through links between medicines prescribed and "perks" received by doctors from the pharmaceutical industry. As Khan (2006a) notes, "some of the many inducements on offer include: sponsoring attendance at conferences, underwriting symposia, all-expenses-paid trips for self and spouse for a drug launch abroad, free drug samples and

expensive gifts (watches, air conditioners, briefcases, laptops, etc.). Other methods include funding a physician's family wedding, holidays and other events of this nature. One of the latest incentives is for the pharmaceutical company to provide the physicians with a down payment for a new car (in return for 200 prescriptions for the company's expensive drug)."

Cohen *et al.* (2006) divide corruption in the pharmaceutical sector into various stages: (a) manufacturing, (b) registration, (c) selection, (d) procurement, (e) distribution, and (f) service delivery. They provide a corruption vulnerability assessment for each stage and demonstrate the complexity of the problem. They also produce a set of refreshingly realistic recommendations, which categorize the possible responses in terms of their expected effectiveness and their political feasibility.

### • 5.3 Effects of corruption in health services

Several studies have observed a significant relationship between corruption and adverse health outcomes, such as child and infant mortality and low birth weight.<sup>19</sup> This can reflect the fact that basic preventive measures such as vaccination programmes have been undermined. Families already in distress from illness often face the added anxiety of unpredictable extra costs, or being driven towards the private sector.

Gupta *et al.* (2000), using data from 89 countries, found that the coefficient of the log of child mortality and infant mortality is 0.37 and 0.35, respectively. This implies that a two-point change in the corruption rating would halve child and infant mortality. Lewis (2006) shows that immunization rates

<sup>19</sup> See citations in Azfar and Azfar 2009.

are greater in places which are better governed. More honest countries invariably have higher immunization rates, although there is a large variation in immunization rates in corrupt countries. Azfar and Gurgur (2005), in their survey in Philippines, found that corruption reduces immunization rates, delays the vaccination of newborns, discourages the use of public health clinics, reduces the satisfaction of households with public health services and increases the waiting time of patients at health clinics.

The cost of laxer regulation is substantial. Although no specific study exists on the cost of regulation to the poor, it is possible to contextualize regulatory environments for cause and effect. One example is the poor regulation of mental-health care in Pakistan with poor regulation and control of drug supplies. This may be assessed by a simple ratio comparing the sale of drugs and availability of psychiatrists. There are just 150-200 registered psychiatrists in Pakistan, but in one year (July 2003 to June 2004) the psychotropic drug sale was worth US \$ 46.77 million (Khan 2006a). This suggests that a very high share of drugs was prescribed or bought without prescription. Given poor or non-existent regulation, many doctors prescribe “nootropics” (so called brain stimulants) “which are largely of no benefit but continue to be prescribed for a variety of neurological and psychiatric disorders (mental retardation, post-stroke weakness, depression, etc.) in Pakistan” (Khan 2006a). Such prescriptions were to a total value of US\$3.18 million in the period studied. Neither the pharmaceutical industry nor the state appears to regulate the production and sale of these drugs. Asymmetric knowledge between experts and patients facilitates such corruption.

How does this affect the poor? First, there is a clear link between poverty and mental illness, making them more likely to need treatment. Second, general practitioners in low-income areas may well prescribe a drug which is unsuitable or even ineffective, but which is very expensive. The patient, who does not know that the drug is over-priced or inappropriate, may pay for it, even if this means cutting other consumption or going into debt.

Azfar and Gurgur (2005) found that corruption in the Philippines affects rural and urban communities differently. In the urban areas, demand for public healthcare is more “corruption-elastic” – i.e. use of public health facilities by household declines more rapidly in response to higher corruption incidence. In contrast, households in rural areas with few alternatives, suffer through longer waiting times or late immunization of infants. Rural residents are less satisfied with public health services as compared to households in urban areas facing the same level of corruption.

The evidence of the negative effects of corruption in health services is compelling enough to demand solutions.

#### • 5.4 Uprooting corruption in the health sector

Reducing corruption in health and other government services will require combined action from above and below. From above, governments will need to ensure more transparent and better managed services; from below, users can work together to understand corruption better, ask the right questions and resist it. Examples of action from the region are presented below.

