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Corruption Hits Poor the Hardest

UNDP Report Examines Priority Areas for Tackling Corruption in Asia-Pacific

Jakarta, 12th June 2008 - Cleaning up the police, health, education and environment sectors should be a top political priority in the Asia-Pacific region, in order to loosen the stranglehold of corruption on the lives of the poor, according to a new United Nations Development Programme (UNDP) report released here today.

The Report, entitled *Tackling Corruption, Transforming Lives*, vividly illustrates how the region's pervasive 'petty' corruption smothers opportunities for the most vulnerable people, limiting their access to education and compromising basic health services. It also provides innovative ways in which communities and governments are striving to fight corruption, in Asia including Indonesia.

The Report was launched by the President of Indonesia, His Excellency Susilo Bambang Yudhoyono, United Nations Assistant Secretary General and UNDP Director of the Bureau for Policy Development, Olav Kjørvan, and the Minister of Development Planning, His Excellency Paskah Suzetta.

The publication quotes President Yudhoyono shortly after his election in 2004: "The eradication of corruption will be my priority over the next five years. We have to eradicate it structurally and culturally...This country will be destroyed if we do not stop the growth of corruption. There needs to be some shock therapy so that the people know that this government is serious about corruption."

Tackling Corruption, Transforming Lives stresses that while anti-corruption efforts too often focus on exposing the 'big fish', it is 'small fry' corruption – from the salaries of fictitious 'ghost teachers' funnelled into the pockets of corrupt officials, to doctors demanding cash payments from poor, pregnant women to deliver their babies, which causes more day-to-day suffering and could severely hamper the Region's goal of achieving the Millennium Development Goals (MDGs) – the eight internationally-agreed targets aimed at halving poverty by 2015.

"Hauling the rich and powerful before the courts may grab the headlines, but the poor will benefit more from efforts to eliminate the corruption that plagues their everyday lives," says Anuradha Rajivan, head of the UNDP Regional Human Development Report Unit. "Petty corruption is a misnomer. Dollar amounts may be relatively small but the demands are incessant, the number of people affected is enormous and the share of poor people's income diverted to corruption is high," she said.

“Corruption does not grease the wheels; it is a spanner in the works” says Kuntoro Mangkusubroto, the Head of the Reconstruction and Rehabilitation Agency for Aceh and Nias (BRR), Indonesia in the Report. Teten Masduki, the head of Indonesia Corruption Watch calls “for a grand coalition between government and non-government reform forces” to fight corruption in bureaucracy and formal politics in his contribution to the publication.

The Report stresses that combating corruption makes more political sense now than ever before, especially in sectors like water and electricity, health and education, as it “not only confers credibility to the government, it also greatly promotes everyday citizen satisfaction”. With that in mind, the Report proposes a menu of options for political leaders in the Region to consider.

Justice for sale

In Asia-Pacific, politicians are seen as the most corrupt group in government followed by the police, with the judiciary running a close third. Nearly one in five people claim to have paid a bribe to police during the previous year in the Asia-Pacific region. Only a quarter of crimes are ever reported in Asia, according to *Tackling Corruption, Transforming Lives*. In various Asia-Pacific countries, when victims were asked why they did not report a crime, between one third and three quarters cited lack of trust in the police as a reason. Justice too has a price, and two-thirds of the Asian population considers the courts to be corrupt, note the authors.

Greed vs. need in social services

Putting greed over need in corrupt health care systems diverts funds from immunization programmes, and adds to the millions of children who die in the region each year as a result of diarrhoea and disease caused by unclean water and poor sanitation.

Giving bribes for admission to a hospital – or for new mothers even to see their babies in a maternity ward – is common in South Asia. “One survey of Bangladesh, India, Nepal, Pakistan and Sri Lanka found that health workers often demanded bribes for admission to hospital, to provide a bed, or to give subsidized medications,” says the Report.

At the same time, up to one-third of drugs supplied in some countries of the region may be expired or counterfeit and the poor often shoulder a significant burden to buy bandages or syringes when hospitals run short of supplies.

