Corruption, Political Systems and Human Development
A Policy Agenda for the Asia-Pacific

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ABSTRACT

Evidence shows that all types of political systems in the Asia-Pacific region are susceptible to corruption. This paper examines the resilience or vulnerability of different political systems vis-à-vis corruption, and the subsequent affect on human development. The author finds that political will to curb corruption does not emerge from political systems, but rather through balanced and effective investment in sound economic management, practical governance and reform, and expansion of critical human capabilities. The paper provides a conceptual framework on the high corruption-low human development trap, and the tipping point for anti-corruption reforms. In order to escape this trap, the author stresses that countries should push reform beyond the tipping point. He proposes the concept of the Human-Capability Approach, which puts citizens at the centre of reform and therefore creates political will. Investment in human capabilities – human capital, social capital, and information capital – serves as a vaccine against corruption.

Keywords: Political system, Tipping point, Human capabilities, Social capital, Information capital
1. INTRODUCTION

Today, it has been recognised that political will is an essential prerequisite for any anti-corruption reform to succeed (Quah 2001). Sadly, political will rarely emerges from any corrupt system. Many efforts to fight corruption in the Asia-Pacific fail because of the absence of political will. A big question remaining open in the literature and practice is: where does political will come from?

In the search for an answer, this paper starts in Section 1 with ten conceptual questions about corruption: its definition, types, causes, relationship with human development, alternative remedying reforms, and reasons for reforms’ failure. We discuss the important phenomena of the corruption trap and the tipping point for anti-corruption reforms. After that, we propose the theoretical concept of the Human-Capability Approach against corruption. We argue that political will can hardly arise from the political system itself but instead is the result of the demand from a population that is equipped with sufficient capabilities. That is, building human capabilities is the key to create political will.

Section 2 presents an international picture of the paths out of corruption. Two stylised paths about corruption become clear: the majority of countries follow the bottom-up path and a few follow the top-down path. International experiences suggest there are certain conditions about the size and political settings to be met for a country to be successful on the top-down path. These experiences advise countries to choose the path appropriate to its conditions and go faster on that path.

Another central observation in this section is that no country with high and broad human capability tolerates a high level of corruption. That is, investment in human capabilities can be a vaccine against corruption – this vaccine becomes particularly effective once human capabilities have reached a critical mass or tipping point.

From the analyses in Section 3, several facts emerge about corruption and its relationship with the political systems in the Asia-Pacific. First, on unweighted average the Asia-Pacific region is about equally corrupt as the rest of the world. Second, the perception of the level of corruption has been virtually unchanged despite the mounting attention and intervention the countries in the region have spent on it over the past decade.

Third, as evidence shows, all types of political systems in the region are susceptible to corruption. Among them, parliamentary systems appear to be the least vulnerable. Interestingly, there is not much difference among presidential, semi-presidential and one-party systems in terms of corruption-vulnerability. The good news for the Asia-Pacific is that the majority of the countries in the region have adopted parliamentarism, while the majority of the countries in other regions have adopted presidentialism. The bad news is, however, on average Asia-Pacific countries are more corrupt than countries in other regions with the same political system.

It would be useful to know which types of corruption (high-level corruption and low-level corruption) are more widespread under each type of political system. Unfortunately, we still do not have quantitative datasets on high- and low-level corruption as comprehensive as our data on corruption conceived in more generic terms, and hence we are not able to offer analysis of which types of corruption are more widespread under different types of political systems.¹

From the human development perspective, however, it might be more useful to
know how corruption under different political systems affects basic public services for ordinary people. For this purpose a survey is fortunately available. The survey data suggests that no public service is immune from corruption, although the corruption level varies from one service to another. By ascending order of corruption seriousness, seven basic public services are: utilities, registry/permit, healthcare, education, tax and revenue, judiciary system and the police. Ironically, law enforcement forces (the police and judiciary system) are rated by ordinary people as the most corrupt sectors. Again, parliamentary systems seem to outperform presidential and semi-presidential in every single public service. This is the fourth fact.

Democracy is an important dimension of political systems, which has been shown to have a positive effect on corruption control. The bad news (fifth fact) is that the Asia-Pacific on average is less democratic than other region in the world. Lastly, decentralisation has been widely believed as a tool to improve governance and reduce corruption. Empirical evidence, from the Asia-Pacific and the rest of the world, for this belief, has been very inconclusive however.

How can Asia-Pacific countries invest effectively in human capabilities so that they may serve as a vaccine against corruption? Section 4 suggests three important areas for investment: human capital, social capital and information capital. Human capital refers to the stock of skills and knowledge owned by individual citizens. Social capital refers to the stock of relationships that enable citizens to act together. Information capital refers to the stock of information about government available to citizens. People need to be empowered by these three capitals to demand and achieve a cleaner government.

The paper is concluded by a visual summary of the Human-Capability Approach against corruption and a list of specific policy recommendations to implement this approach. A sample comparative analysis of human capability and a discussion on the typology of corruption are covered separately in the appendices.

This paper has been written with an advocacy goal rather than with an academic purpose. We use a combination of conceptual arguments, empirical evidence and case studies to underline our messages. We use two-dimensional graphs intensively to illustrate relationships among relevant variables. We are aware of the issue of causality, which often goes both ways in most relationships. We only show the correlations and argue about the direction of causality, where possible.

A sample of case studies are used in this paper to demonstrate various arguments, facts and experiences. The full texts of these case studies are in Annex 3.

Regarding corruption measurement, we wanted to use one measurement consistently in our analyses and have chosen the Corruption Perception Index of Transparency International. We tried our analyses with other available measures of corruption such as the World Bank’s Control of Corruption and TI’s Bribe Payer Index and found similar results. In fact, it has been shown that these corruption measures strongly correlate with each other (Woodruff 2006).

The topic of this paper is about political systems, which channels the effect of human development on corruption. The reverse effect of corruption on human development is channeled through public services, social and physical environments, etc., which are best covered in other technical background papers. For this reason, we devote this paper to discuss the political system and the effect of human development on corruption at depth, which cannot easily covered by other technical background papers.
2. TEN QUESTIONS ABOUT CORRUPTION AND THE PATHS OUT OF IT

Policy researchers and practitioners use different frameworks to analyse corruption, each serving a different purpose. The following Principal-Agent framework is helpful for understanding corruption from the political systems’ perspective and identifying key factors in fighting corruption. It helps to explore the subsequent ten questions about corruption and its cures.

Figure 1 describes the essence of the relationship between citizens and the government. The government is collectively created to provide public goods and services to citizens.

• By arrow 1, citizens (Principals) delegate the function to provide public goods to politicians (Agents).
• By arrow 2, politicians assign this function to public servants (Sub-agents).
• By arrow 3, public servants provide public goods to citizens.

This framework is applicable for both more and less democratic countries (weak and strong states). In less democratic countries, arrow 1 is simply weaker but governments still need to respond to the needs of citizens.3

Question 1: What is corruption?
• To carry on their functions, politicians and public servants are given certain public power, which they can abuse for their own benefits. This power abuse for personal gains is generally defined as corruption. Note that this definition is very broad. Many common and legal behaviours by politicians and public servants are qualified as corruption (For

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FIGURE 1: Citizens-Government Relationship
example, a politician asks a company to give his son a job in return for a favourable tax treatment).

**Question 2: How does corruption arise in the government?**

- Corruption arises due to two following reasons:
  - Divergent interests: politicians and/or public servants follow their own interests at the expense of citizens’ interests.
  - Information asymmetry: Weak institutions that do not allow monitor/control of citizens over politicians, and of politicians over public servants.
- The key factors that induce Agents and Sub-agents to be corrupt are (Quah 1999b):
  - Low salary.
  - Ample opportunities to be corrupt.
  - Low risk of being caught and low punishment.

**Question 3: What are main types of corruption?**

- There are two main types of corruption:
  - High-level corruption by Agents (close terms: political corruption, systemic corruption, grand corruption, state capture, kleptocrat).
  - Low-level corruption by Sub-agents (close terms: administrative corruption, petty corruption, street-level corruption, retail corruption).

**Question 4: What is the corruption – human development (HD) relationship?**

- The relationship between corruption and HD is two-way:
  - Arrow 1 shows the effect of HD on corruption.
  - Arrow 3 shows the effect of corruption on HD.

**Question 5: Why are many poor countries stuck in corruption?**

- This is because corruption and human underdevelopment reinforce one another, as illustrated in Figure 2.
- The dark curve indicates the effect of Human Capabilities (HC) on Corruption Control (CC). At low level, an improvement of HC has limited effect on CC. For example, when a population is largely illiterate, a one percent increase in literacy rate would not have a large effect on the level of corruption. As HC goes up, this effect gradually increases. However, as CC becomes high, it would be difficult to improve it further. This effect decreases again (in other words, it is very costly to eliminate corruption completely). Therefore the relationship is S-shaped.
- Similarly, the reverse effect of CC on HC is also S-shaped. When corruption is very high, an improvement in corruption control is unlikely to have a significant effect on HC. As CC improves, this effect becomes more significant. However, once HC has become high, it would be difficult to improve further. In other words, when the literacy rate is already 99 percent and life expectancy is beyond 85 years, it would be very difficult to increase these indicators further.
- As a result, the intersections of the two curves create two stable equilibria: one is virtuous and the other is vicious. The virtuous equilibrium is where rich countries are locked in while the vicious equilibrium is where poor countries are trapped in.
**Question 6: What distinguishes an effective reform from an ineffective one?**

- A successful anti-corruption reform needs to move a country from the vicious to the virtuous equilibrium. The *tipping point* on Figure 2 separates effective reforms from ineffective ones.
  - Weak reforms, which do not push a country beyond the tipping point, will not succeed because the country will fall back to the vicious equilibrium (this can be showed dynamically).
  - Strong reforms, which push beyond the tipping point, will succeed as the countries will consequentially move toward the virtuous equilibrium.

- Transition points: Equilibria are states of rest and are more of the exception than the rule for real-country situations. In reality, countries are usually out of equilibrium and located between an equilibrium and the tipping point – we call these locations the transition points’ (see evidence for these transition points in the next section on the international picture).

**Question 7: What are the available paths out of corruption?**

- Another way to ask this question is ‘how to move a country from the vicious to the virtuous equilibrium?’ Anti-corruption movements generally fall into two stylised groups:
  - Top-down reforms:
    - Put the Agents in the centre of the reform and focus on strengthening Arrow 2 in Figure 1.
    - Advantage: If there is a strong political will and power to combat corruption, it can be very effective and fast.
Disadvantage: This approach is narrow-based and faces the risk of failure or reversal because it depends on the capability, benevolence and stability of the politicians.

- Bottom-up reforms:
  - Put citizens in the centre of the reform and focus on strengthening Arrows 1 and 3.
  - Advantage: This approach is broad-based and does not assume the preexistence of political will and power.
  - Disadvantage: It might take very long time because citizens lack knowledge and weapons to demand for changes in the government.

• Figure 3 describes these two reform groups graphically. Top-down reforms address corruption without relying on HC improvement and they are depicted by the higher dotted arrow. Bottom-up reforms, on the other hand, focus on improving HC first and use it to address corruption. They are depicted by the lower dotted arrow.

• In practice, any combination of these two types can be implemented, depending on the political system as well as other conditions present in the country.

