



Primer on Corruption and Development

# Corruption and Development

Anti-Corruption Interventions  
for Poverty Reduction,  
Realization of the MDGs and Promoting  
Sustainable Development

United Nations Development Programme



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## Abbreviations

|       |   |  |
|-------|---|--|
| ACPN  | - | Anti-corruption Practitioners Network                  |
| ATI   | - | Accountability, Transparency, and Integrity            |
| BEEPS | - | Business Environment and Enterprise Performance Survey |
| CCA   | - | Common Country Assessment                              |
| CSO   | - | Civil Society Organization                             |
| CPI   | - | Corruption Perceptions Index                           |
| DAC   | - | Development Assistance Community                       |
| GDP   | - | Gross Domestic Product                                 |
| HD    | - | Human Development                                      |
| HDI   | - | Human Development Index                                |
| OECD  | - | Organisation for Economic Cooperation and Development  |
| MDGs  | - | Millennium Development Goals                           |
| PRSP  | - | Poverty Reduction Strategy Paper                       |
| SMEs  | - | Small and medium-sized enterprises                     |
| TI    | - | Transparency International                             |
| TWGs  | - | Technical Working Groups                               |
| WBI   | - | World Bank Institute                                   |
| UN    | - | United Nations   |
| UNCAC | - | United Nations Convention against Corruption           |
| UNDAF | - | United Nations Development Assistance Framework        |
| UNDP  | - | United Nations Development Programme                   |
| UNODC | - | United Nations Office on Drugs and Crime               |

## EXECUTIVE SUMMARY

**Corruption undermines democracy and the rule of law. It leads to violations of human rights. It erodes public trust in government. It can even kill — for example, when corrupt officials allow medicines to be tampered with, or when they accept bribes that enable terrorist acts to take place.**

—Ban Ki-Moon, United Nations Secretary-General, at the launch of Stolen Asset Recovery (StAR) Initiative, 17 September 2007

**Corruption hurts the poor disproportionately by diverting funds intended for development, undermining a government’s ability to provide basic services, feeding inequality and injustice, and discouraging foreign investment and aid.**

—Kofi Annan, former United Nations Secretary-General, on the adoption by the General Assembly of the United Nations Convention against Corruption (UNCAC), 31 October 2003

**C**orruption is a major challenge to development. The erosion of human rights and respect for constitutional authority hinders programmes to alleviate poverty and increase human security (UNDP 2004). While the impact of corruption is particularly tragic in the case of the poorest people in developing countries, fighting corruption is a global concern because corruption is found in both rich and poor countries, albeit in different forms and magnitude.

It is evident that corruption has also contributed to state failure. It has contributed to instability, poverty and the eruption of civil wars over resources in a number of countries. Experiences from many countries which are undergoing or have emerged from conflict show that corruption is a dominant factor in driving fragile countries to state failure (Rotberg 2001). Corruption can lead to, and sustain, violent conflict, in the context of patrimonial regimes that are degenerating under local or international shocks and pressures for market reform. Philippe Le Billon argues that corruption is part of the social and political fabric of society, and thus, ‘conflict may be engendered more by changes in the pattern of corruption than by the existence of corruption itself’ — for example, by appeasing belligerents in order to buy peace. This leads to forms of competitive corruption between different factions, which can result in prolonged violence (Le Billon 2003).

It is therefore not surprising that in the post-cold war era and in the wake of globalization, international actors — businesses, human rights groups, multilateral institutions and regional security blocs among others — have increased pressure on developing countries to contain corruption, to avoid the further erosion of public institutions and the exacerbation of poverty, which could obstruct sustainable development and have spillover effects on neighboring countries.

Corruption is principally a governance issue, a challenge to democratic functioning. It is a failure of both institutions and the larger framework of social, judicial, political and economic checks and balances needed to govern effectively.

When these formal and informal institutional systems are severely weakened by corrupt practices, it becomes harder to implement and enforce laws and policies that ensure accountability and transparency. Thus, according to the UNDP Anti-Corruption Practice Note, corruption undermines the rule of law and leads to the violation of human rights by fostering an anti-democratic environment characterized by uncertainty, unpredictability, declining moral values and disrespect for constitutional institutions and authority (UNDP 2004).

For almost two decades now, UNDP has undertaken to improve governance and combat corruption as a core requirement to achieve the goals of development that it is working for, in poor and developing countries around the world. UNDP works with a range of partners to make anti-corruption one of its imperatives in improving the governance of countries, and the lives of people, especially the poor. UNDP was one of the pioneer organizations in the early 1990s to develop programmes to address and curb corruption, as part of its mandate to reduce poverty, meet the Millennium Development Goals (MDGs) and promote sustainable economic development. This, in some cases, implied shifting focus from traditional (neutral) areas of public administration reform to more politically sensitive areas that are at the core of good governance. Since then, anti-corruption has been a rapidly growing area of UNDP assistance, making UNDP a leading provider of anti-corruption technical cooperation within its governance portfolio (UNDP 2004, 2).

The advent of the United Nations Convention Against Corruption on 14 December 2005 brought new challenges and opportunities to the fight against corruption. It is increasingly being realized that success in meeting the MDGs will depend on both the 'quality' of democratic governance and the generation and management of resources. UNCAC is a binding document ratified by 128 countries (as of November 2008) that provides a governance framework that could prove very useful in this context.<sup>1</sup> According to the self-assessment results of the United Nations Office on Drugs and Crime, an overwhelming majority of Member States indicated that they would need technical assistance to implement UNCAC. Given UNDP's previous work and its widespread presence at the country level, Member States are increasingly approaching UNDP Country Offices for technical assistance in establishing and strengthening national anti-corruption institutions, developing strategies and laws to prevent corruption, and designing and implementing appropriate interventions.

It is within this context that this primer explores the theoretical and empirical relationship between corruption and the various aspects of development including economic growth, poverty, human rights, gender, governance, human development, and environment and sustainable development. The primer also recommends ways in which UNDP could integrate anti-corruption principles and strategies with its technical assistance to effectively implement anti-corruption interventions to reduce poverty, realize the MDGs and promote sustainable development.

The primer covers three areas of discussion — sections one and two provide a broad understanding of corruption and its effect on different facets of socio-economic development. Section three summarizes UNDP mandates and approaches to anti-corruption. Section four outlines some of the challenges to programming anti-corruption interventions and provides guidelines for addressing them in various contexts.

<sup>1</sup> UNODC, United Nations Convention Against Corruption. Online: <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>.

## 1. Corruption and development: Issues and dimensions

### 1.1. Corruption: Definition, causes and consequences

#### 1.1.1. Definition of corruption

In its 1998 corporate policy paper entitled 'Fighting Corruption to Improve Governance', UNDP defined corruption as

'the misuse of public power, office or authority for private benefit — through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement'. This definition is limited because it considers corruption a sin of government and public servants, and does not take into account the fact that corruption also prevails in the private sector.<sup>2</sup> More recently, UNDP began to use the broader definition of corruption to accommodate corruption in the private sector. Corruption is now commonly defined as the 'misuse of entrusted power for private gain'.

#### Box 1. The most common forms of corruption

**Bribery** is the act of offering someone money, services or other inducements to persuade him or her to do something in return. Among the common synonyms for bribes are kickbacks, baksheesh, payola, hush money, sweetener, protection money, boodle and gratuity.

**Fraud** is a misrepresentation done to obtain unfair advantage by giving or receiving false or misleading information.

**Money laundering** involves the depositing and transferring of money and other proceeds of illegal activities, to legitimize these proceeds.

**Extortion** is the unlawful demand or receipt of property, money or sensitive information through the use of force or threat. A typical example of extortion would be when armed police or military men demand money for passage through a roadblock. It is also called blackmail, bloodsucking and extraction.

A **kickback** is a form of bribe referring to an illegal secret payment made as a return for a favour or service rendered. The term is often used to describe in an 'innocent' way the returns of a corrupt or illegal transaction or the gains from rendering a special service.

**Peddling influence** occurs when an individual solicits benefits in exchange for using his or her influence to unfairly advance the interests of a particular person or party. The aim of transparency and disclosure laws is to expose such agreements.

<sup>2</sup> Similarly, sexual extortion is a form of corruption but it is not usually taken into account in compilations of corruption indices.

## **Box 1. The most common forms of corruption (continued)**

**Cronyism/clientelism** refers to the favourable treatment of friends and associates in the distribution of resources and positions, regardless of their objective qualifications.

**Nepotism** is a form of favouritism that involves family relationships. Its most usual form is when a person exploits his or her power and authority to procure jobs or other favours for relatives.

**Patronage** refers to the support or sponsorship by a patron (a wealthy or influential guardian). Patronage is used, for instance, to make appointments to government jobs, facilitate promotions, confer favours, and distribute contracts for work. Patronage transgresses the boundaries of political influence and violates the principles of merit and competition because providers of patronage (patrons) and receivers (clients) form a network bypassing existing lawful systems, through which access to various resources is obtained.

**Insider trading** involves the use of information secured by an agent during the course of duty for personal gain.

**Speed money** is paid to quicken processes caused by bureaucratic delays and shortage of resources. It normally occurs in offices where licences, permits, inspection certificates and clearance documents are processed.

**Embezzlement** is the misappropriation of property or funds legally entrusted to someone in their formal position as an agent or guardian.

**Abuse of public property** refers to the inappropriate use of public financial, human and infrastructure resources. For example, public labour might be diverted to individual use while public properties get hired out for private gain. Such abuse is more common with respect to services offered freely or at subsidised rates by the state and its subsidiaries where such services are either scarce or beyond the reach of the majority of the people. It also tends to be more prevalent where there is no citizens' oversight facilities and where there is obvious monopoly of power by public officials, which is exercised with impunity.

Source: Matsheza (2001); UNDP (2008); and U4 Resource Centre (Corruption Glossary, online at [www.u4.no/document/glossary.cfm](http://www.u4.no/document/glossary.cfm)).



Corruption usually falls into two overarching categories, grand and petty corruption, and political corruption.

- **Grand and petty corruption.** Corruption can occur at different levels, ranging from petty corruption in low level contacts between citizens, businesses and officials, to 'grand' corruption involving bribery or the embezzlement of huge sums of money by those at the highest levels of government. Petty corruption, which is also called bureaucratic corruption, takes place where public policies are being implemented. It is common, for instance, in service delivery — as in health care and education services — where people meet the government as clients and users of public services.
- **Political corruption.** The most common broad definition of political corruption is the misuse of political power for private gain for preserving or strengthening power, for personal enrichment, or both. Political corruption is driven by those who make policy decisions on laws and regulations, and allocate basic resources of a state. Some of the common forms of political corruption are vote buying and election rigging, non-transparent and illegal political campaign and party financing, and abuse of public property for political process (Nazario 2007).<sup>3</sup>

Besides several normative definitions, corruption should also be looked at as a moral and ethical issue. As a result, a number of countries have ethics and integrity programmes designed to enhance awareness about corruption and transparency in public services.<sup>4</sup>

<sup>3</sup> According to Nazario (p.6), political corruption has significantly impeded the development of small and medium states in the Caribbean. The effects of political corruption commonly cited are decreased and degraded economic output, increased crime and violence, and negative educational output.

<sup>4</sup> The Government of Malaysia has acknowledged the importance of addressing the issue of integrity in society as a whole. It has therefore adopted the National Integrity Plan (NIP), which serves as an action plan for all sectors in order to enhance integrity and build an ethical society. It has established the Malaysian Institute of Integrity, which aims to enhance awareness about corruption and the need for transparency in the public service (see UNDP, 'Institutional Arrangements to Combat Corruption: A Comparative Study', 2005).

## 1.1.2. Causes of corruption

What causes corruption has been the subject of extensive academic debate since the 1970s. UNDP's Source Book on Accountability, Transparency and Integrity adapted and extended a hugely influential, although not undisputed, formula by Robert Klitgaard. According to this definition, Corruption = (Monopoly + Discretion) – (Accountability + Integrity + Transparency). This formula analyzes systems in terms of their vulnerability to corruption. Regardless of whether it is in the private sector or public sector, competition is less vulnerable to corruption than monopoly.

Similarly, clear rules of the game are less susceptible to corruption than are systems where official discretion is paramount. Systems with accountability, strong measures of ethics and integrity and ample information about results are less vulnerable than systems whose lack of transparency leads readily to clandestine decisions. In sum, this formula suggests that the absence of accountability, transparency and integrity (primarily as a consequence of weak governance) in addition to monopoly and discretion result in corruption. Hence, corruption is principally a failure of governance.

Others have adopted a more descriptive approach to the causes of corruption. According to one source, 'A key principle is that corruption can occur where rents [profits or returns] exist — typically, as a result of government regulation — and public officials have discretion in allocating them' (Mauro, 1998). In addition, low public sector wages, greed, and weak or absent regulatory policies have also frequently been cited as causes for corruption (Karklins, 2005).

The most cited causes of corruption include: (1) the absence of rules, regulations, policies and legislation; (2) weak systems of enforcement; (3) weak systems of oversight (i.e., the absence of a watchdog institution); (4) lack of accountability; (5) lack of transparency; (6) lack of checks and balances in the system (e.g., institutional weaknesses in the legislative and judicial systems); (7) lack of integrity; (8) monopoly of power; (9) high degree of discretion; (10) low salaries; (11) high rewards compared to risks; and (12) low detection rate.

