region's leaders to realize that combating entrenched corruption requires more than waiting for moral awakenings or economic miracles. A bold, concrete anti-corruption agenda needs to be devised and implemented. Any sensible plan to attack corruption must involve civil society, political leaders, government officials, business community, judges, foreign governments, and multilateral donors. While aiming at a substantial elimination of the major sources of corruption, any realistic plan must attempt to evolve a graduated strategy with a sensible, practical, step-by-step approach. Policy-makers must also realize that corruption is primarily a symptom of poor governance. Unless the wider institutional environment that breeds corruption is radically transformed—through economic, electoral, judicial, parliamentary, and bureaucratic reforms that restore people's trust in government, specific anti-corruption agendas are unlikely to meet with success.

Selecting strategies

Strategies to combat corruption must be based on an assessment of their impact as well as their feasibility. The first stage in the battle against corruption is to have strong political commitment; if this is missing, no anti-corruption plan will succeed.

If the requisite political commitment exists, the next stage is to examine the political and institutional feasibility of particular actions. Actions with a high feasibility can be subdivided by their high or medium impact on corruption. An anti-corruption agenda should focus on both. High feasibility-medium impact actions are necessary to 'pave the path'. They have important symbolic significance, and may be necessary to break out of a high-corruption equilibrium. Alongside actions that pave the path, are required policies that have a significant impact on corruption but can be accomplished relatively easily—'the easy short cuts'. These two actions build momentum for the third and final round

of actions—'learning to fly'. These are actions which have low feasibility since they will require tremendous political commitment to be carried out, but with a strong impact on reducing corruption.

The sequencing of the three sets of actions is important. First, symbolic actions must 'pave the path' by sending a shock to the system to jolt it out of the corruption trap. Second, 'the easy shortcuts' can root out some of the more obvious sources of corruption in a society, and thus lend real credibility to anti-corruption reforms. Finally, it is necessary to move into a new low-corruption trajectory by 'learning to fly'; this requires moving beyond marginal measures into fundamental reforms that squarely address the causes of corruption rather than the mere symptoms. The following are three basic routes to a low corruption path. They illustrate the key actions to begin an anti-corruption revolution.

PAVING THE PATH. The origins of an anti-corruption revolution lie in a few grand actions that establish credibility for the anti-corruption plan. Five basic actions can help convince people that the government is serious in combating corruption:

• *Begin accountability from the top*—An anti-corruption revolution must begin from the top if it is to be credible. 'The only way to break out of a high-corruption culture is for a few major corrupt figures to be convicted and punished. The government should identify a few major tax evaders, a few dishonest judges, and a few high-level government bribe-takers. Since a campaign against corruption can too often become a campaign against the opposition, the first big fish to be fried should be from the party in power' (Klitgaard 1998).

• *Set up exclusive corruption courts*—There are 22 million cases currently pending in the Indian judiciary. The Bangladeshi judiciary has a backlog of almost six

million. There is clearly a need to set up exclusive anti-corruption courts at both the central and regional level to tackle all the corruption-related cases rapidly. These special courts should have automatic jurisdiction over all corruption-related cases, and should function according to existing laws. However, the institutional structure of the corruption courts should be specifically designed to ensure transparency in decision-making.

• *Require public officials to declare their assets*—Politicians, bureaucrats, and military officers acquire funds illegally when they are in power. To determine whether funds were secured through illegal means, public officials must be required to make a detailed breakdown of their asset positions and tax returns every year after assuming office. Clearly, to be effective, asset declaration must be accompanied by an effective prosecution agency that can freely and fairly investigate unusual discrepancies between the living style and low tax returns of public officials.

• *Provide immunity to informers*—Corruption cases will come to light against corrupt government officers only if someone provides evidence against them. The best way to ensure this is to provide immunity from prosecution to the bribe-giver in exchange for providing solid evidence against corrupt government officials (Gandhi 1997).