Question 8: How do political systems affect the choice of reform?

• For democracies:
  - Principals – Agents relationship (Figure 1, Arrow 1) is better institutionalised.
  - Agents – Sub-agents relationship (Arrow 2) might be weak.
  - Sub-agents – Citizens relationship (Arrow 3) might be weak.
  - Corruption is more widespread at the Sub-agents' level (petty corruption).
  - Reforms need to focus on Arrow 2 and 3, i.e. monitor/control of Principals and Agents over Sub-agents. This is a combination between top-down and bottom-up measure.
• For autocracies:
  – Principals – Agents relationship (Figure 1, Arrow 1) is weak.
  – Agents – Sub-agents relationship (Arrow 2) is often strong.
  – Sub-agents – Citizens relationship (Arrow 3) is often weak.
  – Corruption is more serious at the Agent’s level (State capture).
  – Reforms should focus on Arrow 1 and 3, i.e. monitor/control of Principals over both Agents and Sub-agents. That is, bottom-up reform is required.
  – If there is a capable and benevolent leadership, reforms may start at Arrow 2 first, then extend to Arrow 1 and 3. That is, the optimal sequence is to implement top-down reforms first and then expand to bottom-up reforms to sustain achievements.
• Note: the type of the political system alone may not be sufficient to determine the optimal reform path. The size of the country and population may play an important role (see international experience in the next section).

**Question 9: Why do anti-corruption reforms often fail?**

• Governments around the world announce ambitious anti-corruption agendas – few of which ever succeed. This is often because one or both of the following reasons:
  – These agendas overly rely on top-down measures in the places where political will is rare. Bottom-up measures are not working well either because the citizens are constrained by skills, knowledge and self-interest.
  – Actual reforms are weak, i.e. do not push the system beyond its tipping point.

**Question 10: What is the human-capability approach against corruption?**

• The human-capability approach recognises the following:
  – Top-down reforms often fail because of the rareness of political will.
  – Fortunately, political will can be created and sustained through citizens’ pressure. That is, a balanced combination of both bottom-up and top-down efforts is required to combat corruption.
  – However, in most countries citizens’ pressure is currently weak because citizens lack capability to monitor and demand the government.
  – Therefore the task of catalyst groups (i.e. reformist officials, reporters, donors, NGOs, international community and academics) is not only to help the government to fight corruption but also to empower the citizens to demand changes in the government.
  – The most important capabilities required for citizens to take the leadership role in anti-corruption reforms are:
    ♦ Human capital
    ♦ Social capital
    ♦ Information capital
• In short, the human-capability approach puts citizens in the centre of the reform.

3. INTERNATIONAL PICTURE: THE PATHS OUT OF CORRUPTION

The previous section offers a conceptual framework to understand the corruption trap, tipping point and alternative reform paths. Here, we examine international data to search for evidence that corroborates
3.1 The Paths Out of Corruption

Figure 4 plots 2006 Corruption Perception Index (of Transparency International) against Voice & Accountability Index (of the World Bank) for 150 countries. Voice and accountability is an important human capability in fighting corruption.

If human capability helps to reduce corruption, we should observe a weak relationship when human capacity is low as it grows towards a certain tipping point, and this relationship should be come strongly positive beyond a certain threshold. Strikingly, as can be seen in the figure, Voice and Accountability have very limited correlation with corruption below the threshold of 0.5. However, once voice and accountability pass this threshold, the correlation becomes very strong.

Figure 4 indicates the main path out of corruption: poor countries develop their human capability under high corruption until they reach a certain threshold, then human capacity helps to reduce corruption. This is also the way many of now less corrupt countries have reduced corruption.

Not all countries follow this path. A group of small states seems to be addressing corruption through the top-down measure, i.e. not relying much on voice and accountability. Singapore stands out in Figure 4 as the most notable example. To some extent, Hong Kong, China (SAR) is also very successful in addressing corruption in comparison with other countries of the same level of voice and accountability. A group of small states, including Bhutan, Bahrain and Jordan also seem to be following this path.

There are some notes for the countries in the Asia-Pacific. Myanmar is among the countries that stay most far off from the tipping point in voice and accountability. China and Viet Nam are not doing so well on this dimension either. Pakistan,
Cambodia and Bangladesh are doing somewhat better but still stay far from the tipping point. Sri Lanka and Indonesia are closer. The countries that are near the tipping point are Thailand and India. Below, we discuss whether these countries are about to tip away from the corruption trap.

Figure 5 looks at education as another dimension of human capability, but we can see a strikingly similar picture. Education, when low, has a limited relationship with corruption; but this relationship becomes significant once education passes beyond a certain level. In this case, the tipping point occurs when secondary school enrolment is at 90 percent.

In terms of education, India is now quite far away from the tipping point. This graph suggests some insight on why corruption is still rampant in India despite its functioning democracy. Notably, Thailand is located near the tipping points on both graphs. This indicates a positive outlook for the fight against corruption in Thailand in the nearer term. Other countries that are close to the tipping point in education include the Philippines, Sri Lanka, Viet Nam, China and Indonesia. Countries that are distant from the tipping point include Papua New Guinea, Pakistan, Cambodia, Myanmar, Nepal and Lao People’s Democratic Republic. This figure suggests that these countries need to invest more on education to be able to address corruption successfully.

Another central observation in this section is that no country with high and broad human capability tolerates a high level of corruption. That is, investment in human capabilities can be a vaccine against corruption – this vaccine becomes particularly effective once human capabilities have reached a critical mass or tipping point. As human capability is a broad concept, it is important to look at its different dimen-

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**FIGURE 5: Corruption Control – Education Relationship**

How Long Does it Take a Country to Break Away from Corruption?

Once we know the paths out of corruption, we wonder how long these paths may take. It obviously depends on the conditions for each country and period. Below we look at the experiences of some countries that have followed the bottom-up path, as well as countries that have used the top-down path.

The United States, like other developed countries, had a very corrupt political and governmental system until the nineteenth and early twentieth centuries. At the time, kickbacks for politicians constituted a large proportion of public funding for basic services such as street cleaning and construction (Glaeser and Goldin 2006). Cash-filled envelopes floated in the hallowed halls of the United States Senate as late as the 1950s (Caro 2002). Even President Harry Truman was elected into the Senate through the notoriously corrupt Pendergast machine (McCullough 1992).

It took almost a century for the United States to reform its government through an arguably bottom-up path. Workers, consumers, small investors, opposition politicians, activists and journalists contributed to the victory against corruption through a lengthy political struggle (Glaeser and Goldin 2006).

The constructed corruption index showed on Figure 6 indicates that control of corruption in the United States was a lengthy pro-

FIGURE 6: Corruption in the United States

Source: Glaeser and Goldin 2006.

Note: ‘NY Times (Corr + Fraud)/Political’ and ‘Ancestry (Corr + Fraud)/Political’ are series based on the count of articles containing the words ‘corruption’ and ‘fraud’ (and their variants). For the Y-axis, this count is standardised, providing an ‘index of corruption and fraud’ dividing by the number of articles containing the word ‘political’ (and its variants), taking into account the overall amount of attention given to politically relevant stories on corruption and fraud.
cess, between 1830 and 1920. It took about the same time period for most of the now less corrupt countries to curb corruption.

In the early 1960s, the People’s Action Party (PAP) in Singapore embarked on strong top-down anti-corruption reforms. It is useful to note that before 1960 Singapore was as corrupt as many other places in Asia at that time. The PAP government introduced the Prevention of Corruption Act (POCA) in June 1960 to enhance the Corrupt Practices Investigation Bureau’s powers. PAP has succeeded in curbing corruption by enforcing the POCA impartially within five years when Singapore attained its independence in August 1965. It took a relatively short time for the PAP to turn around the situation and create one of the cleanest and most effective bureaucracies in the modern world.

It took about the same time for Hong Kong (SAR), China to address its rampant corruption in the 1970s. The reform against corruption in Hong Kong, China (SAR) was first triggered by public dissatisfaction and then followed by serious top-down measures. The Independent Commission against Corruption (ICAC) was established in 1974 when Hong Kong, China (SAR) was a corruption-stricken territory, and it is believed that by 1977 all major corruption syndicates were broken, including the ones within the policy force. Probably the most important similarity between Singapore and Hong Kong, China (SAR) was the existence of strong political will to eradicate corruption. Fighting corruption has also been one of the most important elements in the formula for success for both of these two Asian economic tigers during their miraculous economic development.

It is difficult to compare the experiences in Singapore and Hong Kong, China (SAR) with the United States’ experience and argue one approach is better than the other. These experiences happened at different times and under different conditions. One key difference is that in Singapore and Hong Kong, China (SAR) the initial political will to address corruption was much stronger. Many anti-corruption reforms around the world fail for one major reason: lack of political will. Refer to Boxes A3.1–A3.5 in Annex 3 for case studies.

3.3 Further Evidence

The relationship between corruption and different aspects of human capability has been shown in many multivariate regression analyses. Table 1 reports a strong correlation between various measures of corruption and two different aspects of human capability (namely education and freedom of media), after controlling for GDP per capita.

Some analyses have also provided strong evidence for the tipping point through identifying a nonlinear relationship between corruption and various aspects of human capability (as in Figure 4 and 5). Montinola and Jackman (2002) confirm that democracy ‘affects level of corruption, but this effect is nonlinear. Corruption is typically lower in dictatorships than in countries that have partially democratised. But once past a threshold, democratic practices inhibit corruption’. Sung (2004) points out linearity as a problem of previous empirical research on corruption. He shows that the cubic functional form best fits the data, even after controlling for potentially confounding factors. His analysis actually demonstrates an ambiguous effect of middle-range levels of democracy on corruption. Only beyond a certain threshold does the correlation between democracy and corruption become significant.
### Table 1: Corruption and Country Characteristics

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<tr>
<td>Real GDP per capita (log)</td>
<td>-0.55***</td>
<td>-1.29***</td>
<td>-0.81***</td>
<td>-0.68***</td>
<td>-0.06***</td>
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<td>(.11)</td>
<td>(.31)</td>
<td>(.20)</td>
<td>(.19)</td>
<td>(.01)</td>
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<tr>
<td>Years of schooling (log)</td>
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<td>-0.097*</td>
<td>-0.18</td>
<td>-0.22</td>
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<td></td>
<td>(.12)</td>
<td>(.06)</td>
<td>(.28)</td>
<td>(.36)</td>
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<tr>
<td>Freedom of media index</td>
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<td>-0.10*</td>
<td>-0.06**</td>
<td>-0.05*</td>
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<td>(.02)</td>
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<tr>
<td>Sample size</td>
<td>91</td>
<td>79</td>
<td>83</td>
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Notes:  
- *** means statistically significant at 1 percent  
- ** means statistically significant at 5 percent  
- * means statistically significant at 10 percent  
- Standard errors are in parentheses

### 3.4 Key Messages

- The two-way relationship between corruption and human development creates a high corruption – low human development trap.
- To get out of this trap, countries should push reform beyond a tipping point. This tipping point is evidenced from international data on various measures of corruption and human development.
- There are different paths out of this trap. Most countries seem to build up human capability first, then get rid of corruption. Some countries in the Asia-Pacific, notably Singapore and Hong Kong, China (SAR) were able to address corruption at a relatively low level of human capability. They succeeded in doing so thanks to the presence of strong political will to fight corruption (with their small size certainly bearing influence).
- In most countries in the Asia-Pacific, such strong political will is rare. The human-capability approach in this paper discusses how to create and sustain a strong political will.