### 1.1.3. Consequences of corruption

Over the past two decades, the negative impact of corruption on development has been increasingly recognized. Economic research shows that although corruption occurs both in rich and poor countries,<sup>5</sup> its impact is often greater in developing countries where the problem is endemic at every level and hurts the most vulnerable sections of the population that are UNDP's targets. According to GTZ (2004), '[...] empirical studies prove that the more widespread corruption, the worse the macroeconomic figures, particularly per capita income, and that poor sections of the population—and [...] women in particular—are disproportionately affected.'

#### **Box 2. Corruption Perceptions Index (CPI)**

Transparency International's Corruption Perceptions Index (CPI) finds that corruption is rampant in almost half of the over 150 countries assessed. These tend to be the world's poorer countries. To quote the CPI for 2008, 'persistently high corruption in low-income countries amounts to an "ongoing humanitarian disaster"'. The CPI highlights the 'fatal link between poverty, failed institutions and graft', adding that 'against a backdrop of continued corporate scandal, wealthy countries are backsliding too'.

The study is online at: [www.transparency.org/news\\_room/in\\_focus/cpi\\_2006](http://www.transparency.org/news_room/in_focus/cpi_2006).

Putting a figure on the cost of corruption is difficult. However, some organizations have tried to come up with estimates, as discussed in Box 3.

#### **Box 3. Cost of corruption**

The amount of money extorted and stolen each year from developing countries is over 10 times the approximately \$100 billion in foreign assistance being provided to them by all the governments and civil society organizations in the world.

World Bank research findings suggest that by tackling corruption and improving the rule of law, countries can increase their national incomes by 'as much as four times in the long term and child mortality can fall as much as 75 percent'.

Similarly, a slight improvement in political corruption ratings can demonstrate staggering growth. In Haiti and Jamaica, the GNP (gross national product) could potentially increase by 206 percent and 84.7 percent respectively, with 1.0 unit of improvement in political corruption.

Source: Nazario, 2007, pp. 6-7.

More specifically, research shows that corruption regularly has one or more of the following consequences.

#### 1. **Corruption exacerbates poverty and negatively affects economic growth.**

It is generally accepted that corruption deepens poverty and inequality by increasing the price of public services and lowering their quality, as well as generally distorting the allocation of public expenditure. Studies by the World Bank in 2000 suggest that poor households spend a higher share of their income on bribes than rich households and that small businesses pay over twice as much in proportion to their annual revenue in bribes than large businesses.

<sup>5</sup> Examples of corruption in developed countries include the Enron case (United States), which first came to light in 2001.

Looting of state resources is common and well-documented, with a number of high profile cases having been reported in the press worldwide (e.g., Ferdinand Marcos, former president of the Philippines, Mobutu Sese Seko, former president of Zaire, and Sani Abacha, former president of Nigeria). According to a World Bank Institute estimate, more than \$1 trillion is paid in bribes every year, just over 3 percent of world income in 2002 (World Bank, 2004). These resources could have made a huge difference if ploughed back into those economies. More than 70 percent of small and medium-sized enterprises (SMEs) in transition economies perceive corruption as an impediment to their business (World Bank 2000).

Corruption also creates uncertainty in the market through discretion in decision-making and the continuous change of rules. Corruption undercuts government capacity to collect revenue and reduces its ability to deliver social services. Corruption increases costs of bureaucracy through wasted time in negotiating contracts and also leads to lowering of production standards, for example in manufacturing, drugs and construction.

Corruption reduces spending on health care and education, and redirects this spending towards the wealthy (Mauro 1997; Lash 2003). Corruption has a negative impact on health indicators such as infant and child mortality (Vian 2002).

**Corruption has a disproportionate impact on women.** Factors such as class, ethnicity and caste all influence people's experiences of corruption. Since women comprise the majority of the world's poor, they are particularly susceptible to the negative impacts of corruption (Khadiagala 2001).<sup>6</sup>

Certain types of corruption such as sexual exploitation in the workplace and human trafficking also affect women more than men and exacerbate existing forms of discrimination (GTZ 2004).

3. **Corruption has a debilitating effect on development in countries rich in natural resources.** Some countries, despite their potential for prosperity, are nonetheless mired in poverty and poor government because the public revenues earned from selling these resources have been squandered through corruption and lack of government accountability to citizens' (Global Witness 2007). There is substantial and increasing evidence that countries with vast reserves of natural resources such as oil and natural gas are particularly prone to corruption and the illicit enrichment of elites. Global Witness and other advocacy organizations have documented the violation of regulations governing the use of natural resources (see, for example, Global Witness 2005, 2006, 2007).

4. **Corruption encourages conflict and is an obstacle to consolidating peace.** Corruption has often been seen as a key factor in undermining the stability of states (Le Billon 2008). It is widely accepted that countries and regions involved in ongoing or frozen conflicts, or threatened by conflict, are particularly prone to certain kinds of corruption, such as the smuggling of goods and military supplies (see, for example, Mirimanova and Klein 2006).

Moreover, corruption is increasingly recognized as a barrier to reconstruction and consolidation in post-conflict countries (see, for example, Delesgues and Torabi 2007).

<sup>6</sup> Khadiagala adds that understanding the gender-differentiated impact of corruption is sometimes implied in sector-specific studies, some of which do not focus directly or exclusively on corruption. For instance, a study of gender-biased decision-making in Uganda's quasi-judicial local council courts found that the extortion of bribes

5. **Corruption undermines the delivery of humanitarian and reconstruction assistance** for regions affected by natural disasters, a fact which has received attention in particular in the aftermath of the 2004 Asian tsunami. For example, after the tsunami, over \$7 billion was pledged to aid devastated areas in Indonesia's Aceh province, but the anti-corruption group Gerakan Anti-Korupsi estimates that 30 percent to 40 percent of tsunami aid money provided was stolen. Others estimate that a quarter of the 50,000 homes constructed for victims are already collapsing and will have to be rebuilt because 70 percent of the wood used did not meet building codes (U4 Anti-Corruption Resource Centre, 2007).
6. **Corruption shares a nexus with organized crime** in its various forms, in many countries. Organized crime groups often attempt, through bribery, to co-opt key officials in the police or other relevant institutions, to create a cover for their activities. For example, a share of organized crime profits may be provided to senior police officers in return for not being investigated. According to one observer, 'such corruption is extremely dangerous, as it involves large economic benefits and compromises the ability of state authorities to maintain law and order' (Trivunovic, Devine, Mathisen 2007). Besides being a crime itself, corruption creates an environment that increases the likelihood of other crimes such as drug trafficking. The relationship can be symbiotic: illicit drug trafficking increases the level of corruption through actions like bribery and money laundering. The issue of drug trafficking and its impact on corruption (and vice versa) is of particular concern for countries in Latin America and the Caribbean region.
7. **Corruption violates human rights.** A corrupt judiciary prevents access to justice and undermines the right to equality before the law and the right to a fair trial. Corruption in the delivery of public services obstructs human rights, such as rights to health and education. It subverts the principle of non-discrimination, and political rights and free expression — through, for example, the distortion of election results.
8. **Corruption fosters an anti-democratic environment** characterized by uncertainty, unpredictability, declining moral and ethical values and disrespect for constitutional institutions and authority (UNDP 2004). Corruption affects state legitimacy by eroding state institutions and public confidence when elections are rigged and the will of the public is ignored. Corruption also undermines efforts to achieve the MDGs and provide effective service delivery by weakening institutional foundations and diluting accountability, transparency and the integrity of public institutions (UNDP 2004). An example, discussed earlier, is the diverting to private pockets of scarce resources needed for recovery and rebuilding after natural disasters.

The fact that corruption is correlated with poverty, poor service delivery and other negative phenomena does not necessarily mean that corruption causes them. But there is little dispute that corruption and poverty go hand in hand. Therefore, policies to tackle poverty and to improve governance and service delivery cannot afford to ignore corruption.



## 1.2. Rationale for fighting corruption

As we have seen, corruption undermines development as a whole, and the achievement of the MDGs in particular. UNDP has a mandate to address this problem and work with national partners to fight this scourge. The poor are usually the hardest hit by corruption, especially petty corruption such as bribery. They can only afford to pay small amounts, which may not win them a lot yet which represent a high proportion of their income (UNDP 2008). Corruption contributes to a worsened health situation: it increases hunger and malnutrition because it hampers economic growth by reducing investments and aid effectiveness. Corruption within health services occurs at all levels — from grand corruption, as funds are siphoned off during the construction of new hospitals or health centres, to petty corruption as health workers or administrators demand bribes just to perform their routine duties (UNDP 2008). The misallocation of resources leaves hospitals poorly staffed and resourced, and the circulation of fake and potentially lethal drugs increases.

Moreover, in many countries, bribes are often a prerequisite for access to health care, including maternal health. All this increases the likelihood of fatalities from treatable illnesses, child mortality, and child and maternal death rates during childbirth. Education is also seriously affected by corruption. Just as families may need to pay bribes to get into hospitals, they have to pay extra to get their children into schools. Children are often deprived of proper primary education because the misuse of resources leads to a situation where schools are not built and educational institutions remain under-capacitated.

Corruption also leads to unsustainable development as corrupt public officials fail to enforce environmental regulations, thereby resulting in lost livelihood, illness and social displacement for millions (Transparency International 2005).<sup>7</sup>

In short, corruption has a deleterious impact on human development, which is a development paradigm that is about much more than the rise or fall of national incomes, but a measurement of the overall quality of life and opportunity for all people. (For a more detailed discussion see the section on corruption and human development). Given that human development is measured by weighting equally the measures of health, educational attainment and income (UNDP HDR online),<sup>8</sup> high levels of corruption lower the level of human development by affecting all these indices as illustrated above.

In its anti-corruption work, UNDP supports national partners in implementing democratic governance practices that are grounded in international principles of human rights, gender equality, accountability and transparency. It is guided by the four principles of development effectiveness — national ownership, capacity development, effective aid management and South–South cooperation — with a view to achieving the goals outlined in the UNDP strategic plan ‘Accelerating Global Progress on Human Development (2008–2011)’.<sup>9</sup>

<sup>7</sup> Transparency International’s press release on the MDGs also includes the following four examples. According to CIET International, 86 percent of parents polled in Nicaragua reported paying mandatory ‘contributions’ to teachers. Of the 47 percent of girls who managed to get into primary school in the Pakistani province of Sindh, nearly all reported unofficial demands for money. In Bangalore (India) the average patient in a maternity ward pays approximately \$22 in bribes to receive adequate medical care. In Nigeria, there have been countless cases of deaths due to counterfeit medications that moved unhindered from production plants, across national borders, into unsuspecting markets.

<sup>8</sup> Also see UNDP, *Tackling Corruption, Transforming Lives: Accelerating Human Development in Asia and the Pacific*, Asia-Pacific Human Development Report 2008.

<sup>9</sup> UNDP staff can access the strategic plan at <http://www.undp.org/execbrd/word/dp07-43Rev1.doc>.

## 2. Relationship between corruption and development

This chapter argues that corruption is a cross-cutting development issue, by presenting theoretical and empirical evidence on both the direct and indirect linkages between corruption and specific aspects of development.

Evidence shows that corruption and underdevelopment are intrinsically linked and likely to reinforce each other. Corruption is likely to flourish where there is widespread poverty, high gender inequality, few institutional checks on power, an obscure decision-making process, a weak civil society and economies that have suffered from severe environmental degradation. Further, the efforts being made to tackle these problems are themselves obstructed by corrupt practices. In an environment where favouritism, nepotism, and grand and petty corruption are endemic, corrupt practices come to be seen as a routine part of life, creating a vicious circle that takes systematic and long-term efforts to break (Passas 2007).

### Box 4: Corruption facts

- More than \$1 trillion (\$1,000 billion) are paid in bribes every year, over 3 percent of world income in 2002 (World Bank Institute estimate).
- More than 70 percent of small- and medium-sized Enterprises (SMEs) in transition economies perceive corruption as an impediment to their business (Business Environment and Enterprise Performance Survey, 2000).
- \$148 billion leaves the African continent every year because of corruption (African Union estimates).

## 2.1. Corruption and economic growth

Corruption affects economic performance through various mechanisms. Although some literature cites what is considered to be positive impacts of corruption, such as a reduction in transaction costs,<sup>10</sup> corruption is likely to reduce economic growth in the long run. (For example, in Italy, a modest reduction in corruption would increase growth by 0.3 percentage points, even with unchanged investment) (Collier and Hoeffler 2005).

Corruption hinders economic growth in various ways. It discourages foreign and domestic investment by increasing opportunities for rent-seeking, creating uncertainty and reducing incentives for both foreign and domestic investors.<sup>11</sup> The World Bank Investment Climate Survey also confirms the argument that corruption reduces economic growth through reduced private investment (Mauro 1995; Burki and Perry 1998). For example, globally, a modest reduction in corruption would increase investment in telecommunications by 0.8 percentage points. Corruption may increase the operating costs of infrastructure services. For example, in Latin America, reducing corruption to the level of Costa Rica would reduce operating costs in electricity by 23 percent (Collier and Hoeffler 2005).

Although corruption is detrimental to business for all companies, SMEs in particular experience corruption as a major business obstacle (see Figure 1).

<sup>10</sup>The proponents of 'efficient corruption' claim that bribery may allow firms to get things done in an economy plagued by bureaucratic hold-ups and bad, rigid laws. It is argued that a system built on bribery for allocating licenses and government contracts may lead to an outcome in which the most efficient firms will be able to afford to pay the highest bribes. However, it is also likely that corrupt officials may instead cause actually cause greater administrative delays to attract more bribes. For more discussion, see Jakob Svensson, 2005.