• *Implement transparent procurement laws*—The bigger the contracts governments can sign, the bigger the kickbacks corrupt officials earn. The best way to ensure that mega-contracts are based on economic rationality rather than corruption potential is to devise transparent and non-discretionary procurement rules. There should be competitive bidding for all major public projects and programmes—both domestically and internationally. The parliament should be empowered to review all contracts entered into with the government.

TAKING THE SHORT CUTS. Symbolic actions herald change and a commitment to fight corruption. Next on the priority list are short cuts that may lead to a rapid reduction in corruption with minimal feasibility problems. Nine key actions listed here are the centre-piece of any medium-term strategy to attack corruption:

• *Pass a Right to Information Bill*—Governments in South Asia must stop hiding information from their citizens. Currently, there is extremely limited public access to information relating to budget details, the breakdown of military expenditure, the details of the taxation structure, or the state of financial institutions.

An effective Right to Information Bill would go a long way in helping citizens combat corruption effectively. Unfortunately, such legislation does not exist in many South Asian countries. In India, the Right of Information Bill, lying with Parliament for several decades, has still not been passed (Gandhi 1997). In Pakistan, the caretaker government drafted an excellent Freedom of Information Ordinance in 1997, but this was modified, and then allowed to lapse by the incoming government. Further, in Bangladesh, consensus to replace the Official Secrets Act 1939 with a Freedom of Information Act is growing.

• *Set up national anti-corruption commissions*—The first step in sending corrupt people to jail is prosecution. This requires developing an effective and powerful national Anti-Corruption Commission in all South Asian countries. Indeed, the challenge of establishing an uncorrupted anti-corruption agency is perhaps the most difficult item on the reform agenda. Currently, enforcement mechanisms are in place in Pakistan (Ehtesab Commission), India (Lok Ayukts in the states and the Central Bureau of Investigation), and Sri Lanka. Efforts are also underway in Bangladesh to overhaul the existing Anti-Corruption

Symbolic actions herald change and a commitment to fight corruption

Bureau and establish it as an independent board along the lines of the Singapore and Hong Kong bureaus (World Bank 1996a). However, excessive reliance on enforcement has in some cases slowed down the decision-making process, as is reported to be the case in Sri Lanka (World Bank 1998b and 1998c). In other situations, the highly politicized nature of anti-corruption bureaus gives an impression that they have been used for political witch-hunts, rather than catching corrupt officials. Finally, the lack of real statutory powers of many anti-corruption agencies rendered them largely ineffective.

- *Ensure time-bound actions*—Discretion and monopoly power often lead to corruption, especially petty corruption, because they create the power to delay decisions. As a result, businessmen are often forced to pay bribes for routine clearances, and ordinary citizens feel they must make illegal payments to government officials to accomplish basic tasks, such as securing a driving licence or enrolling a child in school. This kind of extortion can end by placing clear time-limits on most routine approvals and clearances. For instance, the time-span for obtaining an international passport is clearly specified at the passport office in Pakistan, and a higher legal payment leads to a faster processing of the application.

- *End unnecessary or archaic discretionary laws*—The misuse of discretion can be further limited by removing obsolete and unnecessary laws that only serve to create rent-seeking opportunities for government officials and serve no perceived public interest. In Pakistan, for example, the import tariff has been modified so extensively by special-purpose exemptions that duties are often impossible to determine ex-ante, thereby generating incentives for corruption (UNDP 1997a). Strangulation must be replaced by regulation. In India, for example, this means ending Octroi and scrapping the Urban Land Ceiling Act (Gandhi 1997). In Pakistan, this requires ending the culture of discretionary ministerial allocations of plots and permits.

- *Use independent private-sector auditors* — The accountability and transparency of government agencies can be increased by appointing both independent in-house ombudsmen in key government agencies, and appointing an external auditor to check accounts on an annual basis. Currently, most countries in the region have an Auditor-General, who verifies that government expenditures conform to administrative, legal, and legislative requirements. However, most public auditing processes suffer from weak staff skills, the use of outmoded procedures, a focus on accounting rather than auditing, long delays in the issue of reports, and little follow-up action to check deviations from auditing rules. While a long-term solution would require financial and technical help to strengthen the office of the Auditor-General, a quick fix might be to call in reputed external auditors to carry out not just procedural accountability but consequential accountability and performance auditing. This requires greater explicitness about the goals of particular agencies, clear and measurable performance standards, and a regular monitoring of these standards. It would also require tests of efficiency (such as cost per school) to ensure that programmes are viable and cost-effective rather than inefficient white elephants (World Bank 1996a).

