Corruption and Development: Global Efforts

Presented by: Phil Matsheza, Policy Advisor/UNDP
Objectives of this Session

- To provide an overview of linkages between corruption and development
- To show the impact of corruption on development and vice-versa
- To emphasize that anti-corruption is a development issue and thus it should be integrated with overall development efforts
- Development in the context of international standards on anti-corruption
Corruption and Development: Linkages

The data shows that corruption is a major development challenge.

What do these facts tell you?

Corruption Facts

- More than US$1 trillion (US $1,000 billion) are paid in bribes every year, just over 3% of world income in 2002 (WBI estimate).
- More than 70% of SMEs in transition economies perceive corruption as an impediment to their business (BEEPS, 2000).
- Corruption have contributed to capital flight in Africa, with more than US$400 billion having been looted and stashed away in foreign countries.

The data shows that corruption is a major development challenge.
National efforts to raise awareness about the impact of corruption....Thailand TV advert.

http://www.undp.or.th/resources/multimedia.html
Corruption and Development: cross linkages

- Governance
- Economic Growth
- Environment & sustainable development
- Human Rights
- Poverty
- Gender

Governance
Economic Growth
Environment & sustainable development
Human Rights
Poverty
Gender
Corruption reduces investment by worsening investment climate: smaller enterprises pay higher % of annual revenues in bribes (WB Business Environment and Enterprise Performance Survey).

Corruption hinders competitiveness measured by the set of institutions, policies, and factors that set the sustainable levels of economic prosperity.
Corruption and Economic Growth

How does corruption negatively affects economic growth?

- Discourages foreign and domestic investment
- Dampens entrepreneurship (e.g., risky and more unproductive businesses are likely to flourish)
- Lowers the quality of public infrastructure
- Decreases tax and revenue income
- Leads to brain drain
- Encourages the risky business and thus deters innovation
- Decreases the size of formal sector
- Undermines political stability and creates a noncompetitive economic environment
## The Impact of Corruptly Awarded Contracts

<table>
<thead>
<tr>
<th>Type of investment/contract</th>
<th>Environmental Degradation</th>
<th>Erosion of tax revenues</th>
<th>Exploitation of labour</th>
<th>Erosion of sustainability of livelihoods</th>
<th>Erosion of basic social services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illegal or corruptly gained logging</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td></td>
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<tr>
<td>Purchase of ‘illegally traded’ products</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Work and safety conditions ignored</td>
<td></td>
<td></td>
<td>Yes</td>
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<td>Yes</td>
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<tr>
<td>‘Informal agreement’ on transfer pricing</td>
<td></td>
<td>Yes</td>
<td></td>
<td>Yes</td>
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<tr>
<td>Infrastructure with Community displacement</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Import of faulty drugs</td>
<td></td>
<td>Yes</td>
<td></td>
<td>Yes</td>
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<tr>
<td>Non cost-effective power project</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td></td>
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<tr>
<td>Corrupt privatization contract in services</td>
<td></td>
<td>Yes</td>
<td></td>
<td>Yes</td>
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</tbody>
</table>

Corruption fosters an undemocratic environment characterized by uncertainty and unpredictability.

Corruption distorts rule of law, weakens moral values, increase disrespect for constitutional institutions, and undermine government legitimacy.

Corruption weakens institutional foundation by worsening ATI.

Corruption weakens government’s capacity to deliver services.

Corruption can lead to, and sustain violent conflict, in the context of patrimonial regimes (increasingly violent forms of competitive corruption between factions ‘fuel war’ by rewarding belligerents).
International Treaty Processes

- 8th Crime Congress
- GA Res.51/191
- UN Declaration
- TOCC Negotiation
- GA Res.55/61
- Establishment of Ad Hoc Committee
- GA Res.55/181
- Asset Recovery
- 1996 OAS Convention
- 1997 EU Convention
- 1997 OECD Convention
- 1999 CoE Conventions
- 2003 AU Convention
- GA Res.58/4
- Adoption of CAC
- Ad Hoc Committee (1st – 7th Sessions)
- Merida Conference
Recognizes that Corruption jeopardizes sustainable dev.

Principles of proper management of public property, fairness, responsibility and equality before the law

These basic tenets of democratic Governance permeate through Convention

Calls for Multi Disciplinary approach

GA recalled the Johannesburg Declaration on sustainable Dev. esp. para 19-corruption a threat to sustainable development of people.
Structure of UNCAC

1. Prevent and Combat Corruption More Efficiently and Effectively

2. International Cooperation & Technical Assistance including Asset Recovery

3. Integrity, Accountability and Proper Management of Public Affairs and Property
How can we use the UNCAC framework?

- Measuring country compliance through Gap analyses – example Indonesia
- Conducting vulnerability analysis and country assessments
- Raising awareness
- Policy analysis
- Developing strategic plans and work plans
- Developing surveys and measuring tools
- Strengthen Public and Oversight institutions
- Designing Preventive measures
How does UNDP view Anti-corruption?

- Not an end in itself
- Part of broader public sector reforms
- Corruption is a threat to achieving MDGs, poverty reduction and development
- AC in the context of country level consultations and frameworks
- Cross cutting issue
The first generation of UNDP AC Support focused on the Accountability, Transparency and Integrity (ATI) programmes.


- Other development Partners have embrace anti-corruption since the 1990s.

- UNCAC is seen as a vehicle for development.
Linkages of AC To Broader Reform

Political Will

Politicization of AC

Competing & Changing Agendas

Conditionality

Weak Institutions

Limited Resources

Cooperation for development

- Democratic consolidation
- State reform & modernization
- Economic development
- Institution building
- Infrastructure
- Rural development

Good governance – integrity, accountability, proper management of public affairs

Cooperation for corruption prevention

Technical Assistance
- AC-policies
- AC bodies
- AC mechanisms
- Private sector
- Civil Society
- Media

Financial Support

- Infrastructure
- Rural development

Democratic consolidation

State reform & modernization

Economic development

Institution building

Infrastructure

Rural development
Mainstreaming Anti-Corruption
Thank You!
For Further information:

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