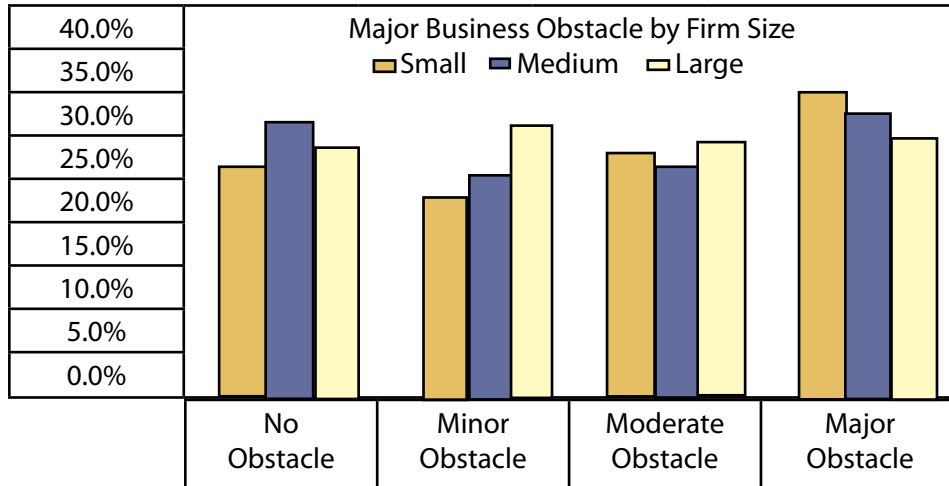
<sup>11</sup>In economics, rent-seeking occurs when an individual, organization or firm seeks to make money by manipulating the economic and/or legal environment rather than by trade and production of wealth.

The World Bank Investment Climate Survey shows that the smaller the firm, the more likely it is to be affected by corruption. The survey also shows that small enterprises pay a higher percentage of annual revenues in bribes to public officials and make additional payments to get things done much more frequently than large companies (World Bank's Business Environment and Enterprise Performance Survey 2000).

Corruption lowers the quality of public infrastructure by diverting public resources to private uses and also by waiving standards. It also decreases tax revenue because tax officials reduce taxes in exchange for payoffs.

Although the economic costs of corruption vary according to the scale and frequency of corrupt transactions,

**Figure 1: Corruption as a major business obstacle by firm size**

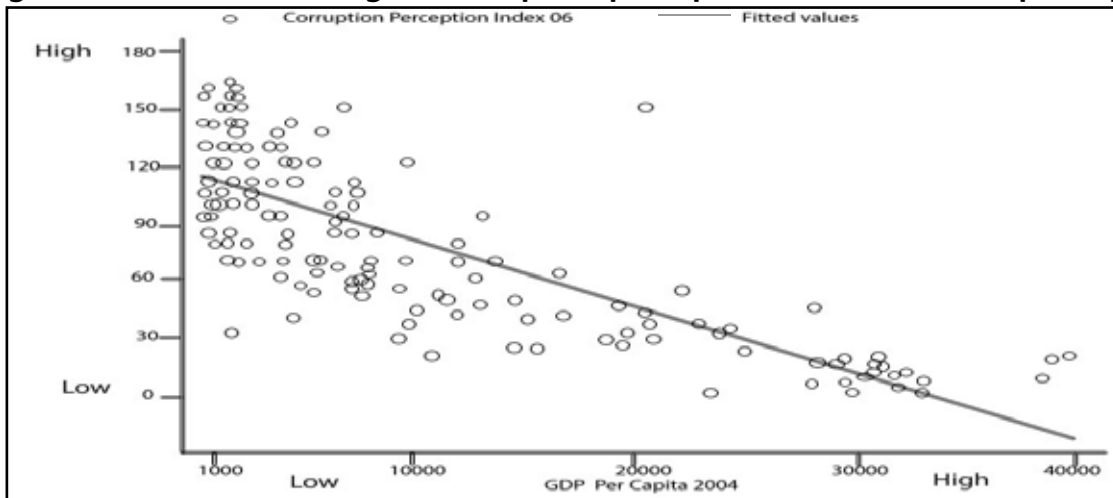


Source: World Bank, the BEEPS Interactive Dataset.

Corruption has a negative impact on entrepreneurship partly because entrepreneurs and innovators require licenses and permits and paying bribes for these goods cuts into profit margins. Corruption encourages risky practices (e.g., risky lending) and thus deters innovation by reducing economic growth in the long run.

many correlation analyses clearly show that corruption almost always negatively impacts growth and income. As shown in Figure 2, those countries ranked lower in terms of corruption perception are more likely to have a higher level of GDP per capita (note that the dots represent countries).

**Figure 2: Association of higher corruption perception with lower GDP per capita**

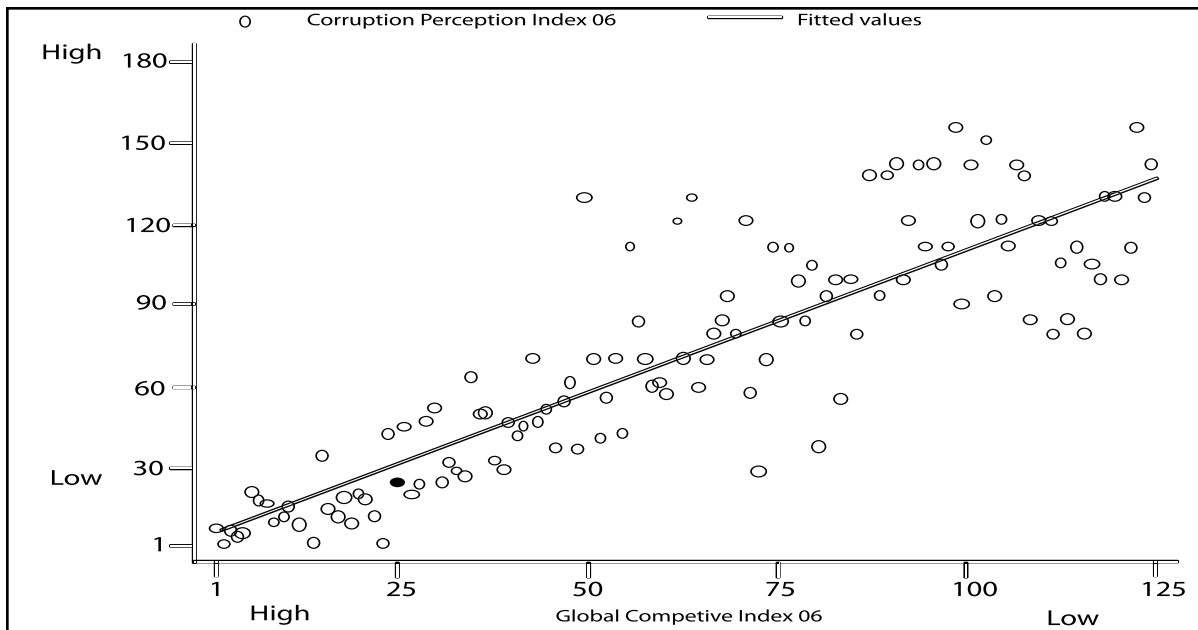


Source: The Corruption Perception Index (CPI) from TI and GDP per Capita Data from UNDP, Human Development Reports at <http://hdr.undp.org/en/statistics/data/>.

It is also important to note that the Corruption Perception Index (CPI) developed by Transparency International also has a very high correlation with the World Economic Forum's 2006 Global Competitiveness Index (GCI). This suggests that higher levels of corruption are associated with lower levels of competitiveness measured in terms of the institutions, policies and factors that sustain current and medium-term levels of economic prosperity (see Figure 3).

Alternatively, countries experiencing chronic poverty could naturally serve as breeding grounds for systemic corruption due to persistent social and income inequalities and perverse economic incentives. Poor countries may not be able to devote sufficient resources to setting up and enforcing effective legal frameworks. Similarly, people in need are also more likely to abandon their moral principles (Mauro 1998).

**Figure 3: Corruption perception and global competitiveness**



Source: The Corruption Perceptions Index (CPI) from TI and Global Competitiveness Index from World Economic Forum's The Global Competitiveness Report 2006.

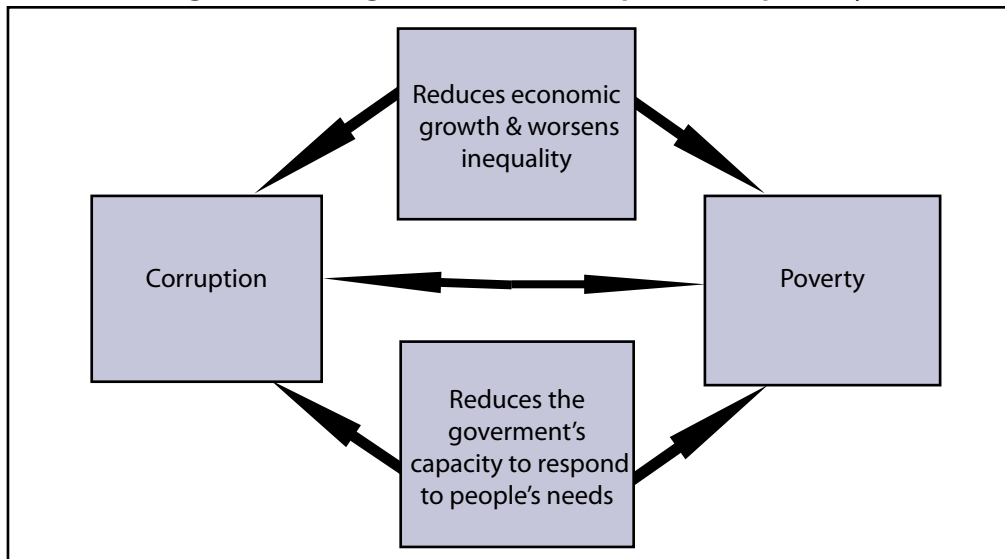
## 2.2. Corruption and poverty

Corruption and poverty usually reinforce each other (see Figure 4). Countries afflicted by structural poverty are likely to be suffering from systemic corruption because corruption is among the exacerbating conditions of poverty in countries already struggling with the strains of economic growth and democratic transition.

Furthermore, corruption is likely to aggravate income inequality which is associated with slower economic growth (Chetwynd et al 2003).



**Figure 4: Linkages between corruption and poverty**



There are two models that are useful in understanding the impact of corruption on poverty, the Economic Model and the Governance Model (Chetwynd 2003). Both these models demonstrate that corruption does exacerbate and promote poverty, but this pattern is complex and moderated by economic and governance factors. The Economic Model postulates that corruption affects poverty by first impacting economic growth factors, which, in turn, impact poverty levels. Corruption turns government investment away from socially valuable services such as education and health care and impairs the access to, and the quality of, existing services and infrastructures, because kickbacks on equipment purchases are lucrative (World Bank 2000). In addition, corruption also exacerbates income inequality by allowing some to benefit more than others by distorting the economic as well as legal and policy frameworks.

Corruption makes lower income households and businesses pay a higher proportion of their income in bribes than middle- or upper-income households (Chetwynd 2003). The burden of petty corruption falls disproportionately on poor people (e.g., petty corruption in public health or the police service). Many case studies reveal that poor people are expected to pay bribes to teachers to obtain reports, for school uniforms, and for scholarships, thus affecting their right to education. Similarly, even though health care is free in many developing countries, patients in line for heart surgery are reportedly required to pay a bribe to hospital staff to move them up in line for surgery (Pilapitiya 2004). Corruption also reduces the progressiveness of the tax system and increases the inequality of income and wealth.

### **Box 5: Voices of the poor on the effect of corruption**

The World Bank study entitled 'Voices of the Poor 1999' found that poor households value issues of transparency and financing of local government. In Ha Tinh Province, Viet Nam, people had many complaints about the level of fees and contributions levied by the local authorities. These contributions were over and above their nationally mandated agriculture tax, and raised the overall burden of taxes and contributions by up to 25-40 percent of total household income. Furthermore, many of these contributions were levied on a per capita basis, which, since poorer households are often bigger, had a regressive effect.

The Governance Model asserts that corruption affects poverty by influencing governance factors, which, in turn, impact poverty levels. First, corruption reduces governance capacity — it weakens political institutions and citizen participation and leads to lower quality government services and infrastructure. Corruption erodes the institutional capacity of government to deliver quality public services, diverts public investment away from major public needs into capital projects, and lowers compliance with safety and health regulations, thus worsening poverty.

### **2.3. Corruption and human rights**

The right to a society free of corruption is inherently a basic human right because the right to life, dignity, equality and other important human rights and values depend significantly upon this right. Thus, fighting corruption and protecting human rights are inextricably linked. When the government of a country fails to curb or contain corruption, it also fails to fulfill its obligation to promote and protect the human rights of its citizens.

The prevalence of corruption creates discrimination in access to public services in favor of those able to influence authorities to act in their personal interest. The Serbian health sector, which is considered to be one of the most corrupt sectors in Serbia, is rife with corrupt practices such as discriminating against patients based on their income and their contacts with the medical profession (International Federation for Human Rights 2005).

Similarly, corrupt judicial systems are proven to violate the basic right to equality before the law and deny procedural rights guaranteed by the Universal Declaration of Human Rights and other international human rights conventions. Thus, corruption is a major obstacle to fulfilling a state's obligation to protect and promote the right of people to have full and fair access to human rights such as social services and to the judicial system (Jayawickrama 2006).