### 4. Political Systems and Corruption in the Asia-Pacific

This section provides an overview of the political systems and current situation of corruption in the Asia-Pacific. We will find out what distinguishes the Asia-Pacific political systems from those in the rest of the world. We will examine the resilience or vulnerability of different political systems vis-à-vis corruption. Lastly, we will examine two important political issues, namely democracy and decentralisation, and their effects on corruption.

#### 4.1 Corruption in the Asia-Pacific

Let us first get a broad picture about the situation of corruption in the Asia-Pacific. Figure 7 groups countries by their CPI and shows the distribution of corruption among countries in the Asia-Pacific with the rest of the world. The Asia-Pacific distribution seems to follow the distribution of the rest of the world but not very closely. Levels of corruption of countries in the Asia-Pacific seem to concentrate more in the lower-
FIGURE 7: Distribution of Corruption Among Countries


FIGURE 8: Corruption Trends in the Asia-Pacific

middle range between two and six. The unweighted average CPI of the Asia-Pacific actually equals that of the world and is 4.1. There are only four Asia-Pacific countries that have a CPI beyond the 6.0 threshold—they are: New Zealand (9.6), Singapore (9.4), Australia (8.7) and Hong Kong, China (SAR) (8.3).

Corruption trends over time in the Asia-Pacific have been perceived as stable as shown on Figure 8. The level of corruption perception remained almost unchanged from 1998 to 2006 for most countries. Two noted exceptions are Bangladesh and the Republic of Korea. During the past six years (since the data became available), Bangladesh has climbed steadily. However, because of a low starting point, Bangladesh is still perceived to be among the most corrupt countries in the region. Since the Asian Financial Crisis, reforms have helped to improve corruption levels in the Republic of Korea, and has since been catching up with Malaysia.

Certainly, measuring the corruption level in a country is a challenging task. However, corruption perception measurements indicate that anti-corruption reforms in Asia-Pacific countries have not been effective. To investigate the reasons for this failure, let us go deeper into the relationship between political systems and corruption. Refer to Box A3.6 in Annex 3.

4.2 Political Systems and Corruption

The Asia-Pacific has a diverse portfolio of political systems due to its large size, diverse cultures, histories and colonial influences. Figure 9 illustrates this diversity. There are five main types of government systems:

- Parliamentary republic, including parliamentary constitutional monarchy.
- Presidential republic.
- Semi-presidential republic.
- Absolute monarchy.
- One party.

The composition of political systems in the Asia-Pacific is quite distinct from the rest of the world (Figure 10). The Asia-Pacific has comparatively very few countries with a presidential or semi-presidential political system. Only 27 percent of the countries in the region adopt this political system while 55 percent of the rest of the world uses this system. Fifty-eight percent of the Asia-Pacific countries adopt the parliamentary system—this choice provides some resilience for the region against corruption, as discussed later in this section. The Asia-Pacific has only two among 15 absolute monarchies. They are Bhutan and Tonga. However, the Asia-Pacific accounts for three among seven one-party systems in the world. They are Lao PDR, Myanmar and Viet Nam. This also has implications for corruption vulnerability.

Let us now see how corruption varies with different political systems. Figure 11 presents Transparency International’s Corruption Perceptions Index (TI CPI) for five main political systems (lower bars mean higher corruption). The first thing to note from this figure is that no political system is immune from corruption, although the susceptibility to corruption seems to vary across different political systems. The second thing to note is that the Asia-Pacific countries perform worse than countries in other regions with the same political system (except for monarchies). "Parliamentary states in the Asia-Pacific perform much worse than similar systems elsewhere (3.8 versus 6.0). However, they fare better than presidential and semi-presidential systems both inside and outside the region. Somewhat surprisingly, the
FIGURE 9: The Map of Political Systems in the Asia-Pacific

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

Source: Tran 2007.

FIGURE 10: Composition of Political Systems

presidential and semi-presidential systems in the Asia-Pacific do not perform significantly better than one-party systems\textsuperscript{4} (2.5 and 2.7 versus 2.4).

The performance superiority of parliamentary systems has been shown in many cross-county and multivariate analyses. Juan Linz (1978; 1990) was probably the first to discuss ‘the perils of presidentialism’ in various outcomes in comparison with parliamentarism. His claim was however questioned and revised by other studies (Horowitz 1990; Cheibub and Limongi 2002). Overall, evidence from these studies does indicate that parliamentary systems outperform presidential ones on regime survival and some other important outputs (Kunicova 2005).

The influence of political systems on corruption was first studied by Lederman et al. (2001) and Panizza (2001). These studies show that corruption in parliamentary states is significantly lower than presidential states after controlling for various factors. This finding is supported by another study by Gerring and Thacker (2004). Kunicova (Lambsdorff 2006) goes deeper into the problem of presidentialism and found that corruption increases significantly as the presidential term ends. She suggests this is likely because the incumbent presidents have little to lose at the end of their terms. Furthermore, she shows that the level of corruption in a presidential system positively correlates with the power level of the president of that system.

From the human development lens, it is important to understand the effect of different political systems on various aspects of ordinary people’s life, particularly when concerning the poor. The TI Global Corruption Barometer is a survey that investigates this area. Figure 12 describes how Asia-Pacific people rate corruption in seven important aspects of their everyday life. The question asked is, ‘To what extent do you perceive the following categories to be affected by corruption in this country? Please answer using a scale from one to five (one meaning not at all corrupt, five meaning extremely corrupt)?’

In Figure 12, higher bars mean higher corruption. The sectors are sorted from left to right by its level of corruption. The police

![Figure 11: Corruption Varies with Political Systems](image-url)
force is perceived as the most corrupt sector, followed by the judiciary system and tax office. The least corrupt sectors are utilities and registry/permit services, although the levels of corruption in these sectors are still very high. Education and medical services rank in the middle of the scale.

Once again, parliamentary systems seem to serve the ordinary people better on each of the seven studied sectors. Between the remaining two types, presidential systems are still better than semi-presidential ones. Note that, for parliamentary systems, corruption remains comparatively low and stable around 2.6 for most sectors (except for police). Corruption in presidential and semi-presidential systems is higher and varies considerably across these sectors.

4.3 Democracy and Corruption

The official type of a political system cannot convey the actual power distribution within that system. One important measure for the power concentration of a political system is level of democracy. As Schumpeter (1942) posited, it has been widely believed that democracy acts as an ‘invisible hand’ to reduce corruption. Citizens vote out politicians who are corrupt at the expense of the social interest. Democracy removes corrupt politicians or makes them stay away from practices. Either way democracy should reduce corruption. In this section we will look at data (Table 2 and Figure 13) for the Asia-Pacific and the world to evaluate this argument.

Figure 13 groups countries in the Asia-Pacific and the rest of the world by their rating in the Democracy Index compiled by the Economist Intelligence Unit in 2006. It is interesting to note that both distributions are bi-modal and follow each other closely. However, both modes of the Asia-Pacific distribution are lower than those of the rest of the world, making its unweighted average...
TABLE 2: Political Systems and Democracy in the Asia-Pacific

<table>
<thead>
<tr>
<th>Country</th>
<th>Official Type</th>
<th>EIU Classification</th>
<th>Democracy Rank/171 Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Parliamentary</td>
<td>Full democracy</td>
<td>8</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Parliamentary</td>
<td>Full democracy</td>
<td>11</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>Full presidential</td>
<td>Flawed democracies</td>
<td>31</td>
</tr>
<tr>
<td>India</td>
<td>Parliamentary</td>
<td>Flawed democracies</td>
<td>35</td>
</tr>
<tr>
<td>Mongolia</td>
<td>Semi-presidential</td>
<td>Flawed democracies</td>
<td>56</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Semi-presidential</td>
<td>Flawed democracies</td>
<td>57</td>
</tr>
<tr>
<td>Philippines</td>
<td>Full presidential</td>
<td>Flawed democracies</td>
<td>63</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Full presidential</td>
<td>Flawed democracies</td>
<td>65</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>Parliamentary</td>
<td>Flawed democracies</td>
<td>65</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Parliamentary</td>
<td>Flawed democracies</td>
<td>75</td>
</tr>
<tr>
<td>Singapore</td>
<td>Parliamentary</td>
<td>Flawed democracies</td>
<td>84</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Constitutional monarchy</td>
<td>Flawed democracies</td>
<td>81</td>
</tr>
<tr>
<td>Thailand</td>
<td>Constitutional monarchy</td>
<td>Hybrid regimes</td>
<td>90</td>
</tr>
<tr>
<td>Fiji</td>
<td>Military junta state</td>
<td>Hybrid regimes</td>
<td>91</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Constitutional monarchy</td>
<td>Hybrid regimes</td>
<td>105</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Semi-presidential</td>
<td>Authoritarian Regime</td>
<td>113</td>
</tr>
<tr>
<td>Nepal</td>
<td>Semi-constitutional monarchy</td>
<td>Authoritarian Regime</td>
<td>126</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>Full presidential</td>
<td>Authoritarian Regime</td>
<td>135</td>
</tr>
<tr>
<td>China</td>
<td>One-party state</td>
<td>Authoritarian Regime</td>
<td>138</td>
</tr>
<tr>
<td>Iran, Islamic Republic of</td>
<td>Theocracy</td>
<td>Authoritarian Regime</td>
<td>139</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>One-party state</td>
<td>Authoritarian Regime</td>
<td>145</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Absolute monarchy</td>
<td>Authoritarian Regime</td>
<td>147</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>One-party state</td>
<td>Authoritarian Regime</td>
<td>155</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Military junta state</td>
<td>Authoritarian Regime</td>
<td>163</td>
</tr>
<tr>
<td>Korea, Democratic Republic</td>
<td>One-party state</td>
<td>Authoritarian Regime</td>
<td>167</td>
</tr>
</tbody>
</table>

Note: As of 2008, Political Systems in the following countries have changed: Republic of Korea (Full democracy); Bangladesh, Bhutan, Nepal, Pakistan, (Hybrid Regime); Thailand (Flawed democracy).


Source: EIU 2006.

FIGURE 13: Distribution of Democracy
Democracy Index somewhat lower (5.36 versus 5.55). These measurements indicate that the Asia-Pacific is less democratic than but equally corrupt to the rest of the world.

Let us now look at the relationship between democracy and corruption. Figure 14 plots countries’ CPI against their EIU Democracy Index. We have seen a similar picture in Figure 4. Under the tipping point, at between seven and eight on the Democracy Index scale, democracy does not appear to have any significant relationship with corruption. However, just beyond this threshold, this relationship becomes very strong. India is standing right at this threshold (Some multivariate regression studies indicating this non-linear relationship has been discussed previously.) A group of small states does not follow this stylised relationship. They include Singapore and Hong Kong, China (SAR) followed by the Gulf states and Bhutan.

