



Impacts of Corruption in the Pacific

The problem in the Pacific, as for the rest of the world, is that it is difficult to gauge the precise impact that corruption has on other activities. In the Pacific (as for many other less developed countries) reliably measuring the impact of corruption is nearly impossible because of two issues. The first issue concerns the shadowy nature of corruption, and associated activities such as bribery, which means that there is no simple way to collect data on either its prevalence or magnitude. The second issue is that in the Pacific various capacity constraints mean that there are very real gaps in the data available in a number of sectors. And, where data is available its reliability is often questionable. These data problems combined mean that it is extremely difficult to obtain reliable information on either the prevalence or magnitude of corruption. Without this data, it is nearly impossible to provide objective accounts of its impact. Despite this, there are very effective ways of measuring the impact and prevalence of corruption that are based on epidemiological methods of tracking disease. The NGO CIET specialises in this – their Service Delivery Surveys permit very accurate pictures of how corruption affects different people.¹ They can be done very easily in small countries but can be extremely expensive to run. The cost may be prohibitive to many countries in the Pacific but may be an area in which donors would be able to help provide support.

Given these constraints in obtaining objective data, the majority of corruption indices have been based on perceptions of corruption. A number of international organisations utilise these form of perception-based indices. These organisations include: the World Bank with their Governance Indicators; the World Economic Forum with their Executive Opinion Survey; Transparency International with their Corruption Perception Index; and Freedom House with their work on political and civil liberties and freedom of the press. In addition, the Public Expenditure and Financial Accountability (PEFA) framework provides

objective data for monitoring fiscal procedures, and Global Integrity's Public Integrity Index provides relatively robust measures of the social and institutional aspects of corruption. We need to note that although these indices are based on perception, they can have very real outcomes such as deterring foreign direct investment and undermining state and political legitimacy. We need to be very careful then not to infer too much from these forms of perception based indices although they do have a useful role to play in the anti-corruption toolbox.

Combined these indices have helped provide evidence of not only corruption's economic cost but also its social cost and its impact on values. An important point to note with perception measures is that while more corruption is probably taking place than is ever reported we need to remember that "perceptions may work both ways...[and] small societies [such as those found in the Pacific] are often vulnerable to suspicion and jealousy of neighbours, and people may imagine more corruption than there is" (Larmour & Barcham, 2004, p. 6). And so, in the Pacific, a long history of rent-seeking forms of politics in Samoa and Cook Islands has created an air of suspicion about politics and its corruption in both countries (So'o 2004; Ingram 2004). As a result of this particular historical trajectory, the authors of the reports for those two countries found that perceptions of corruption were much higher than empirical evidence would tend to suggest.

At a very general level though there is agreement that corruption has a detrimental effect on people's lives. These negative impacts operate at not only an economic level but also at a social level as well. In terms of poverty alleviation and development corruption has been shown to have the following adverse effects:

¹ For more on their services and methods see <http://www.ciet.org/en/>

- lower investors' confidence;
- exacerbates gender inequality;
- presents a barrier to economic and institutional engagement by the poorest;
- hampers enterprise growth;
- exacerbates ethnic inequality;
- the state collects lower revenues;
- undermines state effectiveness and political legitimacy;
- can lead to the unsustainable exploitation of natural resources;
- reduces public revenues and weakens rule of law;
- biases the laws and policies of a country;
- diverts public expenditure from essential services; and
- is associated with lower quality of public service provision.

In terms of the global economic effects of corruption recent World Bank estimates place it at unlikely to be less than US\$600 billion at the low end of likely ranges and up to US\$1.5 trillion at the high end. Their Governance Indicators have also provided valuable longitudinal data on six key dimensions of institutional quality or governance, measured through two indicators each, these being the political, economic and institutional dimensions of governance. These six dimensions are:

- Voice and Accountability – measuring political, civil and human rights;
- Political Instability and Violence – measuring the likelihood of violent threats to, or changes in, government, including terrorism;
- Government Effectiveness – measuring the competence of the bureaucracy and the quality of public service delivery;
- Regulatory Burden – measuring the incidence of market-unfriendly policies;
- Rule of Law – measuring the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence;
- Control of Corruption – measuring the exercise of public power for private gain, including both petty and grand corruption, and state capture.

While this data set grows every year as of 2006 it contained data from the following 20 Pacific countries or territories: American Samoa, Australia, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Looking at the data from the latest iteration of this annual data collection process while a number of Pacific countries have improved their control of corruption a number, of which the most striking is Tonga, have actually moved backwards.

A quick analysis of this data would tend to suggest that anti-corruption efforts are not working in the Pacific. However, in looking at the data provided by the World Bank Institutes Governance Indicators we need to be aware that some forms of corruption are not quantified through this approach (such as budgetary leakage or asset theft within the public sector) and there is always going to be a margin of error in the data available. A combination of data drawn from these various indices could provide a useful baseline data set for Pacific Islands countries themselves and bi-lateral and multi-lateral donors to work from in the construction of appropriate anti-corruption programmes and projects.

Much of the data made available by these indices is at a very broad aggregate level. More in-depth, fine-detail data would be useful for helping to drill down into the consequences of corruption for particular sectors or regions. Possible proxies that researchers could use in helping to measure the impacts of corruption could include:

- benchmarking anti-corruption agencies
- benchmarking media: print and broadcast
- regular 'report cards' of select agencies or political districts
- opening a complaints bureau or a 'hotline' and tracking number of claims
- Constitutions and laws
- number of times 'corruption' or 'bribe' is mentioned in the print media
- incorporation of ethics and values into school curriculum
- number of types of taxes paid by individual/businesses
- number of clearances required (eg to start a business)
- undocumented costs in education and health access

- corruption typologies
- audit reports
- Ombudsman reports
- Ombudsman complaints data
- Financial Intelligence Unit (FIU) data
- court cases and transcripts

This knowledge note highlights the fact that an area for further action in combating corruption in the Pacific is in the monitoring and information provision. In terms of this lack of data, work could usefully be done in increasing the monitoring capacity of Pacific Islands' countries. The small size and high literacy rates found in many Pacific Islands mean that these types of measures could be very effective.

References

Ingram, Takiora, and Mathilda Uhrle, (2004), '*Cook Islands' Transparency International Country Study Report* (Australia: Transparency International-Australia).

Larmour, Peter, and Manuhua Barcham, (2004) *National Integrity Systems Pacific Islands: Overview Report* (Australia: Transparency International-Australia).

So'o, Asafou, Ruta-Fiti Sinclair, Unasa Va'a and Sonny Lāmeta, (2004), '*Samoa' Transparency International Country Study Report* (Australia: Transparency International-Australia).

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