The Declaration on the Right to Development adopted by UN General Assembly resolution 41/128 of 4 December 1986 states that 'the right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized'. By preventing the full realization of economic, political and social rights, a corrupt governance system directly contradicts the right to development in this declaration.

Corrupt political systems also deny the fundamental right to democratic participation by obstructing civil and political rights. For example, the self-censorship of the press, induced by corrupt practices, may infringe upon the right to freedom of expression. Similarly, corruption in an electoral process, such as vote buying, can deny the right to vote.

**Table 1: The impact of corruptly gained contracts**

| Type of investment/<br>contract                  | Environmental<br>Degradation | Erosion of tax revenues | Exploitation<br>of Labor | Erosion of sustainability<br>of livelihoods | Erosion of<br>basic social<br>services |
|--|------------------------------|-------------------------|--------------------------|---|--|
| Illegal or corruptly<br>gained logging           | Yes                          | Yes                     |                          | Yes   |  |
| Purchase of illegally<br>traded products         | Yes                          | Yes                     | Yes                      | Yes   |  |
| Work and safety<br>conditions ignored            |                              |                         | Yes                      |   | Yes                                    |
| Informal agreement on<br>transfer pricing        |                              | Yes                     |                          |   | Yes                                    |
| Infrastructure with<br>community<br>displacement | Yes                          |                         |                          | Yes   | Yes                                    |
| Import of faulty drugs                           |                              | Yes                     |                          |   | Yes                                    |
| Non cost-effective<br>power project              | Yes                          | Yes                     |                          |   | Yes                                    |
| Corrupt privatization<br>contract in services    |                              | Yes                     |                          |   | Yes                                    |

Source: Cockcroft, Laurence, 'Business and Corruption: The Human Rights Dimension', Transparency International (UK), March 2006.

Table 1 provides some examples of how corruptly gained contracts and investments lead to 'unreasonably' low levels of tax payments, which in turn reduce the capacity of a government to deliver basic social services. Corruptly gained contracts also lead to a lack of environmental standards, and the exploitation of labor, and thus threaten the sustainability of livelihoods. The table illustrates how corruption is a human rights and development issue.

## 2.4. Corruption and gender

There are two important guiding questions on the linkages between gender and corruption: does corruption impact men and women differently? Are women less corrupt than men or vice versa? Are women more effective than men in fighting corruption or vice versa? Although there is no compelling evidence to prove that women are less corrupt than men, women generally experience corrupt practices and behavior differently. The effects of corruption can be particularly harsh on women, for many reasons.

**Women constitute the majority of the poor.** Since corruption particularly harms poor sections of the population, women, who make up the majority of the poor, are likely to be affected more severely. Transparency International's Global Corruption Report 2008 mentions that the devastating human consequences of the water crisis, exacerbated by corruption, affect the poor and women the most (for more details see the Corruption and Governance section). Women often face social, cultural, political and institutional discrimination, including the denial of access to, or deprivation of control over productive resources such as land, credit and education. Corruption can easily make it more difficult for women to access public goods and services. For example, in Pakistan's Sindh Province, the government carried out reforms to lower the cost of basic education and increase the enrollment rate of school age girls.

No school fees were charged, schoolbooks were to be distributed free of charge and there was no obligation to wear school uniforms. Parents reported, however, that the girls still did not receive sufficient basic education, and the main reason was the unofficial costs of schooling and school materials (GTZ 2004).

**Gender bias in the judicial system hurts women severely.** when they are victims or they have to testify in courts. Evidence shows that corruption in judicial and investigative agencies particularly harm women. For example, the findings of the 2000 survey by the Asian Human Rights Commission (AHRC) on the impact of corruption on women in Nepal's criminal justice system show various levels of discrimination in the handling of cases of human trafficking or rape, the victims of which are for the most part female. In many of these instances, corruption would very likely have played a role.

- 21 percent of the victims reported that the suspects were released before the completion of the investigations. In most of these cases, the testimony of the victims was simply ignored.
- In almost 60 percent of the cases, the victims were not told when to appear in court. A considerable number of interviewees claimed to have been threatened with violence if they appeared in court and testified against the defendants. Complaints about this were not dealt with by the officers in charge.
- If the victims did nevertheless appear in court, 56 percent of the interviewees reported offensive interrogations, intimidation by police, judicial personnel and local politicians, and unfair treatment by judges (GTZ 2004).

**Trafficking is more likely in a corrupt environment.**

The trafficking of women and girls is more likely to flourish in a corruption-ridden environment, particularly when such states have weak enforcement mechanisms against human trafficking. Data from the Programme against Corruption and Organised Crime in South-Eastern Europe (PACO), of the Council of Europe, show that among other factors, weak law enforcement and criminal justice capacity — often compounded by corruption — makes trafficking in human beings in Southeastern Europe a high profit/low risk enterprise for criminal organizations (Council of Europe 2002). In Bosnia, for example, local corruption and the complicity of international officials has allowed a trafficking network to flourish, in which women are tricked, threatened, physically assaulted and sold as chattel. Local Bosnian police officers create false documents, visit brothels to partake of free sexual services, and sometimes engage directly in trafficking (Human Rights Watch 2002).

**Sexual corruption in the workplace affects women more.**

The close link between corruption and gender is made clear in sexual exploitation in the workplace in both public and private institutions. It is endemic in many countries and administrative cultures. Many reports from sub-Saharan African countries show that female subordinates in a hierarchy have been frequently forced to render sexual services by male superiors, who decide on their employment, remuneration, career or dismissal. This conduct is a clear form of corruption since the superiors abuse their position of power for private purposes (GTZ 2004).



## 2.5. Corruption and governance

In spite of differences in the mandates, perspectives and priorities of different countries, members of the development community are increasingly in agreement that there is a causal connection between governance and development. Corruption is increasingly seen as the product of poor governance, and a common language has been evolving in recent years linking the issues of corruption with governance and development. Governance is broadly understood as the process of making and implementing decisions. It is defined as a set of values, policies, processes and institutions through which a social group manages its economic, political and social affairs including interactions between the state, civil society and the private sector (UNDP 2007). Thus, 'good governance' and democratic governance are marked by the following important characteristics: participation, transparency, effectiveness and efficiency, responsiveness, accountability, consensus, equity and inclusiveness, and the rule of law.

In 1998, UNDP published a corporate policy paper 'Fighting Corruption to Improve Governance' that highlighted the importance of dealing with corruption as a governance issue. In the same year, the World Bank in its publication entitled "Assessing Aid—What Works, What Doesn't, and Why" also noted that poverty can hardly be addressed effectively unless governments commit to act against corruption. The UNDP Anti-Corruption Practice Note observed that corruption undermines efforts to achieve the MDGs by weakening institutional foundation and diluting the accountability, transparency and integrity of public institutions.

Moreover, corruption and poor governance reinforce each other. A policy paper for Organisation for Economic Cooperation and Development / Development Assistance Committee (OECD/DAC) recognizes that corruption is a symptom of unresolved governance problems, resulting from incompetence in the process of building an effective and accountable state (OECD 2006). Transparency International's Global Corruption Report 2008 argues that the crisis of water is a crisis of water governance, with corruption as one root cause. Corruption in the water sector is widespread and makes water undrinkable, inaccessible and unaffordable. It is evident in the drilling of rural wells in sub-Saharan Africa, the construction of water treatment facilities in Asia's urban areas, the building of hydroelectric dams in Latin America and the daily abuse and misuse of water resources around the world.

There is evidence that highly developed, long established liberal democracies, with a free and widely read press, a high share of women in government, and a history of openness to trade are perceived as less corrupt (Treisman 2007). Political institutions are crucially important in determining the incidence of corruption. The political structure, which includes the balance of powers and electoral competitiveness, is likely to determine the incentives for those in office to be honest as well as to punish the misbehaviour of those who are not (Lederman et al 2005).

Table 2 shows a direct correlation between corruption and the measures of governance such as the electoral process and pluralism, political participation and civil liberties. Countries with better indicators of governance are more likely to report lower incidences of corruption. Flawed democracies, hybrid regimes and authoritarian regimes are more likely to foster a more corrupt environment when they try to build trust among sectoral elites taking advantages of opportunities for rent-seeking. On the other hand, democracies are better able to control corruption, since regular elections, political participation, the political culture and civil liberties provide checks and balances and also punish corrupt politicians.

Moreover, the impact of corrupt practices is often aggravated when those engaging in them disregard the long-term sustainability of certain economic activities, instead exploiting them well beyond their profitability (Le Billon 2003). For example, the predatory state was a big obstacle to the economic development of Haiti. A grossly unfair tax system and other mechanisms allowed a small number of people to profit at the expense of the vast majority of Haitians.

For almost two centuries, the government collected tax from the urban class, who then passed the tax burden on to peasants.

**Table 2: Correlation of corruption perception index with governance indicators**

|                               | Corruption Perceptions Index | Electoral process & pluralism | Functioning of government | Political participation | Political culture | Civil liberties |
|-------------------------------|------------------------------|-------------------------------|---------------------------|-------------------------|-------------------|-----------------|
| Corruption Perceptions Index  | 1                            |                               |                           |                         |                   |                 |
| Electoral process & pluralism | -0.50                        | 1.00                          |                           |                         |                   |                 |
| Functioning of government     | -0.73                        | 0.79                          | 1.00                      |                         |                   |                 |
| Political participation       | -0.62                        | 0.81                          | 0.78                      | 1.00                    |                   |                 |
| Political culture             | -0.67                        | 0.41                          | 0.66                      | 0.63                    | 1.00              |                 |
| Civil liberties               | -0.60                        | 0.92                          | 0.82                      | 0.79                    | 0.49              | 1               |

Source: 2006 CPI Index from TI and all other indicators from the Economist Intelligence Unit Democracy Index 2006.

## 2.6. Corruption and conflict

Corruption does not necessarily contribute to armed conflicts; however, it can lead to and sustain violent conflict, in the context of patrimonial regimes that are degenerating under local or international shocks and pressures for reform. Corruption could fuel war when, in the absence of a legitimate political regime, certain social groups are favoured in the allocation of resources, thus fuelling grievances among marginalized groups. For example, the conflicts in Liberia and Sierra Leone provide evidence for the linkages between the criminalization of politics and economic accumulation.

The government was more concerned about collecting tax than raising the agricultural productivity and the living standards of the rural population. Haiti has been locked into the process of de-development (Timilsina 2007).

In post-conflict countries, although corruption does not always backslide into violence, it often predates hostilities and is among the factors that trigger political unrest or conflict escalation. Some argue that an aggressive agenda to curb corruption can actually obstruct peace-building since post-conflict national reconciliation is often based on pragmatism and appeasement, which does not always result in fair system of sharing power, being a politically motivated distribution of state assets.

However, it is important to note that certain types of corruption, if not addressed early on, could derail the whole transition in the long run, in the quest to achieve peace through considerable compromise. For example, long-term security risks are greater when corruption in the security sector is not addressed. Similarly, informal economic activities (e.g., economic activities that are being carried out with non-payment or underpayment of taxes) strengthen the grip of quasi-criminal groups in the economic and government spheres, and hinder economic development.

The most immediate detrimental consequence of corruption in conflict areas is seen in the volume, quality and targeting of reconstruction assistance provided by international donors and local authorities. It is therefore important to recognize that, to the extent that economic variables are key determinants of the risk of renewed conflicts, corruption can be a real obstruction to peace-building (Le Billon 2005).

## **2.7. Corruption and HIV/AIDS**

Many developing countries are receiving increased financial resources to respond to the HIV/AIDS epidemic, but these resources have not resulted in the desired impact. This happens when funding and implementation mechanisms in HIV/AIDS programmes lack tools to ensure accountability, transparency and the free flow of information.

The mechanisms through which corruption affects the prevention and treatment of HIV/AIDS are not substantively different from those affecting the health sector in general. These include opaque procurement processes, the misappropriation of funds earmarked for health expenditure, and informal payments demanded for services that are supposed to be delivered for free.

In prevention programmes, corruption occurs when false claims are presented for awareness-raising activities that never took place, or for materials that were never purchased. Corruption also occurs in programmes aimed at alleviating the socio-economic effects of the disease on victims and their families, such as feeding programmes or support for school fees. Corruption contributes directly to sickness when relatively low-cost prevention measures such as the use of sterile needles and the screening of blood donors are ignored because a corrupt procurement or distribution process holds up supplies.

Health workers sometimes even use non-sterile equipment as an additional source of income by extorting illicit payments from patients who demand clean equipment. But it is treatment programmes that are most vulnerable. Money for high-value drugs can be embezzled at any number of points in the procurement and distribution chain (Tayler and Dickinson 2005). For example, the resale of drugs in the industrialized world at preferential prices charged to developing countries (as was the case in Uganda), or inside developing countries is one of the notable examples of the misappropriation of HIV/AIDS medication.

## 2.8. Corruption and the Millennium Development Goals

The MDGs are inextricably linked to each other. Corruption cross-cuts all the goals and is a major hurdle to achieving them.<sup>12</sup> The following examples from Transparency International provide strong evidence that the MDGs are unreachable without a commitment to fighting corruption (Transparency International 2005).