Interestingly, Treisman (2000) points out that it is not the level of democracy that has a positive effect on corruption control, but its length of experience. He argues that the fact that a country is democratic or not may not have a significant effect on corruption. However, the longer experience a country has with democracy, the better it addresses corruption. Using data for a group of 64 countries, he shows that the current degree of democracy does not have a significant effect on corruption but the length of exposure to democracy does. This implies that in the short-term young democracies such as Cambodia, Indonesia, Thailand or the Philippines may have no advantage over less democratic countries. But in the long term, when these countries have cumulated more experience with democracy, it would help them to address corruption more effectively. Refer to Boxes A3.7 and A3.8 in Annex 3 for case studies.
4.4 Decentralisation and Corruption

Decentralisation has been a popular policy trend in many countries recently. Some believe that decentralisation can help to reduce corruption through better monitoring and control of the local government by local people. Others argue for the opposite. Legal and monitoring institutions are often weaker and fewer at the local level, opening the door for more corruption.

Figure 15 plots countries on CPI and a decentralisation index measured by the sub-national share in the total government expenditure. As can be seen, there is no clear relationship between corruption and decentralisation.

Empirical studies on the relationship between decentralisation and corruption is as controversial as the theories. There are two main empirical approaches. The first approach studies the correlation between countries’ corruption and their size. These studies find this correlation to be positive, meaning larger countries tend to be more corrupt, given other observable factors are the same (Root 1999; Fisman and Gatti 2002; Treisman 1999). The standard explanation is that in small countries it is easier to monitor and control the government. These findings suggest that within-country decentralisation is good for controlling corruption.

Studies in the second approach use sub-national share in the total government budget as the measurement of decentralisation. Using this approach, Huther and Shah (1998) and Fisman and Gatti (2002) find opposite results. Huther and Shah find decentralisation reduces corruption while Fisman and Gatti find the reverse: decentralisation strongly encourage corruption.

FIGURE 15: Decentralisation and Corruption

Using the same approach but a larger sample, Knack and Azfar (2003) find no correlation between corruption and decentralisation. This indicates that these empirical studies may have suffered from the sample selection problem. In sum, the effect of decentralisation on corruption remains questionable both conceptually and empirically despite its widespread popularity in policy practice. Refer to Boxes A3.9 and A3.10 in Annex 3 for case studies.

4.5 Key Messages

- On average the Asia-Pacific region is about as equally corrupt as the rest of the world (CPI unweighted country average is 4.1 both within and outside the Asia-Pacific).
- According to perception data, corruption has been virtually unchanged despite the mounting attention and intervention the countries in the region have spent on it over the past decade.
- All types of political systems in the region are susceptible to corruption. Among them, parliamentary systems appear to be the least vulnerable. Interestingly, there is not much difference among presidential, semi-presidential and one-party systems in terms of corruption-vulnerability.
- The majority of Asia-Pacific countries in the region have adopted parliamentarism, while the majority of the countries in other regions have adopted presidentialism.
- On average Asia-Pacific countries are more corrupt than countries in other regions with the same political system.
- It would be useful to know which types of corruption (high-level corruption and low-level corruption) are more widespread under each type of political systems. Unfortunately, data is not yet available to address this query.
- No public service is immune from corruption, although the corruption level varies from one service to another. By ascending order of corruption seriousness, seven basic public services are: utilities, registry/permit, healthcare, education, tax and revenue, judiciary system and the police. Ironically, law enforcement forces (the police and judiciary system) are rated by ordinary people as the most corrupt sectors. Again, parliamentary systems seem to outperform presidential and semi-presidential in every single public service.
- Democracy has been showed to have a positive correlation with corruption control.
- The Asia-Pacific on average is less democratic than other region in the world.20
- Lastly, decentralisation has been widely believed as a tool to improve governance and reduce corruption. Empirical evidence, from the Asia-Pacific and the rest of the world, for this belief, has been inconclusive.

5. HUMAN CAPABILITY AS A VACCINE AGAINST CORRUPTION

By now, we have argued that there are two stylised paths out of corruption. The top-down reform path puts the Agents (i.e. politicians) in the centre and focus on preventing corruption practiced by the Sub-Agents. The bottom-up reform path puts the Principals (i.e. citizens) in the centre and focus on preventing corruption practiced by both the Agents and Sub-agents.

The top-down path requires a capable and committed leadership (Agent), which rarely exists, and therefore only few countries ever succeed on this path. Cross-country data suggest that most of the countries that have succeeded are city states. However,
attempts to go on this path are very popular among larger developing countries.

The bottom-up path seems to be the path that most countries follow (see Figure 4 and 5). This path does not require capable Agents but capable Principals. That is why strong human capabilities are a prerequisite to follow this path. There are three important capabilities that enable citizens to monitor and control the government:

- Human capital: stock of skills and knowledge that enables citizens to work out effective strategies to control corruption in the government.
- Social capital: stock of relationships that enables citizens to work together against corruption in the government.
- Information capital: stock of information about the performance of the government, politicians and officials to which citizens have access.

It may take countries a long time to go through the bottom-up path. To speed up, it is important to understand and strengthen these three capitals (Annex 1 and Figure A1.1).

5.1 Human Capital

The human capital concept comes from development economics where it is viewed as similar to other means of production, such as factories or machineries. It means we can invest in to human capital and get some ‘interest’ from it (Becker 1064).

In this paper, human capital refers to the stock of knowledge and skills of the people that enable them to control government corruption. A country can invest in human capital and get different types of ‘interest’ including corruption reduction. Below, we discuss several aspects of human capital that are relevant for fighting corruption.

**Education**

Figure 16 shows that there is a positive relationship between corruption and literacy rate. However, we can see high corruption in many countries with relatively high literacy rates such as Indonesia, Viet Nam and the Philippines. Literacy does not guarantee corruption reduction. On the other hand, looking back at Figure 5 we can see a stronger relationship between corruption and secondary school enrolment. Beyond the tipping point corruption definitely decreases as enrolment increases. This difference suggests that not all levels of education are equally effective in reducing corruption.¹⁷

**Awareness Programmes**

Many anti-corruption initiatives have been unsuccessful because there is not sufficient interest or participation from the public. Awareness programmes are effective treatment for this problem. Awareness programmes have been successfully organised to help citizens understand the serious costs of corruption for themselves and recruit their support (See the case about National Anti-corruption Week in Uganda).

**School Programmes**

Some countries bring awareness programmes into schools. Hong Kong, China (SAR) Independent Commission against Corruption (ICAC) has been moving aggressively on this front. It incorporates anti-corruption training in formal school curricula, invites schools to participate in ICAC Week, provides teaching materials to teachers, makes presentations at universities, organises drama performances, and designs the Teensland website with anti-corruption games and online activities. These pro-
grammes have contributed to a significant change in public attitude toward corruption. The proportion of corruption complainants willing to identify themselves has increased from 30 percent in 1974 to 70 percent today. More than 90 percent of reports about corruption now come directly from the public (Chui 2001).

Social Marketing (Kindra and Stapenhurst 1998)

Anti-corruption organisations have been urged to use the tools of social marketing to mobilise the public. Marketing is a powerful tool for business to promote consumers’ attitude and behavioural changes. Government and non-government organisations have applied marketing to promote socially desirable changes in behaviours and attitudes of the people in many areas such as public health, environmental preservation, safe driving and family planning – this is termed social marketing. In fact, most of the anti-corruption awareness programmes have already used some elements of social marketing. Kindra and Stapenhurst (1998) urge anti-corruption organisations to use the tools from social marketing science to design and implement their public programmes. This has high potential for enhancing public anti-corruption programmes.

The Private Sector

The private sector is a special part of the public and the supply side for corruption. In Asia-Pacific countries, many large corrupt activities involved the cronyist private sector. Certainly, corruption benefits only a small number of businesses but hurts most of the others. For these businesses, it is important to create coalitions to create pressure to eliminate corrupt practices.

The outputs from corporate anti-
corruption programmes include good corporate governance, best practices, culture and code of business conduct. In the Republic of Korea, for example, corruption and cronyism were seen as the major causes for the devastating Asian Financial Crisis. The Republic of Korea has adopted a series of measures aimed at creating an anti-corruption culture among its businesses. The Republic of Korea’s government ratified the OECD’s Convention on Combating Bribery of Foreign Public Officials in International Business Transactions – probably the first and best international tools to fight corruption on the corporate side. Business associations such as the Federation of Korean Industries (FKI) endorse their own codes of conduct and encourage member firms to adopt. The FKI created its Charter for Business Ethics together with the Committee on Business Ethics in 1999. In 2000, it published its first Manual for Business Practice. The Republic of Korea also launched its Korea Corporate Corruption Index (KCCI) (Park 2001). Similar activities are also going on in other Asia-Pacific countries (Rhee 2001; Kimura 2001). Refer to Boxes A3.11–A3.16 in Annex 3 for case studies.

5.2 Social Capital

Human capital on its own is not sufficient to address corruption in governments. If citizens combat corruption individually, they will likely fail, and the personal cost often outweighs personal benefit. Fighting corruption is often a collective action that requires coordinated collaboration among many citizens. That is why social capital comes in to play an important role.

Social capital refers to the collective value of all “social networks” and the inclinations that arise from these networks to do things for each other’ (Putnam 2000). Social capital has also been described as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them (Fukuyama 1995). Although specific definitions of social capital may differ, they usually imply the productive benefit from a person’s networks of relationship.

Social capital and civil society are closely interconnected. Because of their importance in bonding citizens together for collective actions, social capital and civil society are often regarded as a foundation for democracy (Putnam 2000). The decline of social capital in the West therefore has worrying consequences for western democracies. It has been argued that even non-political networks are valuable for democracy because they create trust and shared values among citizens, creating an interconnectedness of society and interests within it (Putnam et al. 1993).

Social capital is just a tool and it may not always serve the interests of society. Mafia and terrorist groups rely intensely on social capital and networks. So does corruption. In East Asia, for example, the cronyism and corruption that lead to the Asian Financial Crisis in 1997 were the result of strongly connected networks of politicians, bankers, investors and business people.

To fight corruption effectively, citizens also need to build their own networks and values and accumulate social capital. The discussion and cases below will demonstrate the importance of social capital and civil society in this task.

Public Mobilisation

Anti-corruption programmes often fail because of the lack of citizens’ interest and active participation. Citizens may not see the serious cost of corruption for society or for themselves individually. Various initiatives
today focus on mobilising the public into the fight against corruption. Many countries now organise the national anti-corruption day or week.

One notable example is the National Anti-corruption Week organised annually since 1996 by the Anti-corruption Coalition of Uganda to mobilise public support for anti-corruption initiatives. Public activities include peaceful demonstrations and nation-wide processions, a national conference and public forum held in Kampala, a media campaign including articles, press conferences, talk shows, press releases, live phone-in radio and TV programmes and many others aim at specific audiences such as school students and religious groups. The results of this annual event have been extensive. It has changed the public morals and attitudes towards paying bribes; made it mandatory for public health officials to wear name-tags for easy identification during service hours; lead to the establishment of the Directorate of Ethics and Integrity; prompted many inquiries in the Ugandan police, army and revenue authority; encouraged the creation of many countryside anti-corruption NGOs and mobilised donors’ support for anti-corruption projects.

**Addressing Government Corruption**

Once the public has been mobilised, the next challenging task is to find effective approaches to address corruption in the government. Effective approaches vary with conditions in each country, location and time. The Citizens' Coalition for 2000 General Election in the Republic of Korea is a good example of effective approaches. With about 500 civic groups, the Citizens’ coalition organised a campaign against 86 candidates that they viewed as ineligible to run. It selected these candidates from a list of around 1,000 candidates based on the following criteria:

- Involvement in bribery.
- Violations of election law.
- Contributions to the destruction of constitutional government.
- Human rights record.
- Instigation of local antipathy (localism/sectionalism).
- Reactions to reform bills and policies.