- *Learn from the success stories*— Throughout the world, many countries have been able to fight corruption successfully. In several European countries, this process has taken centuries. But there are several examples of Asian countries that succeeded in moving from a high-corruption to a low-corruption equilibrium. Box 5.8 illustrates the key policies and actions used to combat corruption in Singapore and Hong Kong. There are also lessons to be learnt within the South Asia region: Bhutan has succeeded in keeping

corruption at a low level while Sri Lanka has reduced corruption in recent years.

• *Involve people in diagnosing corrupt systems*—Successful campaigns involve the people. 'If only they are consulted, citizens are fertile sources of information about where corruption is occurring' (Klitgaard 1998). Ways of consulting citizens include citizens' survey, setting up citizens' oversight bodies for public agencies, involving professional organiz-ations, call in radio-shows, and educational programmes. In Pakistan, some Khidmat (Service) Committees set up recently by the government have identified in several cases of corruption in the education and health departments.

• *Appoint an independent watchdog*—Though little systematic statistical analysis of the importance of anti-corruption watchdog bodies exists, they can be useful in detecting corruption, in ensuring that illegal government actions get national and international media coverage, and in raising people's awareness about how to combat corruption in their daily lives. Such organizations can range from official ombudspersons at various levels of government to anti-corruption agencies, such as the Independent Commission Against Corruption in Hong Kong; to smaller corruption-fighting institutions in Botswana, Chile, Malaysia, and Singapore (Wei 1998); to independent grassroots NGOs, like the Public Affairs Centre in Bangalore, India. There is an urgent need for similar anti-corruption civil society organizations in other regions of South Asia.

• *Link aid to humane governance*—While international action can supplement domestic reforms, rather than substitute them, many international donors are actively working to integrate anti-corrup-tion measures into their programmes and projects. Multilateral and bilateral donors can play an important role in providing technical support (for instance, help in designing public administration reforms) and financial aid to countries that are

serious about combating corruption. More generally, however, linking aid to the overall quality of governance is probably the most important means of reducing corruption through donor resources.

LEARNING TO FLY. Corruption is a symptom of more deep-rooted economic and political problems. Some of the quick-win actions described earlier may fail to stem corruption in the long run if they are not combined with a broader

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Box 5.8 Combating corruption: success stories from Asia—and around the world

Is it possible to escape from a high-corruption trap? The experiences of Hong Kong, Botswana, and Singapore suggest that it is possible to end an era of 'corruption eruption'. The centre-piece of the anti-corruption reforms in each of these countries was strong political commitment backed by a concrete, carefully designed, and country-specific anti-corruption agenda.

Corruption was endemic in Hong Kong in the 1960s. Finally, in response to increasingly entrenched corruption, the Governer established the Independent Commission Against Corruption (ICAC) in 1974. The ICAC reported directly back to the Governer, and was independent from the police force. No one in ICAC could end up working for a senior officer who had been subject to investigation. The ICAC was given the power to investigate and prosecute corruption cases, and to engage in a campaign of public education (UNDP 1997a). Govern-ment commitment was signalled by appointing a person of unquestionable integrity to head ICAC, and by an initial policy of prosecuting the 'big tigers'. Public surveys carried out between 1977 and 1994 reveal a growing public perception of falling corruption.