- Corruption increases poverty and hunger by hampering economic growth and increasing inequality. Corruption impedes economic growth by distorting markets, discouraging investment and aid and reducing the productivity of investment (e.g., quality of infrastructure). Corruption increases inequality by perpetuating discrimination in accessing services. Petty bribery hits the poor hardest, thus significantly contributing to hunger and malnutrition. Corruption hampers the efforts to ensure gender equality and women’s empowerment as marginalized and vulnerable populations are disproportionately affected by corruption.
- Misallocation of resources due to corruption may lead to a situation where education systems remain underutilized. For example, in the late 1990s, it was reported from the Philippines that despite significant public expenditure on textbooks, only 16 percent of children actually received them. Education supplies were lost to payoffs, under-deliveries, and overpricing.

Unsurprisingly, the textbooks were on sale at local markets (U4 Anti-Corruption Resource Centre 2006).

- Corruption also impacts child mortality, maternal health and combating disease including HIV/AIDS and malaria. Misallocated resources may lead to poorly staffed and poorly resourced hospitals. In many countries, bribes are often a prerequisite for access to health care, including maternal health. For example, in Bangalore (India) the average patient in a maternity ward pays approximately \$22 in bribes to receive adequate medical care. In Nigeria, there have been countless cases of deaths due to counterfeit medications that moved unhindered from production plants, across national borders into unsuspecting markets (Transparency International 2005).
- Corruption impedes sustainable development by threatening environmental sustainability. Corruption can reduce the stringency of environmental regulations, through bribe-taking and other corrupt practices of public officials, resulting in the lost livelihood, illness and social displacement of millions. For example, in many developing countries, corruption is estimated to raise the price for connecting a household to a water network by as much as 30 percent. This inflates the overall costs for achieving the MDGs for water and sanitation (Transparency International 2008).

| Table 3: Millennium Development Goals                |
|--|
| Goal 1: Eradicate extreme poverty and hunger         |
| Goal 2: Achieve universal primary education          |
| Goal 3: Promote gender equality and empower women    |
| Goal 4: Reduce child mortality                       |
| Goal 5: Improve maternal health                      |
| Goal 6: Combat HIV/AIDS, malaria and other diseases  |
| Goal 7: Ensure environmental sustainability          |
| Goal 8: Develop a global partnership for development |

Source: <http://millenniumindicators.un.org/unsd/mi/pdf/mdglist.pdf>.

<sup>12</sup> For more details about MDGs, targets and indicators, please see <http://millenniumindicators.un.org/unsd/mi/pdf/mdglist.pdf>.



**Table 4: Relationship between corruption and sustainable development**

| Sustainable Development                                       |  |   |   |  |   |
|---|--|---|---|--|---|
| Economic Growth   | Poverty/ Inequality  | Governance  | Human Rights  | Gender   | Environment   |
| Corruption  |  |   |   |  |   |
| --Discourages investment and aid                              | --Undermines efforts to achieve MDGs                             | --Distorts rule of law and weakens moral values   | --Perpetuates discrimination                                    | --Increases sexual extortions  | --Worsens environmental governance and reducing the stringency of environmental regulations |
| --Adds uncertainty & unpredictability in business environment | --Increases the cost of public services and lowers their quality | --Undermines government legitimacy by reducing public trust in government                 | --Denies fundamental rights including rights to social services | --Affects women disproportionately in terms of access to essential public services |   |
| --Distorts economic policies                                  | --Worsens income & other inequalities                            | --Weakens institutional foundation by reducing accountability, transparency and integrity |   |  |   |

## 2.9. Corruption and human development

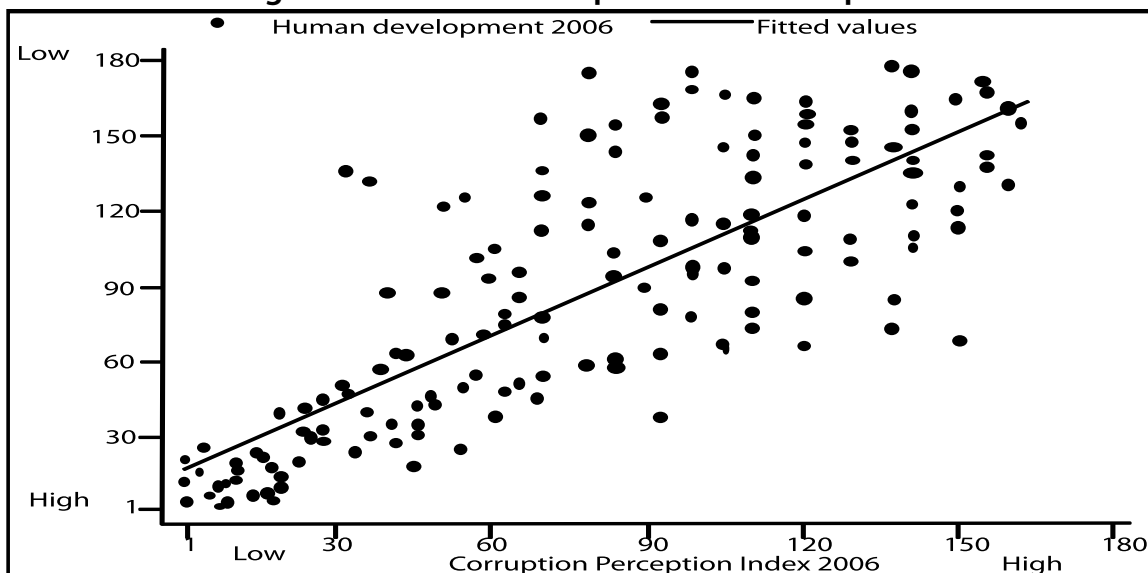
Human development (HD) is a development paradigm that is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interests.

According to the Human Development Report (HDR) of the UNDP, HD is about expanding people's choices. The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable,

to have access to the resources needed for a decent standard of living and to participate in the life of the community. Human development is measured by weighting equally the measures of health, educational attainment and income. Since 1990, when the first HDR was launched, UNDP has been working to promote sustainable human development.

Figure 5 shows the relationship between the Human Development Index (HDI) and the CPI. It is clear from the figure that very high levels of human development are associated with low levels of corruption.

**Figure 5: Human development and corruption**



Source: Corruption Perceptions Index from Transparency International and Human Development Index from UNDP Human Development Reports.

### 3. UNDP mandates and approach to anti-corruption

#### 3.1. UNDP mandates: Reducing poverty, meeting the MDGs, and promoting sustainable economic development

UNDP has been an active player in the field of anti-corruption both in the development of knowledge products and the delivery of technical assistance. For UNDP, reducing poverty and promoting sustainable development are the fundamental justification for fighting corruption and mainstreaming anti-corruption in development agenda. It recognizes that strategically integrating anti-corruption components within development processes such as Poverty Strategy Reduction Papers (PRSPs), Common Country Assessments (CAAs) and United Nations Development Assistance Framework (UNDAF), would reinforce UNDP and government efforts to promote human development.

For UNDP, the most significant milestone was the Millennium Declaration passed by the United Nations General Assembly Resolution 55/2 on 8 September 2000. Even though neither the Declaration nor the MDGs refer specifically to the problem of corruption, the MDGs formed the basis for many anti-corruption programmes. It is increasingly being realized that success in meeting the MDGs will depend on the 'quality' of governance and the level of effectiveness, efficiency and equity in resource generation, allocation and management.

#### Box 6: Where do UNDP mandates for anti-corruption come from?

- UNDP mandate for poverty reduction and sustainable economic development
- MDGs, including the overarching goal of cutting poverty in half by 2015
- World Summit on Sustainable Development (WSSD) held in Johannesburg (South Africa) from 26 August to 4 September 2002
- Various international and regional anti-corruption norms and instruments including UNCAC

UNDP has a mandate to support the modernizing of state institutions, which is linked to achieving the MDGs in various ways: (1) by reducing the costs and improving the efficiency of public administration; (2) by increasing transparency and eradicating corruption; (3) by making public institutions responsive to the needs of citizens; and (4) by increasing the accountability of state institutions, an essential feature of democratic functioning.

UNDP is working with a wide range of partners to help create coalitions for change to support the MDGs at global, regional and national levels, to benchmark progress towards them, and to help countries build the institutional capacity, policies and programmes needed to achieve the MDGs.<sup>13</sup> Where corruption exists, it inhibits donors from relying on systems of their partner (aid recipient) countries (OECD 2005).

<sup>13</sup> For more information on MDGs and UNDP's work, visit <http://www.undp.org/mdg>.

UNDP is working with a wide range of partners to help create coalitions for change to support the MDGs at global, regional and national levels, to benchmark progress towards them, and to help countries build the institutional capacity, policies and programmes needed to achieve the MDGs. Where corruption exists, it inhibits donors from relying on systems of their partner (aid recipient) countries (OECD 2005).

The UNDP mandate in fighting corruption also comes from the Johannesburg Declaration on Sustainable Development. The World Summit on Sustainable Development (WSSD) held in Johannesburg (South Africa) from 26 August to 4 September 2002 mentioned corruption as one of the severe threats to sustainable development and reaffirmed the pledge to place particular focus on, and give priority attention to, the fight against corruption (United Nations 2002). Similarly, the Paris Declaration on Aid Effectiveness adopted on 2 March 2005 commits to concrete and effective action to address the challenges posed by corruption.

### 3.2. International anti-corruption norms and standards including UNCAC

Prior to UNCAC, there were several international and regional conventions and instruments that provided opportunities for anti-corruption programming by complementing each other and reinforcing anti-corruption principles (see box 7).

#### Box 7: International norms and standards for fighting corruption

- Inter-American Convention against corruption adopted on 29, March 1996.
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions adopted on 21 November 1997.
- European Union Convention on the Fight against Corruption adopted by the EU in 1997.

#### Box 7: International norms and standards for fighting corruption (continued)

- SADC (Southern African Development Community) Protocol against Corruption adopted in August 2001.
- Monterrey Consensus (MC) on mutual accountability of developed and developing countries in achieving the MDGs endorsed by the UN General Assembly on 9 July 2002.
- African Union Convention on Preventing and Combating Corruption (AUCPCC) adopted on 11 July 2003 in Maputo (Mozambique).
- United Nations Convention against Corruption adopted by the UN General Assembly on 31 October 2003, entered into force on 14 December 2005.

However, UNCAC, which came into force on 14 December 2005, is a major landmark in the fight against corruption. UNCAC is the first global legally binding anti-corruption instrument. The obligations of state parties include the adoption of preventive measures, the criminalization of a wide range of offences, international cooperation and mutual assistance, technical cooperation and exchange of information as well as implementation mechanisms to combat corruption.

Although UNCAC provides no definition of corruption, it defines the roles and responsibilities of public officials, stressing integrity, accountability and the proper management of public affairs and public property. Similarly, UNCAC has chapters on asset recovery and technical assistance which are very relevant to development. Thus, the basic tenets of democratic governance principles permeate through UNCAC. UNCAC recalls the Johannesburg Declaration on Sustainable Development and recognizes that corruption jeopardizes sustainable development.

UNCAC also links corruption to sustainable development, national stability, human security, democracy and the rule of law. It does not devote a specific article to development, but development is covered adequately in the preamble, which recognizes that corruption jeopardizes sustainable development by threatening the stability and security of societies, and undermining the institutions and values of democracy, ethical values and justice and the rule of law. (For a more detailed discussion of UNCAC see the final section of this primer).

**3.3. UNDP’s approach to anti-corruption**

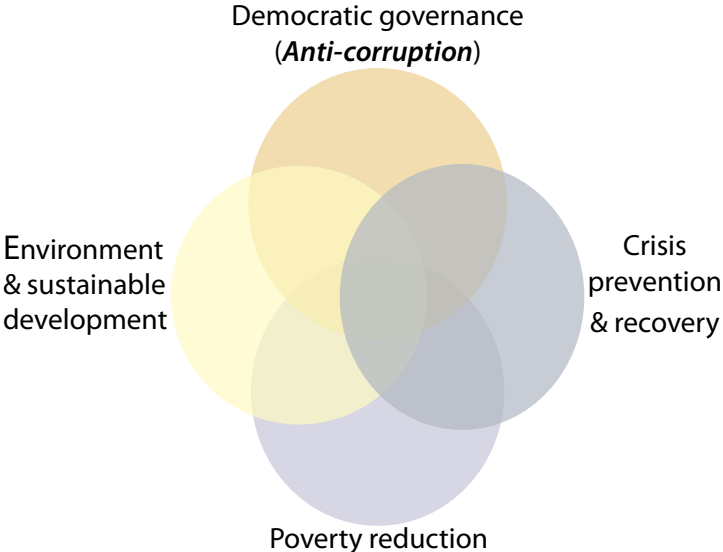
**3.3.1. Anti-corruption for development effectiveness**

At the heart of UNDP’s anti-corruption strategy is the need to further UNDP mandates of poverty reduction, realization of the MDGs and promotion of sustainable development. Fighting corruption for development effectiveness is UNDP’s niche. UNDP’s anti-corruption initiatives are guided by the goals of the new strategic plan ‘Accelerating Global Progress on Human Development’ (2008-2011) and for

development effectiveness principles provided in the strategic plan: national ownership, capacity development, effective aid management and South–South cooperation. For example, by aiding the development of nationally-owned anti-corruption assessment tools, UNDP encourages the national ownership of development processes. By aiding the creation of an internal (UNDP) and external (national counterparts) pool of experts to share their experience and knowledge, UNDP reinforces inter/intra-regional cooperation, thereby facilitating South-South cooperation.

