

**Donors' and Recipient's Perception of Corruption
In the Case of Nepal**

**A thesis submitted to the University of Manchester for the degree of
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**Submitted by
Richa Pradhan
7399645**

Table of Contents

Acronyms	3
Abstract	4
Declaration/Copyright	5
I. Introduction	7
- History of Nepal.....	7
- Recipient and Donors' role in anticorruption measures	12
II. Literature Review	19
- Problem of Corruption	20
- Corruption: Part of Culture?	27
- International Role.....	31
III. Donors Policies and Perception of Corruption	36
- Donor Anticorruption Strategies.....	36
- Regulatory Measures: The Conventions.....	46
- Mutual Assistance and Co-operation	49
- Enforcement and Informers	52
- Selectivity	54
- Power Imbalance.....	55
-Donors Policies and Perception of Corruption: Donors' Interactions	59
IV. Recipient Policies and Perception of Corruption	66
- Recipient Country and Corruption.....	66
- Recipient measures taken to control corruption: CIAA	68
- 1. Perceptions of Governance in Nepal.....	75
- 2. Perceptions of Government Officials.....	78
- 3. Enabling State Programme	81
V. Question of Corruption in Nepal- The importance of Morality, Middlemen, and the difference between Grand and Petty Corruption	84
- Why Corruption Persists	84
- Types of Corruption.....	88
- Middlemen	91
- Morality and Corruption	94
VI. Ethnographic Study/Data Collection	100
- Print Media.....	100
- Local Media and Donors.....	104
- Secondary Literature	108
- Surveys by World Bank: Exit Survey	110
VII. Conclusion	115
- Eradicating Corruption.....	119
Appendix	
1. Map of Nepal.....	127
2. Transparency International's Corruption Perception Index	128
3. Donor's Exit Survey Results.....	129
References	131

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Acronyms

ADB	Asian Development Bank
CA	Constituent Assembly
CIAA	Commission for the Investigation of Abuse of Authority
CDF	Comprehensive Development Framework
CA	Constituent Assembly
CPA	Comprehensive Peace Agreement
CPN	Communist Party of Nepal
DANIDA	Danish Development Agency
DBS	Direct Budget Support
DFID	Department for International Development
ESP	Enabling State Programmer
GON	Government of Nepal
HMGN	His Majesty's Government of Nepal
HRH	His Royal Highness
IFI	International Financial Indicators
IMF	International Monetary Fund
INGO	International Non-Government Organization
NC	Nepali Congress Party
NGO	Non-Government Organization
NORAD	Norwegian Agency for Development
ODA	Overseas Development Assistance
OECD-DAC	Organization for Economic Cooperation and Development - Development Assistance Committee
OED	Operational Evaluations Department (World Bank)
PLA	People's Liberation Army
PRSP	Poverty Reduction Strategy Paper
RCCC	Royal Commission on Corruption Control
SDC	Swiss Development Corporation
SIDA	Swedish International Development Assistance Agency
SWAP	Sector-Wide Approaches
TI	Transparency International
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	The World Bank

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Abstract

While considering the regional and international anticorruption strategies, this research paper has aimed to understand the importance of perception of corruption for donors and recipient country in the case of Nepal. The anticorruption legislations are only partial answers, and without a unified approach to fight against corruption, the regulations will only result in inefficient results. This study looks at the varying perspectives of corruption and its role in the success of anti-corruption strategies' implementation. The research paper reviews the literature on corruption, anti-corruption efforts, and the perception of corruption in relation to the donor agencies and recipient nations, with the focus on perceived (i) benefits and negative impacts of corruption, (ii) reputations and middlemen contributions, and (iii) persistence and morality of corruption. This research seeks to gather these direct and indirect anti-corruption regulatory measures that the donors and recipient nation have tried to install.

Additionally, without proper prosecutions of corrupt officials, there is distrust between the citizens and the government, and thereby the recipient government and the donors. The research looks at the morality and tolerance of corruption, and the sustaining role they have played in continuing the systematic corruption in Nepal. Print media is analyzed to gather evidence of the recipient perceptions of corruption, to understand the limitations to the anticorruption regulations, public thoughts, and donor interests. This paper will seek to answer whether perceptions are indeed important, or an inconsequential factor in the donor and recipient interactions, in the case of Nepal.