Other criteria included unregistered private property, avoidance of military service and tax payments, and any previous criminal offenses.

The Coalition organised trips around the countries to inform voters about the wrongdoings of these candidates. As a result, 59 of the 86 targeted candidates were defeated. This achievement demonstrates the significant role civil society can play against corruption in politics (Lee 2001).

**Norms and Values**

Norms and values, as elements of social capital, have been associated with the level of corruption and have implications for anti-corruption strategies. It has been argued that in a country where hierarchy is generally accepted, top-down reforms may be more effective than grassroots movements. Where there is a strong desire for material wealth, ethical training may not be very productive.

Trust, which strengthens cooperation among citizens and government officials, has been statistically shown to have a negative correlation with corruption (La Porta et al. 1997; Uslaner 2004). Hierarchical cultures are not conducive for civic participation and therefore allow corruption (La Porta et al. 1999; Husted 1999; Treisman 2000).

Teaching values needs to be early and therefore organisations around the world
have focused on programmes that promote the culture against corruption amongst youth. The Coalition for Accountability and Integrity AMAN and CHF International launched an Anti-Corruption Training (ACT) program for Palestinian youth in the West Bank and Gaza in 2006. ACT aims at providing Palestinian youth with an understanding of corruption and how to combat it through transparency, accountability, and integrity. Also in 2006, TI Bangladesh hosted a day-long anti-corruption concert, which featured leading artists and musical groups. The audience – some 30,000 youth – took an anti-corruption oath at the end of the concert. Also, to mark anti-corruption day in 2006, TI Bangladesh organised the country’s first anti-corruption cartoon competition under the slogan ‘Youth shall definitely prevent corruption’. 200 young people entered the competition. Cartoons depict typical scenes of bribery and corruption in Bangladesh.

5.3 Information Capital

Stiglitz (2002) argues that there is a natural asymmetry of information between those who govern (Agents and Sub-agents) and those whom they are supposed to serve (Principals). When this asymmetry is reduced, governments will have less corruption and serve the needs of citizens better. In this paper, we propose to use the concept of information capital to indicate the stock of information about the government’s performance that citizens are able to acquire and share with each other. This is one of the three important types of capital that enable citizens to address government corruption effectively. Below, we discuss several factors that help to strengthen information capital.

The Media

The media, by its name, provides the medium for information to flow. Stiglitz and Islam (2002) argue that the free flow of information is the key to strong governance and development. When the information flow from the government is free, citizens know more about the government’s operations and problems. When the information flow from citizens is free, citizens have more voice. The quantity and quality of both flows depend on the media.

Figure 17 shows the relationship between the Press Freedom Index 2006 by Reporters without Borders and the CPI. Being further left means having a freer media. As can be seen, there is a range (between China and India’s positions) in that there is insignificant relationship between press freedom and corruption. However, beyond India’s threshold, this relationship suddenly becomes strong.

Brunetti and Weder (2003) use multivariate regressions to test the proposition that a free press may be a powerful control on corruption. Their study indicates a significantly negative relationship between press freedom and corruption in a large sample of countries. Their result does not change as they vary between the measures of both corruption or of press freedom. In this study they present further evidence that the direction of causation runs from higher press freedom to lower corruption.

The media help to fight corruption in a number of tangible ways (Stapenhurst 2000):

- Investigating and exposing corrupt officials and office-holders.
- Prompting investigations by official bodies.
- Reinforcing the work and legitimacy of the state’s anti-corruption bodies.
- Strengthening anti-corruption bodies by exposing their flaws.
- Helping to shape public opinion to become hostile to ‘sleaze’ in government.
Pressure for changes to laws and regulations that create a climate favourable to corruption.

There are three conditions that determine the media’s effectiveness: independence, quality and reach. These conditions depend on many issues, which include, but are not limited to, the following:

- Ownership: The question on whether the media should be publicly or privately owned has been hotly debated. International experiences point toward both directions. The publicly owned media is susceptible to state over-control while privately owned media is vulnerable to the abuse by strong private interests. What matters for the media effectiveness is not its ownership but rather its independence. Given the international experience, a mixture of public and a wide diversity of private ownership would probably provide a supportive base for an independent media.

- Protection of investigative journalists: Corruption investigation is the reason accounting for about 21.5 percent of more than six hundred murders of journalists reported by the Committee to Protect Journalists between 1992 and 2007 worldwide. Many other journalists around the world have been imprisoned for exposing corruption cases. Psychological and physical threats are a constant threat to journalists investigating corruption. To allow them to work effectively and encourage other journalists to join them, it is important to find measures to protect investigative journalists. South Africa’s Open Democracy Bill with provisions to protect government employees when they disclose informa-
tion about government corruption is a step in this direction. Another important protection of journalists is the media itself. It is often easy to abuse individual journalists but when they get together and publicise the abuse, they become stronger.

- Media accountability: Public officials should be accountable and the media should be accountable too. In this regard, this accountability refers to the sense that media should be accountable to the people and States for its actions. There are two major challenges in making the media accountable. First, the media wants to attract customers and pursues revenue and profit. Second, the media is a powerful tool politically and economically. Interest groups are always on the lookout for ways to influence and take advantage of the media.

- Self-regulation by the media: Self-discipline, self-consciousness and code of ethics of journalists are important ways to improve media accountability. The media at times have difficult decisions and tradeoffs to make and proper self-regulation would help make the sound choice.

- Press councils: Press councils are popular in young democracies and media industries as a way to promote media accountability. They seek to provide open forums in which people can voice their complaints and evaluations about the media. In practice, it is often difficult to create press councils with sufficient status and neutrality.

- Training for investigative journalists: Investigative journalism is a rewarding but risky profession. Any success can bring enormous benefit to the society but any mistake can mean a high cost for the career or more for investigative journalists. To succeed and be effective in exposing corruption cases journalists need to have skills in collecting facts and data, conducting analyses, drawing logical conclusions and making statements about the cases. Resources for training on these skills are available. The World Bank Institute, for example, provides many training activities for journalists around the world, (i.e. http://www.worldbank.org/wbi/ebj/).

- Technology: Today the Internet is revolutionising the media industry and transforming its approach to corruption coverage. Governments do not have the control over the Internet media as it did over the traditional media. With the emergence and expansion of Internet services, governments now also have much less control on the audience of the media. Citizens now can access information from media agencies based outside their countries and have more diverse sources of information. Knowledge of activities outside national borders also make citizens less tolerant of domestic corruption and more demanding of best international practices to address corruption. The Internet is a forum where citizens can create coalitions, share skills and put pressure on governments for change (the Anti-Corruption Network for Southeast Europe (Fenner and Wehrle 2001) is a successful example). Distance-learning on corruption is now effectively available through the Internet for both journalists and ordinary citizens.

**The Right to Access Information**

In principal, the Principals must have the right to access information about the works of its Agents and Sub-agents. This right should be enshrined in the country’s constitution and legal system. In practice, it is not always the case. Access to information laws (also called national freedom to information laws)
laws) are still missing in a large number of countries around the world. The good news is that the current trend is moving in the right direction: as of 2006, six countries have adopted laws on access to information, while forty others are seriously considering it (Privacy International 2006).

There are usually four methods to achieve the objective of access to information laws (UNODC 2004):

- Every Government agency should be required to publish an annual statement of its operations.
- A legally enforceable right of access to documented information held by the Government should be recognised, subject only to such exceptions as are reasonably necessary to protect public interests or personal privacy.
- The right of individuals to apply or amend any record containing information about them that they believe to be incomplete, incorrect, out of date or misleading should be recognised.
- Independent bodies should provide a two-tier system to appeal against any refusal to provide access.

**Surveys**

Surveys on the performance of public organisations and officials are emerging as a powerful tool to enhance information capital. Surveys can measure and provide evidence about corruption, suggest vulnerable areas, serve as background for public debate and opinion, apply pressure on governments and corrupt organisations for change and indicate appropriate interventions. For example, Viet Nam’s Provincial Competitiveness Index based on the surveys conducted by Viet Nam Chamber of Commerce and Industry has become the national focal point for discussions of provincial mis-

governance and corruption. Rankings on this index also spur competition for better governance among provinces.

Another marvelous example of the utility of surveys is from Uganda. The results of a Public Expenditure Tracking Surveys (PETS) revealed that public schools receive only around 20 percent of the funding allocated to them and the remaining 80 percent is never received due to leakage and corruption. The government reacted swiftly by publishing the monthly funding to these schools in major newspapers and radios. It also required schools to post information about the funding they received. The power of information, through this media campaign, pushed the leakage committed by local governments to fall from 80 to 20 percent during the 1995–2001 period (Reinikka and Smith 2004). Refer to Boxes A3.17–A3.20 in Annex 3 for case studies.

**5.4 Key Messages**

- Very few countries can fight corruption successfully with low human capabilities. No country with high human capabilities tolerates high corruption. Human capability can be an effective vaccine against corruption.
- Three important human capabilities to be invested in are human capital, social capital and information capital.
- Investing in human capital is empowering people with necessary skills and knowledge to address corruption. Important tools for promoting human capital are education, awareness and training programmes and social marketing. The private sector is a special group that must be engaged in anti-corruption activities.
- Investing in social capital is empowering people with the necessary relationship networks that allow them to have coordinated actions against corruption. Social
capital goes hand-in-hand with civil society. Two important fronts for civil society is mobilising the public and addressing government corruption. Another important element of social capital is social norms and values, which need to be promoted as a tool against corruption.

- Investing in information capital is empowering people with necessary information to have informed actions against corruption. The media, freedom to access information laws and surveys are important tools to promote information capital.

6. CONCLUSION: THE HUMAN-CAPABILITY APPROACH TO COMBATING CORRUPTION

Surveys demonstrate that corruption is distressing all aspects of people's life in most Asia-Pacific countries, regardless of their political systems. Despite the recognition that corruption exists and efforts to remedy it, there have not been any significant improvements in corruption control in the region. Throughout the paper we have argued and presented evidence that:

- The majority of current anti-corruption efforts and resources are invested in the government – for top-down measures such as capacity-building and the creation of regulations (Arrow 2 in Figure 18). This approach is not wrong but is inadequate. Citizens are insufficiently involved and receive inadequate resources to participate in the fight against corruption. In other words, top-down measures dominate bottom-up measures in the reform agendas of many countries.

- This bias creates a bottleneck in the relationship circle among citizens, politicians and public servants. A government is rarely interested in changing itself without the monitor and pressure from its citizens.