UNDP’s various anti-corruption training programmes aim at capacity development within countries and regions. The emphasis on the gender dimension of corruption (through, for instance, gender disaggregated data, advocacy by CSOs and media organizations represented by women, and training for women journalists and CSO members) contributes to the importance of gender sensitivity in development effectiveness. The media and CSOs are key entry points of UNDP work, to build national ownership for anti-corruption initiatives through citizens’ participation.

**Figure 6: Anti-corruption: A cross-cutting development issue for UNDP**



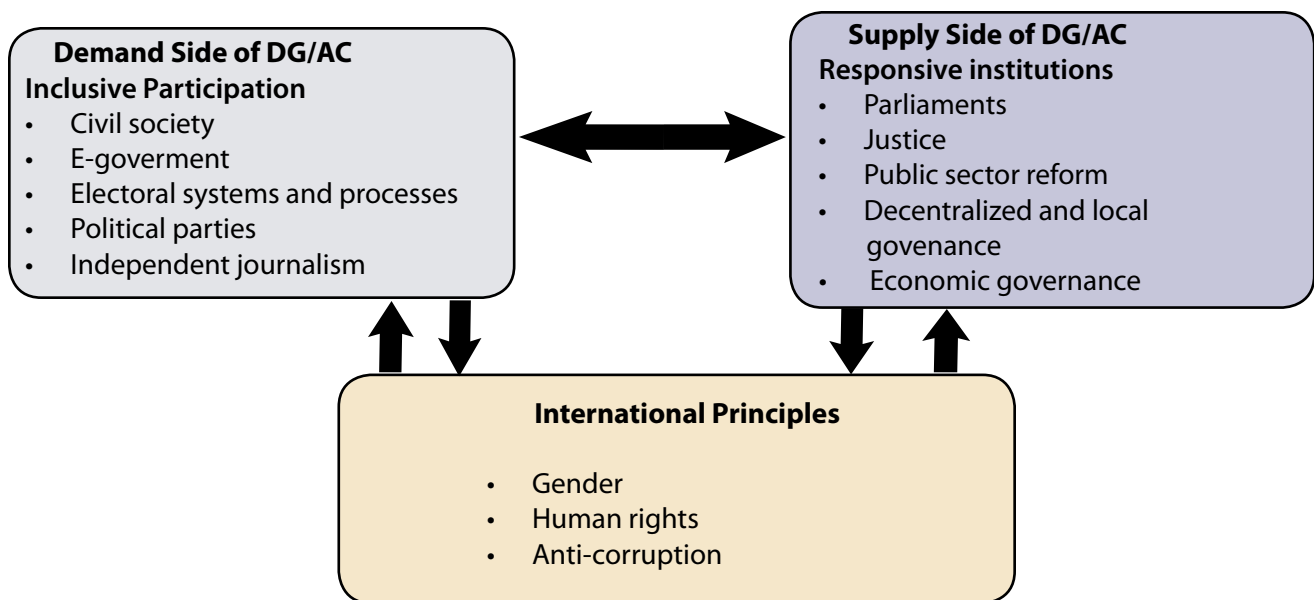
### 3.3.2. Anti-corruption as a cross-cutting development and governance issue

While UNDP’s anti-corruption programming is under the democratic governance practice area, it recognizes corruption as a cross-cutting issue. Hence, fighting this phenomenon requires coordination and collaboration among UNDP’s various practice areas, including democratic governance, poverty reduction, crisis prevention and recovery, and environment and sustainable development (see Figure 6).

### 3.3.3. Relevance of UNDP’s approach to other development processes

UNDP’s experience show that the organization’s political impartiality, , global, regional and national partnerships and focus on governance have been its value-added contribution to the fight against corruption. UNDP also has a comparative advantage in anti-corruption work because it ensures national ownership through development frameworks such as CCAs, UNDAFs, PRSP, MDG reports and Technical Working Groups (TWGs).

**Figure 7: Key result areas in democratic governance, UNDP Strategic Plan 2008-11**



UNDP focuses on responsive and accountable institutions, on the one hand, and inclusive participation on the other, which cover the supply and demand side of good governance, respectively. By mainstreaming anti-corruption into this picture, UNDP adds value to its approach, ensuring it has a more holistic and democratic view of governance. Figure 7 shows that, together with gender and human rights, anti-corruption is mainstreamed into good governance as one of the ‘international principles’ for key results in UNDP Strategic Plan 2008-2011. UNDP’s anti-corruption service area thus reinforces principles such accountability, transparency, integrity, rule of law, participation, responsiveness and equality within its key functional service areas of democratic governance.

Similarly, UNDP’s presence in more than 160 countries makes global knowledge and best practices readily available at the country level.

Given these advantages, UNDP is in a unique position to engage a broad range of stakeholders to fight corruption and provide high quality support and advice on mainstreaming anti-corruption into broader public sector reform and development. As mentioned, it achieves the latter by integrating anti-corruption assessments into development frameworks and processes including national HD reports, PRSPs, MDG reports, CCAs and UNDAFs.

## 4. Programming anti-corruption interventions

This section discusses UNDP's experience in implementing anti-corruption measures and the implications of UNCAC for this work. It also outlines major challenges and guidelines for programming and introduces the interventions outlined in the UNDP's Global Thematic Programme on Anti-Corruption as well as various regional and country level programmes and projects.

### 4.1. UNDP's experience in anti-corruption programming

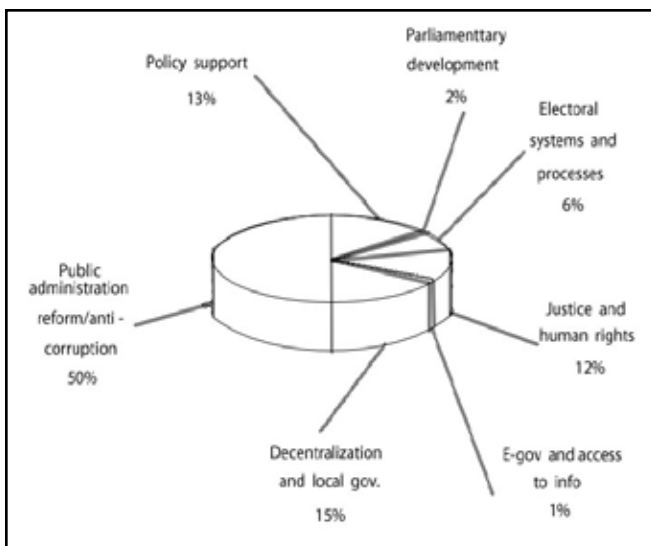
Recognizing corruption as the product of governance deficit, UNDP started to address corruption approximately ten years ago. It started with the Programme for Accountability and Transparency (PACT) in 1997 which was later backed by the corporate policy paper entitled 'Fighting Corruption to Improve Governance (1998)', which highlighted the importance of addressing corruption as a development issue. While the emphasis initially was on awareness-raising activities, it eventually shifted to more technical advisory services to national governments coupled with the development of internally developed tools and methodologies.

Since the mid-nineties, UNDP has been and remains the biggest provider of technical assistance in the area of anti-corruption. For instance, in 2006, about 41 percent of UNDP's total expenditure in the democratic governance practice area was in public administration reform and anti-corruption. Similarly, during the 2004-2006 period, 51 countries had 113 active anti-corruption programmes related to institutional, legal and policy frameworks established to promote and enhance accountability, transparency and integrity. UNDP primarily works with government counterparts, especially public institutions such as public administrative units, government ministries and anti-corruption and oversight institutions (parliaments, auditor general's offices and anti-corruption commissions). It has also closely worked with civil society, media and local authorities (UNDP 2004).

UNDP has engaged a range of national stakeholders to promoting a holistic approach to fighting corruption in several priority areas:

- Assisting in launching, developing and implementing national and local anti-corruption strategies
- Coordinating anti-corruption initiatives at the country level
- Helping improve internal accountability of government institutions
- Engaging in capacity development of national anti-corruption and integrity institutions
- Providing special focus to strengthening ATI in post-conflict situations;
- Engaging CSOs in ATI programming and policies
- Codifying and sharing knowledge to improve the effectiveness of anti-corruption programmes and projects

**Figure 8: Anti-corruption and UNDP governance service areas**



Source: UNDP Executive Snapshot.



## 4.2. Implications of UNCAC for UNDP's anti-corruption programming

UNCAC covers areas which UNDP traditionally has been promoting under its governance portfolio. These include strengthening public institutions, supporting media and CSOs and promoting civic engagement, transparency and accountability. In addition, due to the ratification of UNCAC by 128 countries (as of 5 December 2008), UNDP is anticipating a significant increase in requests for technical assistance by member states and an increase in the number of UNDP anti-corruption projects for UNCAC implementation. This means that UNDP needs to align its anti-corruption and governance activities with the new requirements under UNCAC. For instance, UNCAC requires support to anti-corruption institutions to take into account provisions of Articles 5 and 6 of UNCAC on developing anti-corruption policies and establishing independent anti-corruption bodies.<sup>14</sup>

Article 5 stipulates that anti-corruption policies shall promote the principles of rule of law, proper management of public affairs and public property, participation of civil society in public affairs, integrity, transparency and accountability. Article 6 provides for the establishment of preventive anti-corruption bodies aimed at implementing the policies outlined in Article 5 and increasing and disseminating knowledge about the prevention of corruption.

Article 7 and 8 urge member states to improve governance of the public sector by introducing several measures, such as the introduction of fair procedures for the selection and promotion of civil servants, adequate salaries and training. It also urges that State Parties shall promote integrity, honesty and responsibility among public officials through the introduction of codes of conduct and systems for preventing conflict of interest.

**Table 5: UNCAC as a democratic governance and development framework**

| UNCAC Articles   | Demand for Programming   |
|--|--|
| Article 5: Anti-corruption policies                            | Policy framework, legal framework, strategies, coordination and consultation processes   |
| Article 6: Independence of anti-corruption bodies              | Technical assistance to establish and strengthen oversight institutions and dissemination of knowledge about the prevention of corruption  |
| Article 7: Civil service capacity-building                     | Public sector reform (e.g., introduction of fair procedures for the election and promotion of civil servants, adequate salaries and training)  |
| Article 8: Code of conduct                                     | Promotion of integrity, honesty and responsibility among public officials; technical assistance to introduce codes of conduct and systems for preventing conflict of interest  |
| Article 9: Public procurement and management of public finance | Promote the introduction of a transparent effective system of public procurement and public finance management   |
| Article 10: Public reporting                                   | Increasing demand for anti-corruption efforts: Civil society empowerment; access to information, inclusive participation, awareness raising, efficient running of public institutions, role of media (capacity development for investigative journalism) |
| Article 12: Private sector                                     | Role of private sector in delivering social services   |

<sup>14</sup> For more on UNCAC, see <http://www.unodc.org/unodc/en/treaties/CAC/index.html>.

Article 9 of the Convention promotes the introduction of a transparent effective system of public procurement and public finance management. Article 10 requests State Parties to take necessary measures to enhance transparency in public administration, including with regard to organization, functioning and decision-making processes.

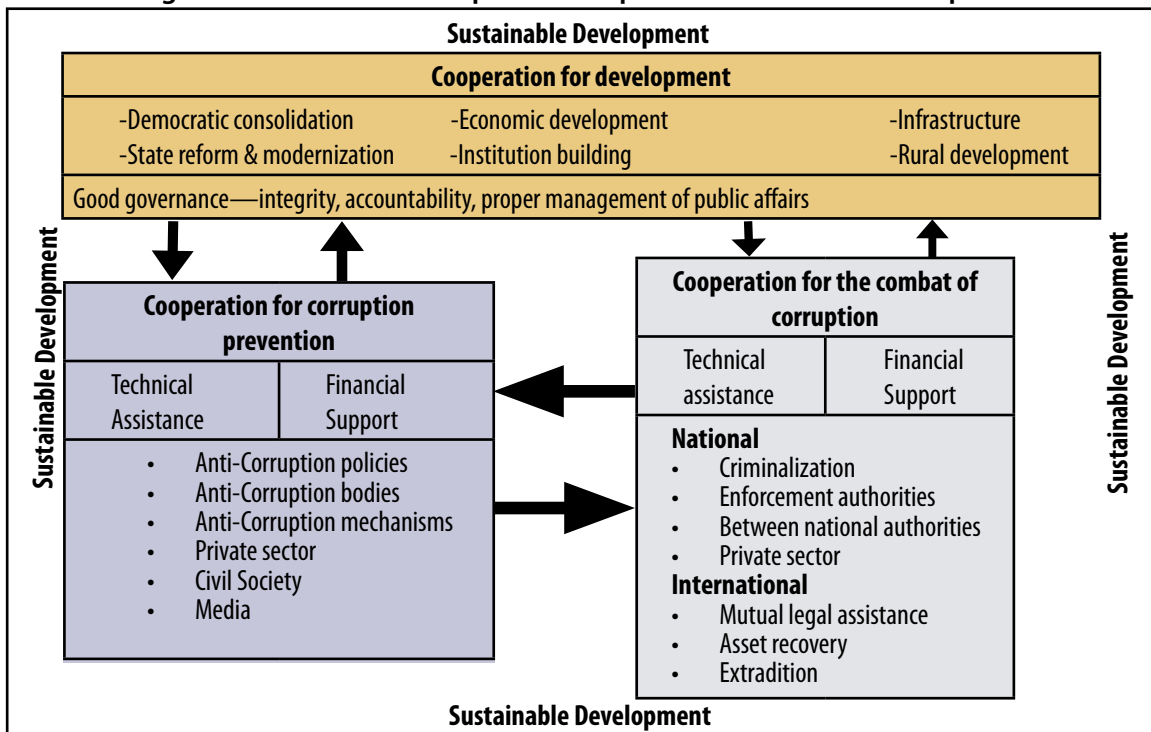
Article 10 mentions that citizens must have the ability to get information on the organization, functioning and decision-making processes of the administration. Article 12 promotes transparency and integrity in the private sector and Article 13 requests State Parties to take appropriate measures to promote the active participation of society (such as civil society, non-governmental organizations and community-based organizations) in the prevention of and the fight against corruption and to raise public awareness regarding the existence, causes and gravity of the threat posed by corruption.