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Chapter I: Introduction

The problem of corruption is prevalent throughout history, and is generally defined as the misuse of public office for personal gain. Stories about corruption have been reiterated and even thought to be accepted in their outcomes. Although differences exist in the nature and extent of corrupt behaviors, these occurrences are found in virtually all countries. And the extent to which corruption is prevalent has prompted many anticorruption campaigns across nations. But these undulating countermeasure policies, limits on enforcement capabilities and public outcries have yet to provide for lasting momentum for long term reforms in many countries. And for newly established governments as Nepal, corruption is a major adversary to overall economic, social, administrative and political development.

After the World Bank President Paul Wolfowitz waged a war against corruption, the donors have played an active role in eradicating corruption in developing countries by investing hundreds of millions of dollars in loans and contracts for the past four decades. Nepal has been known to rely on corrupt measures, and try as it might with national and international donor approaches, corruption has been persistent and these anti-corruption agendas have been largely ineffective. So why do the donors keep investing? This paper will seek to answer this question and show the extent to which corruption is multifaceted and impacts social development programs, anti-poverty policies, economic development, and the passing of policies- transparency, accountability, and trust.

With so many adversaries facing Nepal, why choose corruption as the field of study? This paper looks at the reason Nepal has failed to install anticorruption strategies. The research focuses on the perceptions of the donors involved in Nepal and the recipient country's take on corruption and anticorruption policies. The current political and cultural perceptions of corruption limit proper implementation of the policies. This study is conducted to show the impact of corruption affecting all aspects of life and the extent to which the donors play a role in curbing corruption in Nepal. But first, it is necessary to look into the recent Nepalese history.

I. Nepal's Historical and Country Context

This research paper is being carried out at a time when Nepal is undergoing a plethora of political, institutional, social and economic transformations in a very short period of time. Nepal has a long history of hereditary instituted monarchy, with deep rooted centralization of

power and great limits on the civil society and media. In 1951, the Nepalese monarch ended this system and introduced a cabinet. Later reforms in 1990 established a multi-party democracy within the framework of a constitutional monarchy. Although there were pro-democratic rallies by the Nepali Congress Party, this group was suppressed by HRH King Birendra's security forces in the 1990s.

Additionally, the Maoist extremists led many insurgencies in 1996, escalating the ten year civil war between the army and the insurgents. This civil war created many Nepal '*bandhs*' (strikes) that stopped the economic progress of the nation, and seizure of power by the King. In addition, this instability led to the dissolution of the cabinet and the parliament. Nepal at the time was under mass public riots, increase of police checks, and strict curfews. The mixture of absolute power taken by the king and fledging peace negotiations with the Maoists stalled the focus but the fight against corruption was carried on. In 2005, The Royal Commission on Corruption Control (RCCC), established under HRH King Gyanendra, convicted former Prime Minister Deuba for corrupt activities relating to a drinking water supply project, and was sentenced to two years in jail. However, he was freed before the fulfillment of his incarceration because the RCCC is declared unconstitutional by the Supreme Court.¹ In this case, the King might have used the RCCC to limit the power of the Prime Minister. Nonetheless, this example shows that corruption has been a focus of the recipient country, but the limitations caused by the politics and changes in the government institutions have limited the proper implementation of these anticorruption strategies.²

By 2006, the Nepalese government held successful negotiations with the Maoists, and with the abolition of the monarchy, the democratic republic of Nepal was establishment. Elections for the Constituent Assembly (CA) were held shortly after.³ The UN Security Council passed the Resolution 1740 on 2007, setting up the UN mission in Nepal to monitor arms, armies and ceasefire arrangement. The inclusion of the Maoists in the government has led to many internal conflicts in the government and the military.⁴ The political transition to democracy in April 2006 has also brought a new chapter in Nepal's long political history of

¹ Bajracharya, 1.

² However, this example could also show the extent the King had power over the judicial system. The former Prime Minister had posed a threat towards the King, and this example also shows the limitations of political, democratic powers.

³The CA is comprised of 601 members, of which 240 elected on post basis, 335 on proportional representation, and 26 members appointed by the Council of Ministers. This election was overseen by the international organizations: EU Election Observer Mission, the Carter Center and the Asian Network for Free Elections.