*Reducing Informal Payments in Cambodia-* In Takeo Provincial Hospital in Cambodia in 1996, the monthly revenue from informal payments was estimated at US \$13,750 – about five times the monthly hospital payroll and about 45 per cent of the total budget. Since then the hospital has reformed the way it works. It has, for example, replaced informal payments with formal user fees and the revenue from these to pay bonuses to staff. Overall, patients are now paying less in official fees than they did in informal charges, and they know that the fees will be consistent and predictable. This has transformed the operation of the hospital, which treats many more people at a lower cost (Barber *et al.* 2004).

*Radio power in India-* The radio programme ‘To be Alive’ is broadcast on state radio in the poor rural region of Kutch, a district in Gujarat (India). It is done by semi-literate rural people trained by a human rights organization to be amateur radio reporters. Often a whole team of reporters carries out ‘radio raids’. For example, they directed one at a doctor who was charging women for delivering babies at a community health centre – a free service for the poor. This sparked a government inquiry into illegal charging at primary health centres across the country (BBC News 2005).

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

the regulatory authorities in these countries have been improving communications and cooperation across borders. They have been able to notify each other of the circulation of fake drugs and remove them more quickly from all outlets (Campos and Pradhan 2007).

*New prescriptions in China-* In June 2006, China’s legislature adopted the sixth Amendment to the Criminal Law, stipulating that staff members of schools and hospitals will face criminal penalties if they seek bribes or receive kickbacks or commissions. The former Commissioner of China’s State Food and Drug Administration (SFDA) was subsequently convicted for accepting more than US \$850,000 in bribes. The government launched a large-scale investigation among the SFDA staff possibly involved. All drug licenses were to be re-issued. The Ministry of Public Health now requires hospitals to separate the procurement of drugs from the writing of prescriptions so that neither hospitals nor doctors benefit from prescribing particular drugs (Wei 2007).

Although measures for tackling corruption depend on national circumstances, these examples indicate that both pressure from the top and from below have obtained important key results. All examples underline the importance of information. Prevention is also crucial and amendments to existing legislations can act as a deterrent. Informed individuals have the power to contribute to solutions by, for example, resisting demands for bribes, learning how to file complaints, and supporting community groups who check local services. It is encouraging that this has already started to happen as shown in the example of ‘radio power’ in India.

# 6

## Corruption in utilities

### • 6.1 Why are utilities important yet vulnerable?

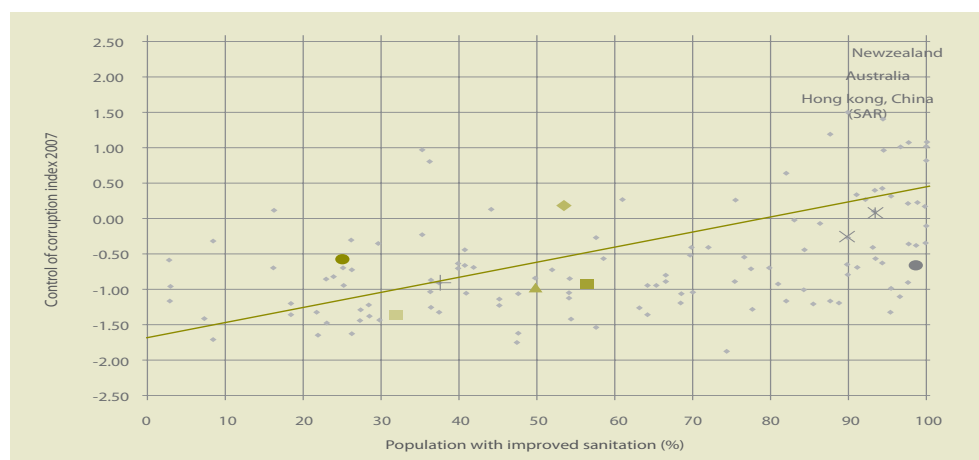
Access to water, sanitation and electricity is of great significance for human development and the poor depend much more upon public provisioning of such necessities. However, this sector is “marred with corrupt practices” (UNDP 2008b). Gupta *et al.* (1998) in their cross-country study found that corruption reduces the effectiveness of social spending, which has several adverse consequences, particularly for the poor. Figure 6.1 plots World Bank CCI (2007) and population share with improved sanitation (2005) to explore the pattern between the two indicators in 177 countries. The basic message is that corruption undermines access to improved sanitation in many countries, including most of those in Asia Pacific.