A number of other countries, including Botswana, Malawi, Singapore, and the Australian state of New South Wales, have devised similar institutions to ICAC. However, the model does have weaknesses in the South Asian context. First, it requires a strong law and order framework which does not exist in all the countries. Second, an anti-corruption

agency with such strong powers can be used as an instrument of repression against political opponents, as has been witnessed in some parts of South Asia. In Hong Kong, an independent judiciary keeps a check on the ICAC: an equivalent strong judiciary may not exist in several South Asian countries. Third, the ability of strict 'law enforcement' to keep corruption in check might mean that policy-makers ignore the need for the fundamental 'repair' of corrupt systems (UNDP 1997a).

Singapore has also made a successful transition from a high-corruption to a low-corruption economy. In the post WWII period, civil servants in Singapore were poorly paid, inadequately supervised, and many departments—such as the police—were notorious for high corruption levels. The People's Action Party, which came to power in 1959, realized that a piecemeal strategy would not work in this environment. As a part of their new strategy the government strengthened the Corrupt Practices Investigation Bureau (CPIB). Since 1970, CPIB has been directly under the Prime Minister's office. The CPIB also requires that ministries review work practices regularly, with the aim of reducing corruption. Key strategies to reduce corruption include reducing delays, rotating officers, and increasing supervision. The Singapore government has also focused on reducing corrupt incentives for bureaucrats with high wages, bonuses, and favourable working conditions (UNDP 1997a).

Source: UNDP 1997a and 1998a.

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effort focusing on major governance reforms. The key steps required to root out corruption permanently would almost certainly include the five fundamental actions listed below:

- *Repair corrupt systems*—A fundamental anti-corruption reform is to mend the corrupt system. Since unnecessary regulations and bureaucratic allocation of scarce resources breed corruption, the immediate task is to rid them from the system. In addition, anti-corruption reform should be based on a careful analysis of the corruption equation described above, so that the incentive and enforcement structures within government departments can be adjusted to minimize the possibilities for corruption. For instance, government financial enterprises in Pakistan are notoriously corrupt. According to some estimates, bad loans given as political patronage without proper collateral amount to approximately Rs 100 billion (HDC 1998c). Yet recovery is possible. Most of these loans are not stuck up with sick industries, but are in the hands of influential people, with considerable assets that can be seized and auctioned, provided there is proper accountability. To begin with, successful reform of the financial system might require banning politicians and bureaucrats from taking loans from state-owned financial institutions, and insisting they rely on private banks. In some sense, the most radical way of eliminating corruption is to legalize the activity that was formerly prohibited or controlled. For example, when Hong Kong legalized off-track betting, police corruption fell significantly. When Singapore allowed more products to be imported duty-free, corruption in the customs department went down (Bardhan 1997).

- *Implement core institutional reforms*—Policy-makers must realize that the fight against corruption is a lengthy battle and cannot be won overnight. Fundamental institutional reforms are required. Chapter 4 analyses the damaging consequences of economic mismanagement in South Asia, in terms of unproductive rent-seeking opportunities generated through poor fiscal, monetary, human development, and trade policy. Fundamental economic reforms that limit government interventions—such as liberalization, deregulation, and privatization—can reduce these opportunities for corruption. In addition, core reforms in the electoral, parliamentary, judicial, and public administrative systems, discussed in chapter 3, will need to be a part of the corruption solution.

- *Ensure an active and free press*—An active media is vital to an anti-corruption agenda. In South Asia, the media has played a key role in unearthing and investigating major corruption scandals, such as the Bofors deal in India, and the 'Mehran Gate' and cooperative bank scams in Pakistan. A press that continues to probe into domestic corruption scandals, and informs the public about corrupt actions, is necessary if civil society it to take an active part in the anti-corruption battle.

- *Make all bribes given in industrialized countries illegal*—International double standards in dealing with the corruption problem must end. There is an urgent need to ensure that all countries declare bribery illegal, regardless of whether it is paid to foreign officials or national residents. Currently, several European countries outlaw bribes paid to nationals; bribes to foreigners, however, are treated as tax-deductible payments. Recent OECD regulations to treat bribery of foreign public officials as a criminal act is a step in the right direction (see box 5.6). Furthermore, western governments must be equally strict in controlling the laundering of corruption money in off-shore havens of leading commercial banks, as they are in preventing the laundering of drug money.

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