- A common reason for this bias is that countries hope for a shortcut out of corruption. However, international experiences show that shortcuts out of corruption have been available only to

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**FIGURE 18: Human-Capability Approach against Corruption**
**TABLE 3: Policies and Programmes that Develop Human Capabilities to Fight Corruption**

<table>
<thead>
<tr>
<th>Human capability</th>
<th>Policy Tool to Promote Human Capability</th>
</tr>
</thead>
</table>
| Human Capital        | • Organise citizenry programmes:  
|                      |   – Objectives: These programmes often have two main objectives: to raise awareness about the seriousness of corruption and to provide necessary skills and knowledge to fight corruption.  
|                      |   – Targets: These programmes are appropriate for the general public or specific groups. Below are several groups that deserve attention:  
|                      |     ♦ Disadvantaged groups: usually rural or minority people who have serious shortage of skills and knowledge, and they are often marginalised and most effected by policies distorted by corruption.  
|                      |     ♦ Youth: a special group that is more receptive about value-training.  
|                      |     ♦ Retired people: often have a good deal of skills and interest in fighting corruption because they are no longer beneficiaries. If mobilised, they can become an effective group against corruption.  
|                      | • Adopt social marketing: Marketing is a powerful tool used by firms and NGOs to build awareness and change attitudes and behaviour. This tool can be adopted more comprehensively to make desirable changes in public attitude and action for the purpose of fighting corruption.  
|                      | • Protect rights: Protection of human rights, free speech and whistleblower’s security are important to provide conditions for citizens to participate in anti-corruption activities. Efforts must be made to secure and promote such rights both in regulations and their enforcement.  
|                      | • Provide mass education: Basic education is the foundation for training of other skills. Countries with high illiteracy need to start with mass education, which takes time. Despite this lengthy process, literacy and mass education will produce benefits far beyond anti-corruption activities.  
|                      | • Engage the private sector: Corruption often benefits a small number of firms and hurts the whole economy. The task here is to skillfully organise a coalition of the firms to act against corruption.  
| Social Capital       | • Establish a supportive legal framework: In many countries, especially less democratic ones, the governments are not particularly enthusiastic about promoting civil society because it threatens to serve as a source of competition. Therefore the removal of the barrier in the legal framework or its enforcement is a precondition for civil society to thrive. This includes the protection of civic rights such as freedom to associate.  
|                      | • Provide training: Civil society is a rather new phenomenon in most countries in the Asia-Pacific. There is a great need for skills in management, budgeting, fund-raising, social marketing and conducting campaigns.  
|                      | • Create a labour pool: Activism should be regarded as a rewarding profession that can compete with the private and public sectors for highly committed and talented workers.  
|                      | • Create sustainable activities: Many NGOs dissolve as donors’ funding ceases. It is important to find concepts that attract local funding and diversify the sources of finance.  
|                      | • Support both anti-corruption and non-anti-corruption NGOs: Non-anti-corruption activities also strengthen civil society and indirectly contribute to anti-corruption activities. In some cases, indirect methods can be more effective and less difficult than direct methods.  
| Information Capital  | • Promote the media’s effectiveness through:  
|                      |   – Mixture of public and wide diversity of private ownership.  
|                      |   – Protection of investigative journalists.  

*Contd ...*
Take advantage of media technologies: Besides the rapid expansion of the reach of traditional media technologies (radio, television, cable TV), the Internet is truly revolutionising and democratising the media. Countries need to take full advantage of this open opportunity to create media that provide citizens with access to information and ability to speak out against corruption.

Conduct regular surveys on corruption and public service quality; use survey results as a tool to raise awareness, as information for policy making, and as evidence for public debates and actions.

Legally require the dissemination of information about:
- Government agencies’ operations, programmes and decisions.
- Government regulations.
- Procedure for participating in or complaining about public activities.
- Government and citizens’ rights and responsibilities.
- All documented information held by the government, subject only to such exceptions as are reasonably necessary to protect public interests or personal privacy.

Create independent bodies for citizens’ appeal against any refusal to provide access to government information.

Table 3, translates this approach into a list of specific policies and programmes that can improve these critical human capabilities for fighting corruption.

After World War II, nations could be categorised into one of two main categories: industrial countries and former colonies, with an enormous economic gap between them. To bridge this gap, the first generation of development strategy, which focused on macroeconomic management, saving, investment and industrialisation, were implemented in these former colonies. After almost a half century, rather than shrinking, the economic gap has widened. Only then was it realised that macroeconomic policies would not work in countries with poor governance and widespread corruption. The second generation of development strategy, which focuses on governance and anticorruption, has been put into practice for around 15 years by now, but again with frustratingly little success.

It is time now to recognise that...
governance and anti-corruption reforms will not likely succeed with narrow investment into governments without the effective support of a capable citizenry. The analysis presented in this paper does not argue for a reversal of investment from governments to citizens, but urges for more balanced and effective investment in all three pillars of development: sound economic management, practical governance reforms and expansion of critical human capabilities.

ANNEX 1

The Three Capitals in the Asia-Pacific

<table>
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<th>Capital</th>
<th>Human K</th>
<th>Social K</th>
<th>Information K</th>
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Sources: World Bank 2007a; CIVICUS 2006; Reporters Sans Frontiers 2006.
ANNEX 2

Types of Corruption

Rose-Ackerman (2006) differentiates between low-level corruption and grand corruption. She describes these types as below:

• Low-level corruption is committed by implementing officials within a framework where basic laws and regulations are in place. Below are some generic situations:
  – Qualified applicants bribe implementing officials to get scarce benefit.
  – Qualified and unqualified applicants bribe to get scarce benefit.
  – Qualified applicants bribe to get over delay and admin costs.
  – Officials impose cost (tax/arrest) to extort bribes.
  – Low-level corruption can be a part of organised system to transfer pay-offs up.

• Grand corruption share some features with low-level corruption but it implicates the entire bureaucratic hierarchy, electoral system and overall government structure from top to bottom.
  – There are three varieties.
    ♦ A branch of the public sector organised as a rent-extracting machine.
    ♦ A corrupt electoral system:
      * Get around limits on amount of election spending/contribution.
      * Get around limits on type of election spending/contribution.
      * Get around limits on source of
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- Kickback from large projects:
  * Infrastructure.
  * Privatisation.
  * Allocate natural resource.
- Two extreme types of grand corruption are kleptocracy and state capture.
- Evidence suggests that they hurt the whole economy’s efficiency because they do not behave as private monopoly.

This is a very popular typology in corruption theory but there is very little empirical work corresponding to it. The only survey that addressed this typology is The Business Environment and Enterprise Performance Survey (BEEPS). Developed jointly by the World Bank and the European Bank for Reconstruction and Development in 1999-2000, it surveys over 4000 firms in 22 transition countries and examines a range of interactions between firms and the state. The following figure is based on the data from BEEPS.

With regard to corruption conducted by politician, Kunicova (2006) distinguishes between corruption while in office and corruption while seeking office. On the one hand, politicians while in office engage in corrupt rent seeking, which is the misuse of public office for private gain. On the other hand, politicians while seeking office need money and votes and may engage in corrupt means such as illicit campaign finance, vote buying or electoral fraud.

Source: Gray et al. 2004.
Case Studies

BOX A3.1: The United States’ Independent Media as a Reason for Corruption Reduction

A free and informative press is widely agreed to be crucial to the democratic process today. But throughout much of the nineteenth century U.S. newspapers were often public relations tools funded by politicians, and newspaper independence was a rarity. The newspaper industry underwent fundamental changes between 1870 and 1920 as the press became more informative and less partisan. Whereas 11 percent of urban dailies were ‘independent’ in 1870, 62 percent were in 1920. The rise of the informative press was the result of increased scale and competitiveness in the newspaper industry caused by technological progress in the newsprint and newspaper industries. Two major political scandals – Crédit Mobilier in the early 1870s and Teapot Dome in the 1920s – demonstrate a sharp reduction in bias and charged language in the half century after 1870.

From 1870 to 1920, when corruption appears to have declined significantly within the United States, the press became more informative, less partisan, and expanded its circulation considerably. It seems a reasonable hypothesis that the rise of the informative press was one of the reasons why the corruption of the Gilded Age was sharply reduced during the subsequent Progressive Era.

Source: Gentzkow et al., 2006.

BOX A3.2: Lessons to be Learned From Singapore’s Experience

What can other countries concerned with minimising corruption learn from Singapore’s experience? Before identifying six lessons, two caveats must be noted. First, it might not be possible for other countries to emulate into Singapore’s comprehensive anti-corruption strategy because of the city-state’s unique historical, geographical, economic, demographic and political context. Second, it is also difficult to replicate and transplant Singapore’s experience in curbing corruption because of the high economic and political costs as it is indeed expensive to pay political leaders and senior civil servants high salaries.

Lesson 1: The political leadership must be sincerely committed to the eradication of corruption. They must demonstrate exemplary conduct, adopt a modest lifestyle, and avoid indulging in corruption themselves. Anyone found guilty of corruption must be punished, regardless of his/her position or status in society. If the ‘big fish’ (rich and famous) are protected from being prosecuted for corruption, and only the ‘small fish’ (ordinary people) are caught or executed (as is the case in China and Viet Nam), the anti-corruption strategy will lack credibility and is unlikely to succeed.

Lesson 2: To combat corruption effectively, comprehensive anti-corruption measures must be employed as incremental measures will not suffice. An effective comprehensive anti-corruption strategy consists of comprehensive anti-corruption laws and a non-corrupt and autonomous anti-corruption agency. The anti-corruption legislation must be comprehensive to prevent loopholes and must be periodically reviewed to introduce relevant amendments whenever required.

Lesson 3: The anti-corruption agency (ACA) must itself be incorruptible. To ensure this, it must be controlled or supervised by a political leader who is incorruptible. The ACA must be staffed by honest and competent personnel. Overstaffing should be avoided and any staff member found guilty of corruption must be punished and dismissed from the civil service.
Lesson 4: The ACA must be removed from police jurisdiction as soon as possible as its location within the police prevents it from functioning effectively, especially when there is widespread police corruption.

Lesson 5: To reduce the opportunities for corruption in those government departments which are vulnerable to corrupt activities (namely, customs, immigration, internal revenue, and traffic police), such departments should review their procedures periodically in order to reduce the opportunities for corruption.

Lesson 6: The incentive for corruption among civil servants and political leaders can be reduced by ensuring that their salaries and fringe benefits are competitive with the private sector. However, governments might not be able to increase salaries unless there is economic growth and adequate financial resources. The long term consequences of low civil service salaries are unfavourable as talented civil servants will leave to join private companies for higher pay, while the less capable will remain and succumb to corruption to supplement their low salaries.

In short, Singapore’s success in minimising corruption can be attributed to its dual strategy of reducing both the opportunities and incentives for corruption. Indeed, Singapore’s experience in curbing corruption demonstrates that it is possible to minimise corruption if there is a strong political will. Needless to say, the situation becomes hopeless if such political will is lacking when political leaders and senior civil servants pay only lip service to implementing anti-corruption strategies in their countries.


BOX A3.3: ICAC Staff Members Attribute Success in their Work Against Corruption to:

- Political will;
- The independence of ICAC;
- The authority of the Commissioner to appoint and manage, and to dismiss staff without explanation;
- The existence of proper, and properly enforced, legislation against corruption;
- Publicity for prosecutions of corruption; and
- A law that obliges public servants to declare their assets and the sources of their funds, when asked.


BOX A3.4: Hong Kong, China (SAR) Anti-corruption Formula

‘Nearly all of the major corruption cases I have dealt with were committed by people with high authority and good wealth. For them, they have certainly been educated about the evil of corruption and they may also be subject to certain degree of anti-corruption control. But what inspired them to commit corruption? The answer is simply greed, and they would weigh the fortune they could get from corruption with the chance of them being discovered. So how can we deter them from being corrupt? The only way is to make them realise that there is a high risk of them being caught, which is the Mission of the ICAC Operations Department – to make corruption a high risk crime.’