The provision of utilities requires large investments for infrastructure-based services (DFID 2002). This makes it a high-risk sector for corruption. In ad-

dition, whether provision is public or private, utilities tend to be provided by monopolies: economies of scale make it more efficient to have a single provider for services like water, sanitation and electricity. This results in an unequal relationship between supplier and consumer with copious opportunities for corruption: consumers have nowhere else to turn.

Moreover the essential nature of basic utilities (it is impossible to do without water for even a day) undercuts the bargaining power of consumers. Shortages are another significant contributory factor. Underinvestment contributes to low coverage and poor quality, putting a premium on whatever is available. Extending coverage requires large-scale upfront investment for basic infrastructure, which by itself also creates the potential for corruption. Transparency International (2002) in its survey of corruption in South Asia identified lack of accountability and monopoly among the reasons for corruption in the public services,

**Figure 6.1: Access to improved sanitation and control of corruption**



Source: World Bank 2008; UNDP 2007.



including water, sanitation and electricity. Both demand and supply sides provide room for corruption.

## • 6.2 Types of corruption in utilities: Examples from Asia Pacific

Corruption in utilities happens, both on the demand and supply sides. Both grand and retail corruption is observed. The World Bank estimates that in highly corrupt countries project corruption accounts for 30-40 per cent of resources in the water and sanitation sector (Water Integrity Network 2006).

Investments, which are already limited, are further dissipated through corruption. In the Philippines, several studies have estimated the misuse of resources in public works at between 20 per cent and 40 per cent (ADB *et al.* 2005). This is partly because corruption can – and does – emerge through the whole cycle:

*Pre-project collusion-* Construction companies participating in contracts have ways of colluding with other bidders, financing agencies, or with officials in executing agencies, before there is a proposal. A contractor with insider connections can influence a contract's identification and creation as well as its specification, tender conditions, preparation, and design.

*Rigging tenders and bids-* Contractors can collude through coordinated bids in such a manner that their preferred candidate wins – on the understanding that the others will be designated as subcontractors or as winners for future projects. In many cases, officials are aware of the bid rigging. When this happens, the project costs include the

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

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

In the Philippines in 2005, an ADB study found that 'deeply-rooted' corruption was increasing costs of power projects, delaying their implementation and providing Filipino households and businesses with electricity services that were both unreliable and expensive – two to three times the prices in other countries (Sohail and Cavil 2009). It said corruption was involved in almost all phases of a project, from tendering and bidding to operation and maintenance as well as in privatization and the awarding of independent power-producing contracts.

*Retail or petty corruption-* Particularly with monopolies, staff of utility agencies can supplement their salaries by colluding with clients to provide services 'informally' – by selling them water supplies, carrying out repairs for side-

payments, falsifying meter readings, or making illegal connections.

When people need supplies of water or electricity that are in short supply, they have little choice but to bribe. A Transparency International Bangladesh's Baseline Survey on Corruption (1997) found that 60 per cent of urban households either paid money or exerted some form of influence to get water connections, and that nearly one-third of urban households had their water bills reduced through an arrangement with the meter readers (Sohail and Cavill 2009).

Consumers are often willing to pay bribes just for convenience of procuring services; even honest consumers will be discouraged by long queues to pay bills and be tempted to turn to the services of 'middle men'. For the simplest routine, legal or necessary functions such as getting a connection they may have no choice but to make 'grease payments' or pay 'tea money' or 'speed money'.

*Theft through illegal connections-* For electricity supplies much of the corruption is linked to illegal connections from the main line. Since this can be detected quite easily, a middleman is needed to encourage the electricity department inspector to turn a blind eye. Illegal connections can be temporary, for example, for the wedding of a local big-wig or a public meeting of a political party. They can also be near-permanent like in urban slums or commercial establishments. Individually, bribes may take quite small payments but these soon add up. In some countries around half the power disappears in the form of 'system losses'. One survey on corruption in eleven public services in India focused on retail corruption faced by the 'common man' in accessing public

services. The study found that the electricity service was the second most corrupt basic public service and that nearly 65 per cent of the corruption involved issues of billing and grant of new connection (Transparency International India 2005).