“Some cross-national studies have indeed suggested that in countries where levels of corruption are higher, some health inputs such as immunization are lower,” says the Report. According to a global study, child mortality could be halved with a two-point increase in the World Bank’s Control of Corruption Index.

In education, the Report shows that higher levels of corruption are correlated with fewer children attending schools and higher dropout and illiteracy rates, blocking key routes out of poverty. An extreme type of education corruption is found in ‘ghost teachers’ who may be on a payroll but never set foot in a classroom. Even ‘ghost schools’ exist.

Meanwhile, extending water, sanitation and electricity coverage is expensive, requiring large-scale investments in infrastructure – yet up to 40 percent of this is being dissipated through bid rigging and other corruption, the Report said. The poor have no choice but to pay ‘speed money’ just to get a utility connection. One survey in Bangladesh found that

60 percent of urban households either paid money or exerted influence to get water connections.

Natural resources up for grabs

The vast tropical forests, extensive mineral deposits and fertile agricultural lands of many Asian-Pacific countries should serve as a firm basis for economic and human development, says *Tackling Corruption, Transforming Lives*, but too often their potential is drained away through corruption. The sheer volume of profit to be made through shady or illegal handling of natural resources means that corruption in this field often amounts to 'state capture,' where private companies pay public officials to shape laws, policies and regulations to their advantage.

In Indonesia, less than one-fourth of total logging operations, estimated at US\$6.6 billion, is legal. Informal payments and bribes related to logging are estimated at over US\$1 billion annually.

Illegal logging, like other corrupt natural resources management practices, is particularly damaging for the poorest communities, explains the Report. For example, small farmers and indigenous people are driven into poverty as a result of illegal land expropriations, and the exhaustion of natural resources and local communities are left to suffer the health effects of toxic waste from mining illegally dumped into nearby rivers.

Keeping them honest

Innovative communities are now hitting back at corruption levels in the region, shows the Report. For example, in some schools in Indonesia, corruption in the management of funds has been minimized by involving parent's associations, which decide on the use of these funds and monitor them to ensure they reach their intended destination. School officials meet with representatives of the parent's association at the beginning of the school year to agree on an annual plan. During the year they provide them with detailed accounting of expenditures.

In the rural, one-teacher schools of the region of Rajasthan, India, where teacher absentee rates have topped 40 percent, a local NGO came up with a novel solution that required teachers to take a photo of themselves with the students at the beginning and end of each day using cameras with tamper-proof date and time functions in order to get their maximum salary. As a result, the number of days that children were actually taught each month increased by one third.

In Cambodia, the Phnom Penh Water Supply Authority made the decision to become transparent and to pay its staff based on their performance. Between 1999 and 2006, access to water in the city was transformed, jumping from 25 percent to 90 percent, while the number of household connections for the poorest people in the city rose from 100 to more than 13,000, the Report said.

At the national level, putting the right anti-corruption legislation in place – and enforcing it – has also produced success stories. In China, for example, a law was introduced in 2006 stipulating that staff members of schools and hospitals would face criminal penalties for seeking bribes or receiving kickbacks. The former Commissioner of the State Food and Drug Administration was subsequently convicted on charges of accepting more than US\$850,000 in bribes.

Call to an Agenda for Action

The Report argues that no single answer to the problem of corruption exists, but that a number of options are common across most countries in the region:

- Raising salaries for doctors, teachers and other civil servants so they do not have to rely on bribes to make a living; making civil service posts more merit-based; and strengthening oversight mechanisms by local governments (bureaucracy reform)
- Encouraging business codes of conduct that fit international standards
- Enacting and implementing the right to information laws
- Using information technology and e-governance to make administration more transparent
- Supporting citizen action to combat corruption by mandating that local governments publish basic information on contracts to facilitate citizen auditing

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The United Nations Development Programme (UNDP) is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build better lives. UNDP works in 37 countries in Asia-Pacific.

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The UNDP Regional Centre in Colombo (RCC) was established in January 2005 to serve countries of Asia-Pacific. It is a regional hub for development knowledge and expertise, providing policy advisory and capacity development services in Poverty Reduction and HIV and Development, with Gender Equality as a crosscutting concern.

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