Source: Excerpted from a speech by Mr Tony KWOK Man-wai, Visiting Professor of the PRC National Prosecutors College and Former Head of Operations, ICAC, Hong Kong, China (SAR) on the LAWASIA Tokyo Conference, 2003.
BOX A3.5: Prerequisites for an Effective Investigation in Hong Kong, China (SAR)

- Independent – Corruption investigation can be politically sensitive and embarrassing to the Government. The investigation can only be effective if it is truly independent and free from undue interference. This depends very much on whether there is a top political will to fight corruption in the country.
- Adequate investigative power – Because corruption is so difficult to investigate, you need adequate investigative power. The Hong Kong ICAC enjoys wide investigative power, such as power to check bank accounts, requiring suspects to declare their assets, requiring witnesses to answer questions on oath, restraining properties suspected to be derived from corruption, holding the suspects’ travel documents to prevent them from fleeing the jurisdiction. Not only are we empowered to investigate corruption offences, both in the Government and private sectors, we can investigate all crimes which are connected with corruption. I must hasten to add that there is an elaborate check and balance system to prevent abuse of such wide power.
- Adequate resources – Investigating corruption can be very time-consuming and resource intensive, particularly dealing with cross jurisdictional corruption cases. The ICAC’s annual budget amounted to US $90 million, about US $15 per capita. You may wish to multiply this figure with your own country’s population and work out the anti-corruption budget that needs to be given to the equivalent of ours! However, looking at our budget from another angle – it represents only 0.3 percent of our entire Government budget or 0.05 percent of our Gross Domestic Product (GDP). I think you will agree that such a small ‘premium’ is a most worthwhile investment for a clean society.
- Confidentiality – It is crucial that all corruption investigation should be conducted covertly and confidentially, before overt action is ready, so as to reduce the opportunities for compromise or interference. On the other hand, many targets under investigation may prove to be innocent and it is only fair to preserve their reputation before there is clear evidence of their corrupt deeds. Hence in Hong Kong (SAR), China, we have a law prohibiting anyone from disclosing any details of ICAC investigation until overt action such as arrests and searches have been taken. The media once described this as a ‘press gag law’ but they now come to accept it as a right balance between press freedom and effective law enforcement.
- International mutual assistance – Many corruption cases are now cross jurisdictional and it is important that you can obtain international assistance in the areas such as locating witnesses and suspects; money trails, surveillance, exchange of intelligence, arrest, search and extradition.
- Professional – All the investigators must be properly trained and professional in their investigation. The ICAC strives to be one of the most professional law enforcement agencies in the world. We are one of the first agencies in the world to introduce the interview of all suspects under video, because we recognise that professional interview technique and protecting the integrity of the interview evidence are crucial in any corruption investigation.

Source: Excerpted from a speech by Mr Tony KWOK Man-wai, Visiting Professor of the PRC National Prosecutors College and Former Head of Operations, ICAC. Hong Kong, China (SAR) on the LAWASIA Tokyo Conference, 2003.

BOX A3.6: Fact-Finding Survey on Good Governance in Public Institutions, Bangladesh

Bangladesh is one of the poorest countries in the world with an average per capita income of around US $380 per annum. Like many developing countries, it suffers from widespread poverty, over-population, illiteracy, malnutrition and a lack of resources. The national economy is
chronically weak while the political system remains unstable. Pervasive corruption is a serious problem throughout the country's social and state institutions. Although Bangladesh became independent in 1971, a democratic system of government was only introduced in 1991 (although even then in a limited form). Corruption is the main obstacle to the social and economic development of the country. Bangladesh now has a parliamentary system, but it lacks a tradition of accountability or transparency. The government sector is characterised by monopolies and the widespread use of discretionary powers.

Transparency International Bangladesh is working towards a corruption-free Bangladesh by advocating transparency and accountability in the administration, the legal system and in all areas of civil society in order to promote stronger economic growth and respect for human rights. Unfortunately, despite 30 years of Bangladeshi independence, corruption is increasing in virtually every sphere of national life.

TIB undertook three Fact Finding Exercises on three of the country's most important watchdog agencies:
• Bangladeshi Anti-Corruption Bureau
• Office of the Comptroller and Auditor General
• Public Accounts Committee.

The work started in early 2000 and was intended to analyse the overall structure of institutions and the way in which they function in order to assess their efficiency and analyse the role they play in curbing corruption. It also sought to evaluate the kinds of corruption that exist in different institutions and make recommendations for improvements. This in turn can stimulate the government to undertake necessary reforms and raise awareness of the problem.

With the last FFE report, TIB presented a working paper on a proposal for an Independent Anti-Corruption Commission (IACC). From the reception by the media and other groups it became apparent that making constructive suggestions in the form of a working paper and the use of critical analysis via a FFE served to raise the level of the debate by making it easier for parties to look ahead. TIB also arranged discussions on the proposed IACC in different parts of the country. TIB is now working with a group of lawyers to prepare a draft bill for an IACC. TIB is also developing indicators to monitor the activities of these organisations for further analysis.

The report on the Anti-corruption Bureau has been very effective. Many people are paying close attention to the performance of the institution based on its findings. TIB understands that the responsible authorities are also paying due attention to the report. In Bangladesh, the report is the first of its kind and will ultimately be a success if its suggestions are implemented and the Bureau is mobilised to act in accordance with the spirit of its principles. The FFE on the Anti-Corruption Bureau can be downloaded from the internet at: http://www.ti-bangladesh.org/research/FFE.htm.


BOX A3.7: Political Competition in India

The importance of local political competition is documented by Bardhan and Mookherjee (2003) in their study of land reforms implemented by local governments in West Bengal since the late 1970s. The land reform effort was highest when local elections were more contested between the two rival parties, a left alliance led by the Communist Party of India (Marxist), and the more right-leaning Congress party. This applied even when the local dominance of the Left party increased beyond a two-thirds majority and despite the prominence given to land reform in the political rhetoric of the Left parties. The result is robust with respect to using village or district fixed effects, and the use of a measure of loyalty shifts between the two parties at the district,
state, and national levels as instruments for the extent of local competition. However, the political composition of these local governments had no significant effects on intra-village targeting of credit, subsidised agricultural inputs, composition of infrastructure investments, or local government finances.

Source: Bardhan and Mookherjee 2005.

**BOX A3.8: ‘Clean Korea 21’ Fair**

During the Korean military regime in the 1970s, there was little co-operation between the public and private sectors or civil society in the fight against corruption. The problem was viewed as being primarily the concern of the government. However, in the 1980s, civil society and the private sector became increasingly active in the campaign. Since then, while corruption in the public sector has appeared to decline, it is still seen as a major problem in the Republic of Korea. Members of civil society and the private sector continue to bribe public officials on a frequent basis.

The ‘Clean Korea 21’ project was set up by Transparency International Korea in order to promote cooperation and knowledge sharing between the three sectors. It was achieved with the support and collaboration of the Presidential Commission for Rebuilding Korea and the Association of Public Enterprises. TI Korea mobilised these three organisations, representing the three different sectors, because all of them had experience and interest in curbing corruption. A variety of different private, public sector and civil society organisations have developed effective practices to curb corruption and make Korea a cleaner, more transparent society. TI Korea recognised the potential of an event of this kind to build social coalitions to fight corruption after witnessing other fairs and exhibitions held in Seoul.

There were three basic stages of implementation:

1. A Secretariat for the Clean Korea Fair was established to organise the event and distribute information. The Secretariat was also responsible for circulating details of anti-corruption tools produced and developed by organisations from the different sectors. An organising committee was also set up composed of the CKF Secretariat and members from the public sector, private sector and civil society organisations.

2. The event itself takes place under the management of TI Korea. A specialist company was contracted to arrange the exhibition, symposium and workshop events. The fair itself includes a full programme of workshops, symposiums, displays etc. A special anti-corruption contest is held and an exhibition features the works of prize-winners.

3. Meetings are held afterwards to evaluate the success of the event and identify problems and areas for improvement. A final report is later published along with CD-ROMs and videos.

Although the collaborative work between the public sector, private sector and civil society is still in its infancy in the Republic of Korea, this project has created an atmosphere conducive to building anti-corruption coalitions. It has also initiated a process to establish an organisation to facilitate this work and promote good governance.

Source: Chong-Su 2002.
BOX A3.9: Monitoring by Higher Level Governments in Indonesia

Olken (2004) carried out a randomised field experiment using over 600 village road projects in Indonesia to test the impact of central government audits. A randomly-selected subgroup was told they would definitely be subjected to these audits, the remaining being audited at the usual frequency (of four percent). Those in the treatment group experienced an eight percent reduction in reported expenditures for the project relative to those in the control group. In contrast, increasing grass-roots participation by local residents reduced thefts of villagers’ wages, but this was almost entirely offset by corresponding theft of material costs. Theft was measured by comparing reported expenditures with independent estimates of prices and quantities assessed as necessary by an independent team of engineers. These results suggest that grass-roots monitoring may be more effective in reducing theft when community members have substantial private stakes in the outcome, but less so (compared with top-down monitoring) when public good supply is involved.

Source: Bardhan and Mookherjee 2005.

BOX A3.10: Unfunded Mandates of Local Governments in Indonesia

Henderson and Kuncoro (2004) show that a significant determinant of (self-reported) bribes paid by Indonesian firms to local government officials was the extent of fiscal strain on local governments relative to their expenditure responsibilities. They report the results of a survey of 1,808 firms in Indonesia concerning economic activity in 2001-2002, following a comprehensive nationwide decentralisation. After controlling for various firm and locality specific characteristics, they find that increasing either the ratio of property tax revenues retained by local governments to local GDP or the ratio of central government transfers to local GDP had a strong negative effect on the number of licenses that local firms had to obtain. One standard deviation increase in each of these variables was associated with a 73 and 56 percent increase in the number of licenses, respectively, which in turn has a significant correlation with bribes (a doubling of the number of licenses raised bribes paid by approximately 80–90 percent of firm costs). They interpret this as measuring the effects of fiscal strain on local governments (relative to expenditure responsibilities mandated by the decentralisation), which induces them to underpay government officials and let them rely on bribes to supplement their incomes.

Source: Bardhan and Mookherjee 2005.

BOX A3.11: The Need for Public Support

Public attitudes can never be taken for granted. In Hong Kong, China (SAR) the transformation of the public attitude from resigned tolerance to extreme intolerance of corruption has been a slow and painstaking process, punctuated with successes and setbacks. Such a massive social campaign is demanding, yet the lessons drawn from it are invaluable. In the context of Hong Kong, China (SAR) the shaping of a new social order called for:

- Public identification with the cause – Sustained community education campaigns are needed to raise public awareness of corruption. People should be made aware that corruption may
have dire consequences if left unchecked. They must be convinced that ordinary citizens are in a position to do something about it, for their own interest and the common good. They should be shown in concrete terms that corruption only fuels other crimes to the detriment of the prosperity and economic wellbeing of the people.

- **Reporting in confidence** – Fear of retaliation discourages people from reporting. ICAC spares no effort in ensuring that nobody is victimised for reporting corruption. From the start, ICAC has enforced a rule of silence on all reports of corruption. For highly sensitive cases, a comprehensive witness protection programme is in place, which in extreme cases enables witnesses to change their identities and relocate.