Article 13 also mentions that anti-corruption bodies should have systems for allowing public access to information and undertake public information activities and education programmes.

There are also many areas in UNCAC which have traditionally not been within the programming areas of UNDP. For instance, issues of asset recovery and mutual legal assistance are not among the most popular programming areas of UNDP COs, while these programmes have been a major focus of UNODC. Thus, there is a need to be aware of when and where to draw synergies and maximize on comparative advantages.

Figure 9 illustrates areas of international cooperation for anti-corruption tied to development under UNCAC guidelines. The figure also shows that anti-corruption prevention and enforcement initiatives should not be compartmentalized, but should be complementary and self-reinforcing.

**Figure 9: International cooperation to prevent and combat corruption**



Source: Hussmann and Penailillo (2007).

UNDP has comparative advantages in providing technical cooperation, for e.g., upstream programming such as capacity development and improvement of institutions. These complement UNODC's strength in the normative legal and enforcement aspects such as asset recovery and mutual legal assistance (Hussman and Penailillo 2007).

Given that UNCAC contains a wide variety of preventive and punitive anti-corruption provisions, state parties to UNCAC are required to make considerable changes to their laws and institutions to comply with UNCAC provisions. The legislative reforms needed towards this are only a first step.

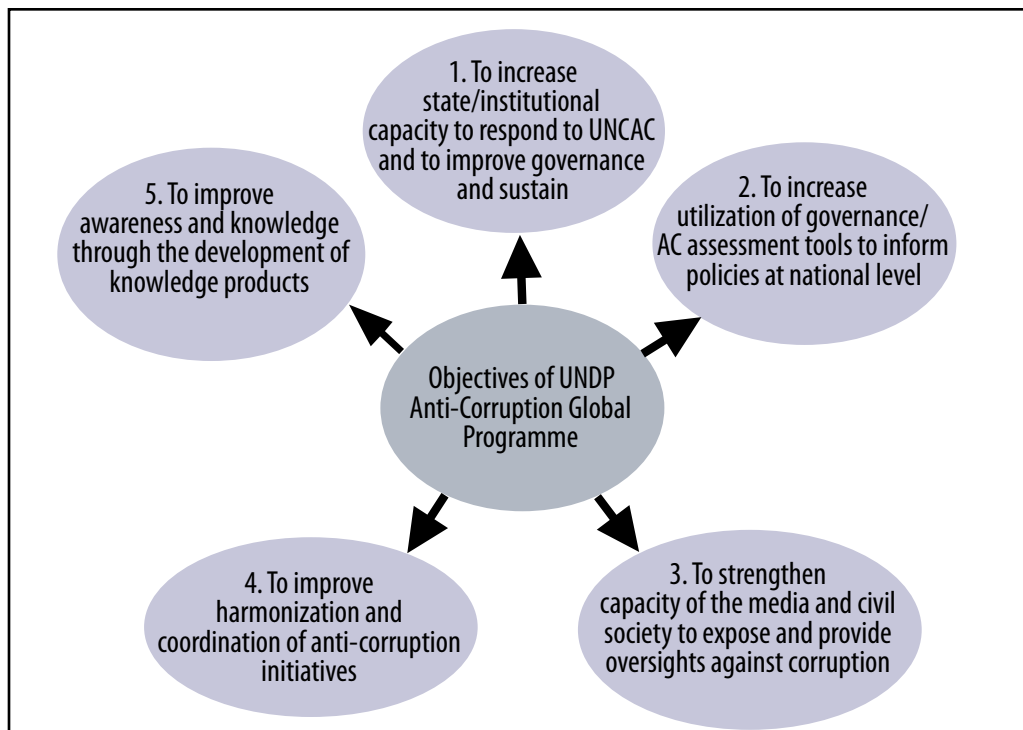
The serious implementation of the Convention would require, in many cases, a comprehensive revision of institutional set-ups.

UNDP's ongoing activities on governance and corruption in many countries, its presence in more than 135 countries and its proven capacity to mobilize partnerships make it particularly well-positioned to assist with these changes, in partnership with other organizations.

### 4.3. UNDP's Global Thematic Programme on Anti-Corruption

As a response to increasing demand for anti-corruption interventions at the country level, UNDP has developed a Global Thematic Programme on Anti-Corruption for Development Effectiveness (PACDE) 2008-2011. The global programme aims to align and streamline UNDP's anti-corruption approach across its mandated areas and providing COs and UNDP partners with access to knowledge and resources.

Figure 10: Objectives of UNDP Global Thematic Programme on Anti-Corruption



Source: UNDP (2008)

The overall objective of PACDE is to assist Member States to meet the MDGs, reduce poverty and achieve sustainable development through an increased availability of national resources due to a decrease in corruption and an increase in state and institutional governance capacity. There are five major areas where UNDP aims to assist Member States: capacity development including training; anti-corruption policy and programme advisory services; supporting nationally owned anti-corruption diagnostic and measurement tools; strengthening the watchdog role of the media and civil society; increasing coordination of anti-corruption initiatives; and producing knowledge products in anti-corruption.

**Capacity development:** UNDP recognizes the need to be more actively engaged in developing capacity and providing programme and advisory services at the national level, in order to respond to UNCAC. Proposed activities include training UNDP staff and national counterparts in international anti-corruption standards and programming;

### **Box 8: National anti-corruption strategy of Sierra Leone**

Sierra Leone's National Anti-Corruption Strategy, which provides a diagnosis of problems as well as policy recommendations, and shows the government's commitment to good governance, institutional reform and fight against corruption, was launched on 15 February 2005. The strategy is the product of a plethora of consultations with and contributions from a wide variety of stakeholders, including nationwide focus group discussions and a national consultative meeting. The strategy was prepared by the Anti-Corruption Commission advised by a High Level Steering Committee composed of the government, the Anti-Corruption Commissioner, World Vision, World Bank, UNDP, DFID, and European Union. (See, Government of Sierra Leone, National Corruption Strategy, National Anti-Corruption Strategy Secretariat, Freetown, 15 February 2005).

developing methodologies to incorporate anti-corruption principles in service delivery and activities of TWG; and providing anti-corruption advisory support for national partners. Box 8 gives the example of one of UNDP's national partners, Sierra Leone.

**Advisory support:** UNDP guidance to partner nations on how to incorporate anti-corruption principles into CCAs, PRSPs, UNDAFs and MDG-based development strategies is very important from the poverty reduction point of view. A lot of effort in the area of human rights went into incorporating human rights-based approaches into development programming. A similar approach is needed to ensure that anti-corruption is infused into all development activities of UNDP, where possible and permissible. This approach, in the long run, will help UNDP efforts to incorporate internationally recognized anti-corruption principles into the programming of not just UNDP but other UN agencies as well.

### **Box 9: Incorporating anti-corruption strategies into an MDG document: The example of Mongolia**

On 21 April 2005 Mongolia adopted its 9th MDG on human rights, anti-corruption and democracy. One of the targets of MDG-9 is zero tolerance of corruption. It is interesting to note that Mongolia became the first country in the world to have formulated a governance-related MDG document. MDG-9 and its associated targets, which are set to be achieved by 2015, present a golden opportunity to ensure a sustainable corruption monitoring system over time. For more information, see Hasbat Hulan, 'Assessing Democratic Governance in Mongolia', a paper prepared for the 2007 Bergen Seminar, 23 –25 September 2007.

**Anti-corruption assessment tools:** An important objective of PACDE is to increase the utilization of governance and anti-corruption assessment tools at the national level. Current surveys on anti-corruption are international in scale i.e. they rank countries, using a common set of perception indices. Thus, there is a clear need to develop local surveys and indices that are poverty- and gender-sensitive. To do so, a precise knowledge of corruption is required that can be used beyond mere awareness raising, to inform policy-making at the national level. This would include, for instance, information about the levels, types, manifestations and location of corrupt practices within a region or nation. PACDE supports and extends UNDP's project on the development of nationally owned pro-poor and gender-sensitive governance indicators, and governance assessment tools currently being developed by the Oslo Governance Centre.

Moreover, PACDE also aims at enhancing coordination at national and international levels. Currently, there are a number of initiatives from bilateral donors, international financial institutions, UN agencies and CSOs which can contradict and sometimes duplicate each other's efforts. A lot of information and good practices are being generated through working groups established by the Conference of States Parties to UNCAC on issues such as technical assistance and asset recovery. This information needs to filter down to the country level. OECD/DAC is also piloting joint assessments of anti-corruption activities at the country level. Among the UN agencies, the 'Delivering as One UN' requires a coordinated approach by UN agencies to deliver services to member states in line with the principle of country ownership.

More recently, UNDP and UNODC have conducted several joint missions on risk assessment and have participated in joint implementation teams in countries such as Indonesia, Kyrgyzstan, Montenegro and Pakistan. Such joint project assessments enable coordinated interventions that complement each other, thereby improving aid effectiveness.

### **Box 10: Coordination of anti-corruption initiatives — the example of ACPN**

UNCAC provisions form the basis of the Anti-Corruption Practitioners' Network (ACPN), a regional anti-corruption programming first developed in early 2006 by UNDP Bratislava Regional Centre (BRC) in cooperation with the UN Office on Drugs and Crime (UNODC). ACPN is composed of practitioners working in national anti-corruption institutions in Eastern Europe and the CIS, and is meant to support them in their daily operational work. For more information, see <http://anticorruption.undp.sk/>.

**Support to the media and CSOs:** In many countries where corruption is rampant, the demand side for anti-corruption interventions tends to be low. This can be attributed to a populace that is not used to enforcing its rights and where the mechanisms for democratic expression of these rights do not exist. Thus, media and CSOs play a vital role in increasing the demand for anti-corruption measures.

The media plays two important roles in fighting corruption. First, it can expose acts of corruption through investigative journalism. Second, it can make citizens aware of the direct impact of corruption on the economy and their lives. PACDE aims to create more demand for anti-corruption programming by training the media in investigative journalism, supporting various advocacy activities and organizing sensitization workshops on fighting corruption. Similarly, citizens' oversight bodies can be involved in social audits, budget tracking and citizens committees, in sectors such as education, health and environment, to hold public officials accountable.

Civil society can form networks that can mobilize the population for zero tolerance against corruption. One of PACDE's goals is to support training for CSO coalitions on a regional basis, on the role of civil society in UNCAC's implementation. It will develop materials on civic engagement, support research in this area, provide seed money for innovative interventions against corruption and support publications on innovative CSO activities and the participation of CSOs in International Anti-Corruption Day (9 December).

**Knowledge products:** PACDE also aims to produce knowledge products in the area of anti-corruption. UNDP has focused on expanding knowledge networks and the community of practice model to better harness existing knowledge within UN systems and enhance its use in programme countries. But with international norms and standards on anti-corruption continuing to evolve, there is an increasing demand to update and develop existing knowledge tools.

Table 6 summarizes some of the main interventions that can be effectively carried out at three levels of intervention.

**Table 6: Programme interventions at global, regional and country levels**

| Level    | Strategies   |
|----------|--|
| Global   | Developing knowledge products and tools that are globally relevant   |
|          | Strengthening the global anti-corruption community of practice with a focus on capacity development in international anti-corruption efforts vis-à-vis development efforts |
|          | Developing/repacking methodologies to mainstream anti-corruption into service delivery   |
|          | Forging strategic partnership and cooperation  |
|          | Supporting media and civil society interventions   |
|          | Collaborating with UNDP Bureau of Management (BOM) on moving forward an internal accountability initiative for UNDP country offices (e.g. UNDP training module on ethics)  |
| Regional | Supporting capacity development of regional anti-corruption community of practice and creating linkages with global community of practice as appropriate                   |
|          | Supporting the development and dissemination of regional knowledge products (e.g., HD reports, anti-corruption diagnostic tools, research on regional trends)              |
|          | Supporting regional initiatives such as UNDP POGAR (Programme on Governance in the Arab Region) and anti-corruption practitioners networks                                 |
| Country  | Training of regional civil society and media organizations   |
|          | Strengthening national public institutions, systems and mechanisms for oversight, accountability and transparency  |
|          | Enhancing ownership of anti-corruption programmes through better integration of anti-corruption tools and methodologies in CCAs, UNDAF and TWGs                            |
|          | Conducting joint scoping missions, donor assessments, gap analysis   |
|          | Supporting national anti-corruption institutions (e.g., anti-corruption commission), national anti-corruption strategies and work plans                                    |



#### 4.4. Challenges to anti-corruption programming

To design effective anti-corruption programmes and projects tailored to specific contexts, practitioners need to pay close attention to some of the key challenges outlined below.