*Persistence in private operations-* Even when the utilities are privately run, corruption may not disappear. The utilities company may, for example, invite municipal staff to visit its headquarters, paying for both the ticket and stay. But certain types of corruption tend to be lower. The cities of Kolkata and Mumbai in India, for example, have had private utilities for decades where commercial procedures tend to be better than those of state-owned corporations. They also have stronger accounting systems that discourage theft. As a result their 'commercial losses', including those from theft, are usually around only 12-15 per cent, less than half of those incurred by the state-owned utilities, which are typically in the range of 30-35 per cent (Gulati and Rao 2007). Also in India, the state of Orissa privatized the distribution of electricity in 1999. Since then there have been significant improvements, including improvements in billing and collection. Even so, a review of the performance of the utilities conducted by the Orissa Electricity Regulatory Commission in 2005 showed that the company was still losing about US \$ 240 million per year as a result of corruption – mainly from stolen electricity but also from inadequate metering, billing and collection (Gulati and Rao 2007).

### • 6.3 Effects of corruption in utilities

Though many countries in the Asia Pacific region have made progress in delivering essential services, even for



something as basic as water, many millions of people are still under-served. Corruption aggravates the situation, results in the misuse of taxpayers' money and undermines the effectiveness of already limited investments. In 2004, more than 650 million people in Asia and the Pacific lacked access to safe water supplies, and almost two billion to basic sanitation (UNESCAP *et al.* 2007). The situation is worse in the rural areas, and more so for the poorest families. Electricity supplies too can be erratic as many parts of the region suffer from low voltage operations or frequent power outages.

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

The direct economic losses from corruption can also be huge. Estimates by the World Bank suggest that 20 to 40 per cent of water sector finances are lost to dishonest and corrupt practices (Stalgren 2006). It has been estimated that if the water sector operated in a transparent fashion, and corruption were eliminated, 20 to 70 per cent of resources could be saved. Kaufmann *et al.* (2004) reviewed the performance of infrastructure services (water, sewerage, electricity and telephones) in 412 cities in 134 countries. They found that cor-

ruption has significant and substantial effects on both access to services and on the quality of service delivery.

The transition from corrupt to uncorrupt institutions can often be difficult. Bangladesh offers a recent example when the interim government implemented far reaching and effective measures to prevent, identify and punish corrupt acts. However, this inadvertently worsened the situation of the poor since businesses were finally paying taxes and passing these on as price increases to consumers. As a result, there were dramatic increases in the prices of such essentials as fish and rice, which are staples in the diet. Many business leaders report that procedures that used to require merely a bribe or a quick call to the right contact now demand paperwork in triplicate with multiple rounds of approvals. Thus, although citizens have welcomed the tough stance on corruption, their support could be eroded by rising prices (Wax 2007).

## **• 6.4 Uprooting corruption in utilities**

Utilities are essential for the daily lives of people than thus their well-being. It is thus important to address corruption both from the demand and the supply side. There are signs of change, though much remains to be done. Here are some examples from around the region.

*A single window cell in India* - At the end of the 1990s, the Hyderabad Metropolitan Water Supply and Sewerage Board introduced a number of customer-focused service delivery reforms. This included a process of consolidated applications for new connections – previously a major source of corruption. Rather than filing an application in their

local district office, customers now go to the Board's headquarters to a 'Single Window Cell' (SWC), which manages all the related activities, such as obtaining a road-cutting permit or land surveying. The Board publishes the fee schedule for various plot and connection sizes in its office and in the press – reducing the opportunities for staff to levy excess charges. The process has been designed as a one-visit operation so the customer rarely leaves the SWC without an 'application token number', the equivalent of a receipt for acceptance of the application.

*Cleaner water supplies in Cambodia*– The Phnom Penh Water Supply Authority has improved hugely over the last decade and coverage of the city has increased from 25 per cent to 90 per cent over the past ten years. Between 1999 and 2006, the number of household connections for the poorest people in the city has risen from 100 to over 13,000 (ADB 2006). This has been achieved by creating an autonomous and transparently-run authority in which staff are given greater responsibility and are paid according to financial performance. Although the tariffs were increased, a portion of the revenue garnered was used to subsidize connections and bills for the poorest people. Automated billing and collection systems have replaced often-corrupt bill collectors. Inspection teams penalize those with illegal connections and encourage people to report them. Customer service has been improved with a free phone number and a 24-hour repair team for water leakages. Staff associated with illegal connections are removed or punished immediately. However, importantly, employees are seen not only or even primarily as sources of problems, but as a major part of the solution.