- **Making corruption a high-risk crime** – Justice must be seen to prevail against corruption. Nothing could send a stronger message both to law-abiding citizens and criminals than the ability to bring to justice persons who have committed acts of corruption – regardless of their background and positions.

- **Credible checks and balances** – Because of the confidential nature of the work of ICAC and the extensive investigative powers that it enjoys, there is some potential for abuse. Since the inception of ICAC, therefore, an elaborate system of checks and balances has been in place to assure the public that if any abuse were to occur, it would be promptly rectified. The system safeguards the interest of the public by placing prosecution decisions solely in the hands of the Department of Justice. All aspects of ICAC: investigation, prevention, community education and overall management, are supervised by advisory committees comprising respectable citizens appointed by the Chief Executive of Hong Kong, China (SAR). The committees can discuss with the Chief Executive matters of concern and they publish annual reports on their work. Moreover, all non-criminal complaints against officers of ICAC are vetted by an independent complaints committee that publishes its findings annually.

**Source:** UNODC 2004.

**BOX A3.12: Winning Public Trust**

ICAC was established at a time when the determination and capability of the government to fight graft was in doubt. It thus had to win back public trust. The public believes in results, not empty slogans. The first Commissioner of ICAC decided that it was only through quick and forceful action that public confidence could be gained. The civil service as a whole, and the police in particular, were identified as the primary targets. The successful extradition from London of fugitive police officer, Peter Godber, and his subsequent conviction within a year, gave the Commission a promising start.

High-profile arrests and prosecutions continued to make headlines, gradually convincing the public that the government and ICAC meant business. Reports on corruption began to flood in; in the first year, 86 per cent of the reports were against Government departments and the police. Corruption syndicates in the police, high on the list of priority problems, were vigorously pursued by ICAC. In one major operation mounted during that period, 140 police officers from three police districts were rounded up at the same time. More than 200 policemen were detained for alleged corruption in one operation. In all, 260 police officers were prosecuted between 1974 and 1977, four times the total number prosecuted in the four years preceding the establishment of ICAC.

In parallel, corruption prevention specialists were dispatched to various government departments to examine their procedures and practices with a view to removing all loopholes for corruption. Assistance was also rendered when necessary to help departments produce codes
and guidelines on staff conduct. The Corruption Prevention Department was also involved in
the early stages of policy formulation and in the preparation of new legislation to close down
opportunities for corruption.

At the same time, the community relations department of ICAC has brought about a
revolution in the public attitude to corruption. Various publicity and outreach programmes
have been organised by the Department to educate the public and strategies have been refined
and adjusted to suit the changing social and economic environment.


BOX A3.13: Can the ICAC Experience be Used Elsewhere?

The earlier status of Hong Kong, China (SAR) the accountability of its Governor to the
British parliament, and its small size and great wealth have provided a unique environment.
Nevertheless, several organisations, and nations, wish to copy the change of Hong Kong, China
(SAR) from a society entrenched in syndicated corruption to one in which the public does not
expect officials to be corrupt, and in which there is determined action against corruption
in the private sector. Some of the lessons learned by ICAC staff could be useful elsewhere.
They include:

• The need to win public cooperation in reporting corruption.
• The importance of securing convictions for corruption and publicising them.
• The cost-effectiveness of cautions and of prevention.
• The value of developing corporate codes of conduct for parts of the private sector.
• The use of video recordings for interviews with suspects, and their admissibility as evidence
  in court.


BOX A3.14: Korean Civil Society Pushes for the Law
to Prevent Corruption

The legislation for a basic law to prevent corruption was strongly urged and proposed to
parliament by 24 national NGOs. In recent years Korean society has undergone a number of
agonising changes caused by the 1997 economic crisis that was caused by Korea's political and
economic systems. The outcome was weakened competitiveness, international distrust, and
destruction of the national economy. Civil society and NGOs formed the Civic Solidarity Network
for the Legislation of Law to Prevent Corruption. This law was proposed to parliament in late


BOX A3.15: Internationally Demonstrable Ways to
Ensure Civil Society Participation

• Ensuring public access to government information.
• Requiring transparency in governments to meet openly with civil society.
• Conducting public hearings and referenda on drafts, decrees, regulations, laws.
• Publishing judicial, legislative and other decisions and keeping a registry (making public information unrestricted).
• Ensuring freedom of the press by prohibiting censorship, discouraging use by public officials of libel and defamation laws as a means for intimidating journalists, and encouraging diversity of media ownership.
• Involving civil society to monitor government performance in areas such as accountability and large-scale public procurement bidding.
• Using new web-based tools on the Internet for transparency, disclosure, public participation and dissemination of information.

Source: Gonzalez de Asis and Acuña-Alfaro 2002.

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**BOX A3.16: Civic Participation in Latin America**

Jimenez and Sawada (1999) study the involvement of schoolchildren's parents in the management of schools in the EDUCO programme in El Salvador since 1991. After controlling for school and student characteristics, they find a positive significant effect on language tests, a positive insignificant effect on math tests at the third grade level, and a significant negative effect on student absenteeism. Santos (1998) and Baiocchi (2005) describe processes of participatory budgeting in a number of Brazilian municipalities, where each neighborhood holds popular assemblies involving local residents to discuss investment priorities, review accounts, evaluate past investments, and elect representatives to a city council. Cities such as Porto Alegre witnessed at the same time a significant rise in local revenues and local spending on local sanitation and road paving, as well as improved school enrolment. Faguet (2005) discusses the role of citizen watchdog groups in Bolivia with the power to veto local government budget proposals. However, no rigorous statistical evaluation of the effects of these forms of civic participation in Brazil and Bolivia are yet available.

Source: Bardhan and Mookherjee 2005.

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**BOX A3.17: Access to Information Trend**

The right to Government information was recognised as a constitutional right in Sweden over 230 years ago under the Freedom of the Press Act of 1766. The modern trend towards open government, however, began in 1966 when the United States Congress enacted a Freedom of Information Act applicable to federal agencies, and virtually every American state followed with its own legislation on the subject. In 1982, Canada, Australia and New Zealand recognised a statutory right to information.


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**BOX A3.18: Access to Information, Rajasthan, India**

In a small and impoverished village in the State of Rajasthan in India, a local grassroots NGO recently demonstrated the potential of an access-to-information law, securing the enactment of such a measure through a 53-day hunger strike. It immediately invoked the new law and revealed to the community the massive and systematic abuse of development funds by local politicians and Government functionaries. In its own quaint fashion, through a six-hour puppet show, it...
publicised the amounts of money said to have been paid to workers long since dead, had migrated or were non-existent, and the hundreds of bags of cement falsely claimed to have been purchased and used to repair a small primary school building. Within weeks, much of the looted money was recovered.


**BOX A3.19: Australia, New South Wales, Freedom of Information Act 1989**

The law seeks to extend the rights of the public to obtain access to information held by the Government, and to ensure that personal records held by the Government are not incomplete, incorrect, out of date or misleading. The objectives would be achieved by:

- Ensuring that information concerning the operations of Government is made available to the public.
- Conferring on each member of the public a legally enforceable right to be given access to documents held by the Government, subject only to such restrictions as are reasonably necessary for proper administration.
- Enabling all members of the public to apply to the Government for the amendment of their personal records. Provision is also made for an internal review of decisions relating to disclosure, a review by the Ombudsman and a review by the Courts.


**BOX A3.20: Access to Information and Media in Uganda**

Reinikka and Svensson (2004) provide evidence for the dramatic effects of a media campaign via radio and newspapers informing local communities of their entitlement to school funds from the central government in Uganda. This campaign, along with an increase in central government monitoring, reduced diversion of these funds by intermediating provincial governments from 80 to 20 percent. Although the impact of the components of the reform cannot easily be disentangled, the information strategy does seem to have had an independent effect. The authors show that the proximity to newspaper outlets to local communities was a powerful predictor of the extent of reduced diversions. Besley and Burgess (2002) provide evidence for the role of local newspapers in increasing the responsiveness of Indian state governments to natural disasters, using a panel study of major Indian states. The role of village meetings that discuss the resource allocation decisions of local governments in improving targeting in South Indian villages has already been discussed.

ANNEX 4
Citizens-Government Relationship (Extended)

FIGURE A4.1: Citizens-Government Relationship (Extended)

ANNEX 5
Corruption Control – Human Development Index Relationship

FIGURE A5.1: Corruption Control – Human Development Index Relationship
ENDNOTES

1. This is based on a comment from an anonymous reviewer.

2. The principal-agent model has become the standard framework in economics and political science for studying corruption. Susan Rose-Ackerman (2006) wrote ‘pathologies in the agency/principal relation are at the heart of the corrupt transaction’.

3. An extended Principal-Agent-Client Framework is presented in Annex 4 to describe different levels in the government and different groups within the public.

4. See Annex 2 for more on corruption typology.

5. In this paper, we use the term human capability (Sen 1985) to emphasise the ability and choice dimension of human development.

6. Note that the equilibria on Figure 2 are partial equilibria (UNDP 2008).

7. This term and idea are based on Human Development Report Unit’s comments dated April 30, 2007.

8. For readers who are interested in the relationship between corruption control and the Human Development Index (HDI), please refer to Figure A5.1 in Annex 5. Please notice however that HDI is not a good indicator for the overall development of human capabilities against corruption. For example, China on Figure A5.1 is much closer to the tipping point than India. This is because HDI computation is based heavily on mass education but not democracy.

9. It has been estimated that it took five years to turn corruption around in Singapore (correspondence with Professor Jon Quah on 18 May 2007).


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

13. CPI data available only for one monarchy in the Asia-Pacific, which is Bhutan.

14. It is often expected that authoritarian rulers in non-democratic countries, with concentrated power in their hands, are more likely to abuse their power and become corrupt. Why presidential and semi-presidential systems do not perform significantly better than one-party systems in the Asia-Pacific? Ying (2004) study contributes to an understanding of corruption control by putting forth a causal explanation for successes and failures in curbing corruption in non-democratic countries. The main argument is that regime type shapes the anti-corruption strategies employed, and leads to different results.

15. This underlines the important lesson that the anti-corruption organisation should not be placed within the police (Quah 1999a). Countries that place their national anti-corruption organisation within the police do not appear to be serious about fighting corruption.

16. In unweighted average comparison, the Asia-Pacific is less democratic but equally corrupt to the rest of the world despite the fact that democracy has been shown to negatively correlate with corruption. This might be because of other favourable factors such as the dominance of parliamentarism in the region.

17. It would be useful to examine the relationship between corruption and post-secondary education. However reliable data about this level of education is not available. Data reported by UNESCO (2007) is inconsistent. For example, it shows tertiary enrollments in Lao People’s Democratic Republic and Cambodia are higher than those in Australia and New Zealand.

18. ‘Cronyist’ businesses mean connections-based businesses.


20. Chowdhury (2004) also finds a similar result. The empirical investigation carried...
out in this paper suggests that democracy and press freedom can have significant impact on corruption.

21. The following discussion is based largely on Stapenhorst (2000).

22. Investigative journalism can be defined as ‘the collection and processing of facts about current events for dissemination to the public through the medium of newspapers, magazines, radio and so on’ (Katorobo 1995).

23. For example, many respondents answer the question about the frequency and amount of bribes they have to make to public officials.

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