- **Building bridges between prevention and combating of corruption.** UNCAC and other international norms and standards regard the prevention and combating corruption not as ends in themselves, but as vital factors in promoting good governance, which in turn is a crucial precondition for reducing poverty, meeting the MDGs and promoting sustainable development. National anti-corruption policy frameworks as well as donors of anti-corruption interventions face a twofold challenge: On the one hand, they need to link the realms of corruption prevention and combat of corruption; on the other, they need to link anti-corruption efforts as a whole with broader political and economic reform.
- **Building strong partnerships and mainstreaming anti-corruption principles in donor assistance.** UNCAC constitutes a unique international legal framework for anti-corruption policies. Its strength lies in its comprehensiveness as it addresses both preventive and enforcement measures. Thus, given principles of alignment as mentioned in the Paris Declaration on Aid Effectiveness, the challenge for donors is to adhere to UNCAC provisions as a common basis for their policy dialogue with partner countries on governance and anti-corruption. Fighting corruption requires strong partnerships of donors with governments, the private sector and civil society, partly because there is limited expertise in the area of anti-corruption.
- **Designing a comprehensive approach.** It is increasingly realized that any support for fighting corruption needs to be centred on

more comprehensive initiatives at the country level because stand alone projects are likely to be less effective and are often only short-term remedies. However, many donors operate under their own rules of engagement and have their own set of conditions that make a holistic approach difficult. Moreover, the competing interests of donors, multi-mandates among international players and the lack of leadership among donors at the country level also hinder the effectiveness of anti-corruption efforts.

- **Securing political will.** The major challenge for anti-corruption interventions is securing the political will for designing strategies and implementing them. In many countries, politicians in power are usually reluctant to do so. Very often, anti-corruption initiatives are politicized and used against political rivals. Moreover, changes in government and leadership also lead to competing and changing agendas. Thus, a comprehensive anti-corruption approach should understand that securing political will is fundamentally important to local policy ownership and the commitment to country-led strategies.
- **Approaching anti-corruption programming from a development perspective.** Most of the time, grand corruption steals the headlines and 'petty corruption', which is more likely to have a direct impact on the poor, is not emphasized by donors. A number of anti-corruption programmes address grand corruption and forget the fact that the poor who have very limited resources lose more than the rich who can afford to bribe. From the perspective of poverty alleviation, anti-corruption programmes must not just look at grand corruption but also at corruption in the service delivery sector that affects the poorest groups. Moreover, approaching corruption from a development perspective could help develop programmes without the 'anti-corruption' label and thus could prevent anti-corruption programmes from being overly politicized.

- **Limited resources.** Donors often have to face many challenges in allocating their resources for many competing demands. In some cases, large sums of money go to favoured countries with little capacity (e.g., Afghanistan). In other cases, there is insufficient funding to implement a comprehensive programme and sustain it in the long run. Experience shows that newly established, specialized anti-corruption agencies in many developing countries are doomed to fail partly because of a lack of resources and adequate staffing.
- **Poor monitoring.** In order to make anti-corruption programmes and approaches work effectively, a strong monitoring mechanism and methodologies are essential, which are often lacking in many countries.

## 4.5. Practical programming guidance

This section provides programming guidelines to help anti-corruption programmers and practitioners develop effective interventions. The guidelines are based on the lessons learned by UNDP from various past anti-corruption interventions.

### *(A) Gap and risk analysis*

Before designing a comprehensive anti-corruption approach, many countries need to conduct a gap and risk analysis.<sup>15</sup> This will help to assess the political will, find out gaps and risks, define entry points for interventions, and prioritize and sequence interventions. For example, in those countries which have already ratified UNCAC, the challenge is to ensure its implementation. Similarly, in some countries the entry point could be to establish oversight institutions, whereas in other countries, the entry point could be to strengthen the existing oversight institutions.

### **Box 11: Vulnerability Assessment or mapping of anti-corruption**

This is an example of how Article 5 of UNCAC can be translated into a programming tool. Many UNDP country offices tend to look for a consultant to conduct a vulnerability assessment or mapping of anti-corruption. The main questions include the following:

- Is there political will?
- Which institutions of democracy are in place? For instance, ombudspersons or parliamentary committees. What are their mandates, and do the mandates conflict? How are mandates coordinated? Who is the lead institution? What is their human resource base? Can the personnel available deliver? How are appointments, promotions, demotions and dismissals made?
- What are the existing oversight institutions?
- Are there any existing anti-corruption strategies?
- What is the nature of the legal framework? Is it comprehensive enough to cover all mandatory crimes under UNCAC?
- What is the level of public demand for anti-corruption? How many CSOs work in the area? Are there community initiatives? How does the community participate?
- Is there a free media?
- Does the country have freedom of information and public information laws?
- Are there defamation laws?

<sup>15</sup>The main objective of gap/compliance analyses with respect to implementing UNCAC is to assist the States seeking to ratify and implement the UNCAC by ensuring legislative and institutional compliance to UNCAC provisions. The risk analysis is usually done to assess vulnerability before putting in place the preventive mechanisms.

## **Box 12: A sample questionnaire that COs can use when carrying out interviews with key informants**

### **Policy framework against corruption:**

- What is the status of the state strategy for combating corruption if any?
- Have there been any other supplementary policy statements?
- What is the level of government commitment to implementing the policy?
- Are there any policy gaps and if so what is being done about them?

### **Implementation mechanisms:**

- What institutions are involved in the fight against corruption?
- What are the mechanisms to coordinate their work?
- Where are the mandates derived from? The Constitution, a decree or statutes?
- Have you identified any duplication or conflict of mandates?
- What are the levels of operation of anti-corruption action. For e.g., national, provincial, district and community
- What are the main constraints the institutions face in their work?
- How are the institutions funded and is the funding adequate?
- Is there a progress report on the work plan for the implementation of the state strategy for combating corruption?

### **Programming issues:**

- Have there been any studies and surveys carried out during the past 12 months and recommendations made? What has been their outcome?
- Are there any public awareness programmes, school competitions, posters, radio and TV programmes? Are such programmes regular or are they ad hoc? What has been the impact to date?
- Are there any requirements for declaration of assets by public officials? Where are the declarations deposited and how do the public and media access them? What are the penalties for transgressing non-disclosure? Has the government any intention of developing or expanding them?
- Are there any codes of conduct for public officials and if so what are they? If not, are there any intentions of developing codes of conduct in the near future?
- Are there any activities around asset recovery?
- What are the statutes that pertain to the criminalization of corruption?

### **International cooperation:**

- Do you currently have programmes or are engaged in cooperation with other international organizations such as UNDP, IOM, GOPAC, USAID, OSCE?
- Have such cooperative arrangements contributed toward the government's strategy? If yes, how so? If no, what are the main problems that you have experienced?
- What are your technical support expectations from UNODC and donors?
- Do you have recommendations for how UNDP may effectively contribute towards your country's programme of action to fight corruption?

The need for a gap and risk analysis comes from the fact that there are many conceptual factors that catalyze national ownership of an anti-corruption strategy. For example, public discontent about soaring levels of corruption and the media revelation of massive stealing of state resources could build national pressure and demand a political response. Similarly, governments such as those of Georgia, Indonesia and Zambia, which came to power on the agenda of zero tolerance for corruption, could work as an incentive for national ownership.

### ***(B) Strategy development***

Most anti-corruption programmes should be executed after a situational analysis, with entry points clearly identified. Most ambitious strategies do not work because they involve too many activities, and governments often establish inter-ministerial task teams which work on anti-corruption on a part-time basis. UNCAC requires that the development of an anti-corruption strategy should be done in a transparent and inclusive way. Public participation should be encouraged as much as possible. There needs to be a buy-in from political players while avoiding the politicization of the programme. The following are some important issues to be considered while developing an anti-corruption strategy.

- Joint assessment strategies provide a basis for enhanced harmonization and a more effective division of labour among donors at the country level. Joint assistance strategies are also needed for better resource mobilization and coordination. For example, when international donors coordinate with their national counterparts they can conduct more effective anti-corruption assessments to understand needs, entry points and levers for change for the implementation of UNCAC and other international instruments. Strong partnerships also help mainstream anti-corruption principles into donor assistance.

- The entry point of anti-corruption for development effectiveness is the incorporation of national anti-corruption plans into development strategy documents including CCAs, UNDAFs, PRSPs and MDGs. This will ensure both local ownership and a comprehensive approach. In those countries which lack the political will to implement anti-corruption interventions, a focus on mainstreaming anti-corruption principles such as transparency, accountability and integrity in government policies could be effective in encouraging anti-corruption programming.
- In a number of countries, sectoral anti-corruption approaches in combination with broader strategies may be a better option. For example, focusing on government agencies that are highly vulnerable to corruption, such as the tax and customs department, or sectors such as health and education that are crucial for meeting the MDGs, could prove very effective. Another area for targeted intervention is reform in the public sector— in public financial management, civil services, judicial systems, decentralization programmes, the administrative sector, public procurement, and internal and external audit systems. However, it should be noted that sectoral approaches should be adopted under a broader anti-corruption strategy or a particular programme or project is not likely to have a sustained impact on reducing corruption.
- The success of any anti-corruption programme depends on whether all relevant stakeholders (public sector, private sector, CSOs) are involved both in formulating the programme and monitoring progress. Engaging relevant stakeholders ensures local ownership of programmes, helps develop a common understanding of the problem, and creates more demand for anti-corruption interventions. If the process of planning, implementation and monitoring is flawed, a policy is doomed to fail regardless of how appropriate it may be.

A risk analysis and sufficient consultations with all relevant stakeholders before launching any programme would significantly help in producing good results. Similarly, prioritizing and sequencing tasks is very important in order to maximize the effects of anti-corruption efforts.

- Program sustainability is one of the major challenges faced by any anti-corruption intervention and it is tied to securing sufficient financial resources. It should be noted that resources may be readily available for national initiatives, but it is hard to get enough resources for sectoral programmes because donors have different priority and focus areas. Therefore practitioners need to be realistic when developing a project or programme — a project or a programme should be knowledge based and have a realistic timeframe (e.g., the lifespan of government).
- Practitioners also need to seize the right opportunity for anti-corruption intervention. For example, a post-election or post-regime change environment; a post-scandal situation or a post-conflict environment often create high demand for anti-corruption programming.

### ***(C) Identifying partners***

The following are the key UNDP partners in the area of anti-corruption.

- UNODC, the specialized agency dealing with corruption. It is also the secretariat to the Conference of State Parties to UNCAC.
- Other UN agencies such as the United Nations Department of Economic and Social Affairs (UNDESA), UNESCO International Institute for Educational Planning (IIEP), United Nations Office of Internal Oversight Services (OIOS), United Nations Public Administration Programme (UNPAN), and the United Nations Economic Commission for Africa (UNECA)

- OECD, which works on coordinating donor activities in the area of anti-corruption
- Transparency International, the leading NGO in the area of anti-corruption
- International finance institutions such as World Bank, ADB, AFDB and Asia Development Bank, the main funders of anti-corruption programmes. They also implement some projects.
- National counterparts (including CSOs and media)
- Local authorities
- Human rights institutions
- Academic institutions such as Basel Centre and the Raouil Wallenberg Institute
- Anti-corruption Resource Centre (U4) , which offers focused research products and a rich array of online resources

When identifying partners and coordinating anti-corruption efforts, it is important to clearly define roles and responsibilities from the very outset.

Identifying potential partners in governments depends on the country. Where there is little willingness to even talk about corruption at the government level, it will be difficult to engage in explicit anti-corruption activities. Choices might then be limited to less 'controversial', less politicized measures. However, there might be champions of anti-corruption who could be a catalyst for developing anti-corruption intervention. In addition, during election campaigns, candidates and political parties may want to 'attach' the good governance tag to their campaigns and this may create an opportunity for anti-corruption programming when a new government is formed.

### ***(D) Monitoring and evaluation***

To successfully implement anti-corruption projects, it is important to have built-in monitoring and evaluation mechanisms through regular onsite visits, regular meetings of stakeholders, and a review of both compliance with the original plan and the impact of the project. A set of indicators is needed to measure impact and monitor the project's progress. Examples of such indicators of progress are:

- People who are trained in using UNCAC as a development tool
- Change in perception among stakeholders on the capacity of UNDP to implement UNCAC
- Increased integration of anti-corruption measures into CCAs and UNDAF
- Percentage change in joint missions at the regional level
- Increase in policy reforms as a result of anti-corruption knowledge products and diagnostic tools
- Improved clarity of stakeholders about the role of UNDP in fighting corruption
- More knowledge on linkages between corruption and human rights, gender, politics, conflict, poverty and development
- Increased availability of information on corruption at the country level that informs and triggers policy change
- Increased availability of diagnostic tools to measure corruption (e.g., Local Corruption Diagnostic and Measurement Tools)
- Increased knowledge of media and CSOs in anti-corruption through training
- More cases of corruption exposed through investigative journalism
- Increase in demand for accountability by citizens
- Number of joint missions at the country level (joint missions of UNDP and UNODC)
- Increase in UNDP cooperation or coordination among various institutions working in the field of anti-corruption

The previously mentioned guidelines will help anti-corruption practitioners develop effective mechanisms and interventions. The gap analysis is helpful in identifying areas of vulnerability so that interventions are focused on the most critical areas. This is even more effective if the gap analysis is supported by a situational analysis that informs a realistic intervention strategy with in-built monitoring mechanisms. In order to build synergies and increase the effectiveness of anti-corruption interventions, identifying relevant partners is also a key component of anti-corruption programming.

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