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

*Reducing collusion in Pakistan* - The Local Government and Rural Development Department (LGRDD) in Azad Jammu and Kashmir, Pakistan, works in remote areas of the state, but keeps a tight rein on activities through field visits and bi-annual meetings. It has eliminated private contractors for all but the most technically complex of the 1,260 schemes; instead, its technical staff work with community members who provide the required labour and organize the purchase of supplies. In sum, there are limited the opportunities for 'cream skimming' and collusion. Moreover, the employees take great pride in their work and in reducing corruption. Most

technical staff were not told at the time of their hiring that they would have to do so much community work. "I thought I was hired as an engineer," one employee recalled. "Then I found out I was going to be an engineer, a community organizer, a policeman, and a labourer." Over time, technical employees have formed close bonds with the communities to which they are assigned (Davis 2004).

Many of the strategies for uprooting corruption involve greater investment to minimize the shortages that encourage people to pay bribes. Public corporations will need to improve standards of management and operate in a more transparent fashion. But consumers, too, can take direct action for better services. This will have a positive impact on people's lives, as can be seen from the examples given above.

The way forward proposed is a combination of 'top-down-plus-bottom-up' pressure from both ends operating synergistically (UNDP 2008a, Rajivan 2009). Pressure from above through political will can be sustained through people's expectations, checks, and support from below; just as much as pressure from above can trigger expectations and conditions for the operation of pressure from below. This strategy underscores the point that just as the motivations for corruption lie inside and outside of governments, the responsibility to fight corruption cannot be that of governments alone. To be successful, anti-corruption strategies must leverage motivations for checks and balances at all levels that encourage voices against corruption – recognizing that people by and large prefer everyone else to be honest rather than corrupt.

While all forms of corruption need to be tackled, from a human development perspective reducing those that hit the poor the hardest should be prioritised. Hauling the rich and powerful before the courts may grab headlines but the poor will benefit more from efforts to curb corruption that plagues their everyday lives, especially corruption in health, education and public utilities sectors. While details and priorities need to be guided by national circumstances, there are some common points under the overall sandwich strategy of 'top-down-plus-bottom-up' which together could create a tipping point<sup>20</sup>. For corruption in social services of direct relevance are the following.

*Strengthen the civil services-* Countries with high levels of corruption generally have weak civil services, with underpaid and undertrained staff. Addressing this can be difficult for countries with fiscal limitations. But all governments should be able to create public bodies such as civil service commissions that can oversee recruitment and ensure that appointments and promotions are based on merit, not favouritism. For many it should be possible to improve working conditions, training opportunities and reduce the gap with the private sector to some extent. These measures would need to be complemented by rigorous systems of monitoring and control that can detect corruption swiftly and punish it severely.

While it is necessary to strengthen national civil services, what is probably more important is to build capacity at the local level. Social services are the domain of sub-national and local levels of government necessitating a focus on lower tiers of government and local bodies. Many countries in the region are decentralizing several functions to lower tiers of government. However, this is proving difficult as local officials or institutions lack the necessary funds or skills. Combined with weak systems of monitoring and control, this can decentralize corruption and possibly make it more widespread.

Governments and donors will clearly need to invest much more in local government. In doing so, they should be able to capitalize on the knowledge and

20 The Asia Pacific HDR proposes a seven point agenda: (1) Join with international effort-join the United Nations Convention Against Corruption and the Stolen Assets Recovery Initiative; (2) Establish benchmarks of quality - for anticorruption agencies, for example, and for the national media; (3) Strengthen the civil service; (4) Encourage codes of conduct in the private sector - including professions such as lawyers and accountants; (5) Establish the right to information; (6) Leverage new technology; and (7) Support citizen action.

experience of honest public officials who can suggest the most effective forms of control that will limit the opportunities for corruption, while supporting their efforts to carry out their duties responsibly.

*Establish right to information-* One of the most powerful ways of controlling corruption is by ensuring that citizens are privy to most of the same information as their governments. Countries in the region could enact laws on the right to information (RTI), indicating genuine political will at the highest level. This can provide the right signals to elected representatives, bureaucrats and businesses as well as citizens. We now have some tried and tested models to follow, including that of India, which has one of the most progressive acts in the developing world. Such a right can be a powerful preventive measure – its very existence operating as a deterrent.

