

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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Definitions of Technical Terms

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Abbreviations

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

FSC	Forest Stewardship Council
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GONGOS	Government Sponsored NGOs
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICAC	Independent Commission Against Corruption (Hong Kong)
ICC	International Cricket Council
ICRG	International Country Risk Guide
ICT	Information and Communication Technology
ICW	Indonesia Corruption Watch
IFI	International Financial Institution
ILO	International Labour Organization
IT	Information Technology
IUU	Illegal Unreported and Unregulated
KDNG	Kachin Development Network Group (Myanmar)
KICAC	Korea Independent Commission Against Corruption
KPK	Komisi Pemberantasan Korupsi (Indonesian Corruption Eradication Commission)
LGRDD	Local Government and Rural Development Department (Pakistan)
LRA	Load Regularization Agreement
MDG	Millennium Development Goal
MDI	Micro Finance Institutions
MKSS	Mazdoor 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 UNODC)
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