

OVERVIEW

TACKLING CORRUPTION, TRANSFORMING LIVES

Accelerating Human Development
in Asia and the Pacific



Published for the
United Nations
Development Programme





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About the Asia-Pacific Human Development Report

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

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

Foreword

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

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

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

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

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

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

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

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

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

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



31.12.2007

Hafiz A. Pasha
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and the Pacific, UNDP*

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

Preface

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

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

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

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

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

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

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

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

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



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Abbreviations

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

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

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

Tackling Corruption, Transforming Lives

Overview

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

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

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

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

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

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

A Historical Problem

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

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

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

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

Political and Economic Impact

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

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

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

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

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

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

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

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

Corruption and Human Development

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

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

Corruption is also likely to undermine

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

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

Justice for Sale

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

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

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

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

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

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

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

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

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

Keeping Public Services Honest

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

Health Services

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

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

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

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

Education

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

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

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

Public Utilities

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

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

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

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

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

Stopping Leakages in Financial and Material Aid

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

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

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

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

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

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

Social Safety Net Programmes

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

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

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

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

Cleaning Up Natural Resources

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

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

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

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

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

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

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

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

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

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

Crushing Corruption from the Top

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

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

Anti-Corruption Agencies

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

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

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

Civil Service Reform

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

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

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

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

Privatization

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

The Right to Information and e-Governance

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

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

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

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

Cross-Border Cooperation

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

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

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

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

Citizens on Watch

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

The Power of the Media

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

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

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

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

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

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

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

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

Civil Society Organizations

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

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

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

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

Seizing the Moment

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

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

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

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

Setting the Priorities

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

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

An Agenda for Action

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

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

opportunities to break the information monopoly of corrupt officials.

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

Taking the Higher Path

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