However, fulfilling the right to information requires much more than legislation – it also demands a new public ethos of openness and appropriate training of public officials. From the outset, therefore, public officials need to be engaged and convinced about the value of RTI and to develop the capacity to deal with requests promptly and appropriately. At the same time, the media and other parts of civil society have to learn how to use RTI systems responsibly. This could be fostered by public campaigns on TV, radio, the internet and newspapers, explaining what type of information is available and how to apply for it.

RTI facilitates greater people's voices but unless informed citizens and CSOs learn to operate it, thus generating pressure from below, a mere paper right will be ineffective. The Asia Pacific region has already experienced the positive ef-

fects of the RTI. In India, for example, public hearings mobilized by CSO action have helped limit public-works corruption in Rajasthan (UNDP 2008a).

*Leverage new technology-* Much corruption thrives in the gloom, in the obscurity of dusty files and complex administrative systems. Information technology and e-governance, however, offer fresh opportunities to make administration more open, transparent and neutral, reducing the layers and number of face-to-face interactions. This way, it breaks the monopoly of corrupt officials and allows citizens to keep abreast of administrative processes. Information technology has already shown its value in a number of countries by speeding up court processes and systems of land registration. It is also, for example, allowing public utilities to establish 'one-stop shops' where all the elements required to achieve a new power connection are brought together for customers' convenience, without requiring them to traipse from one office to another with multiple bribes demanded en route.

Public IT projects can have their problems. Often they are overly ambitious and costs can spiral out of control. There is always the risk that officials may exploit the systems for their own corrupt purposes. But relatively modest IT systems can help limit the excessive discretion of officials and help reassure citizens that they will be treated fairly. Information technology is one of the key components of right to information processes, since responding over the internet can dramatically reduce information publishing costs. Here too there are hazards, notably the risks of releasing floods of electronic documents that make it difficult to discern the critical facts and figures. This is an area where NGOs and the media can play an impor-

tant part, training both themselves and the public on how to sift and analyze the data. New technology can also contribute to better monitoring of the use of natural resources, through satellite imaging, and even at a more modest level using digital cameras to monitor the daily performance of education and health services.

*Support citizen action-* Some of the most striking successes in addressing corruption have occurred where local organizations have taken the initiative to monitor public works and investigate the extent to which officials and contractors have fulfilled their commit-

ments. This has enabled civil society organizations, local communities and local governments to work together to supervise public projects. Given that local governments usually have a limited capacity to monitor projects themselves, they could take greater advantage of these opportunities by regularly publishing the basic information on contracts to facilitate citizen auditing. At the same time there are many other actions that people can take as individuals to combat corruption – asking questions, for example – resisting demands for bribes, reporting the activities of corrupt officials and refusing to deal with corrupt businesses.

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# Measuring Corruption: Main Indices

Measuring Corruption: Main Indices							
Name of Index	Producer of the Data	Concept Measured	Indicators	Nº of Indicators	Aggregation Rule	Scope of Data	Data Collection Method
Corruption Perceptions Index (CPI)	Transparency International ( <a href="http://www.transparency.org">www.transparency.org</a> ) (Lambsdorff 2005)	Corruption	Severity of corruption within the state The misuse of public office for private (or political party) gain Extent of corruption as practiced in governments Implementation of anticorruption initiatives Frequency and costs of bribes Bribery and corruption in the economy Corruption payable to the "humblest clerk"	1	Averages	1995-present (yearly), 156 countries in 2005	16 surveys of business leaders, and assessments by country analysts, of different scope; at least 3 sources per country are required
State Capture Index	World Bank and the European Bank for Reconstruction and Development (EBRD) ( <a href="http://info.worldbank.org/governance/beeps/">http://info.worldbank.org/governance/beeps/</a> ) (World Bank 2002, EBRD 2005)	State Capture	Sale of Parliamentary votes on laws to private interests, or sale of Presidential decrees to private interests Central Bank mishandling of funds Sale of court decisions in criminal and arbitration court cases Contributions by private interests to political parties and election campaigns	2  1  1  1	Averages	26 countries in 1999, 27 in 2002, 28 in 2005	Business Environment and Enterprise Performance Survey (BEEPS), of managers and owners of close to 10,000 firms

Notes: CPI is part of the World Banks' Governance Indicators; the Corruption Index is used as part of the World Economics Forums Public Institutions and Growth Competitiveness Indices

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