⁴ Pradhan, 4.

monarchy and constitutional monarchy. Nepal is now a democratic nation with power divided amongst several major parties. The signing of a comprehensive peace agreement between the Government of Nepal (GON) and the Communist Party of Nepal-Maoists (CPN-M) showed the possibility of lasting peace and new structuring of the government, especially after the long and bloody Maoist insurgencies. And to the relief of citizens and international community, the CA elections were held peacefully in April 2008, which many had feared would be a disaster; thus ending the insurgencies and signaling a new beginning for the country. Furthermore, the results of the elections were not contested and were seen as being fair, even as the Maoists were added on to the government. That in itself is a major achievement for a country going through major tribulations in the recent decade. However, there were two postponements, which have foreshadowed the disagreements amongst the parties, and inability to focus on anticorruption agendas. There have also been several strikes over key political negotiations for the last year over the shape and structure of the constitution and procrastination in settling the final details of the peace agreement that ended the Maoist insurgency.

For this time, this new constitution would give ample opportunity for creating a stronger commission to target and contain corruption. But the amount of time it has taken the CA to settle on matters as gender empowerment, sex trafficking, environment, opportunities for the different castes, literacy rates, health issues, and even work on infrastructure improvements, among others, show the adversity faced by the country in fighting corruption. Lawmakers also face unresolved issues (from the Maoist insurgencies and the inclusion of Maoist politicians) that are fundamental in establishing the long term political atmosphere. The rival parties have drafted a new constitution, but still must address the fate of 20,000 former Maoist fighters- People's Liberation Army (PLA) and their weaponry. The Maoists insist on integrating these PLA fighters into the established armed forces, and in return the Government of Nepal insists that the Maoists return the Nepalese properties seized during the conflict.⁵ These issues show the lack of trust that has caused failure on implementing key agreements set in the Peace Accord. This has also caused a lack of trust on the part of citizens towards their government. These include disagreements over the country's form of government and its electoral system. The Maoists, furthermore, want to radically restructure Nepal's state, which they see as being too centralized and bureaucratized. They insist that the monarchs,

⁵ Bajracharya, 2.

thereby Nepal, have been under the rule of foreign powers for the past 240 years. With the advent of a Maoist role in government, there is increased emphasis on limiting the role of foreign donors in the country. The key problem is the ideological clash between the Nepali Congress and the Communist Party in Nepal, the largest parties represented in the Constituent Assembly. This level of distrust showcases the political instability, and as much as the media has pointed to corrupt activities with the government, politicians, and society, the actions taken to resolve this matter is still lacking.

One of the other factors that have promoted insecurity is the lack of leadership. Nepal has had four Prime Ministers in the past three years. Jhala Nath Khanal, the recently elected prime minister from the country's third-largest party, the Communist Party of Nepal, has faced dour opinions from opposition parties and even leaders of his own party. The Nepali Congress wants to have a power-sharing government, which is opposed by the other parties. And the Prime Minister has been asked to step down because of disagreements amongst the parties, or as a method of placating the other party into acceding to pass certain laws and policies. These are problems that further distrust within the government, but also gives the perception of instability and corruption for the citizens and the donors.

Another factor that has limited the implementation of these anti-corruption measures is the lack of commitment, and the necessity to address the post-conflict agenda. These policies include, a) Commission for the Investigation of the Disappeared, b) Truth and Reconciliation Commission, c) State Reconstruction Commission to manage decentralization, d) Study and Recommendation Commission for Scientific Land Reform, e) High Level Committee for Monitoring the Effective Implementation of the Comprehensive Peace Accord and other Agreements, and f) High Level Peace Commission. Because of post-insurgency and establishing a new government, a committee formed ad hoc to address the issue of corruption has not been given enough power for enforcement.⁶ This committee, the Commission for the Investigation of Abuse of Authority (CIAA) is a constitutional body that has been active since 1975, but its power has been limited. This body will be evaluated later in this paper to look at recipients' active role in containing corruption and its interaction with donors in the subject matter.

Furthermore, this preoccupation with the formation of the CA and the Commission has

⁶ Bajracharya, 2.

proved to be costly to the anti-corruption and development agenda. No one in the government has the time to focus on these anti-corruption issues, and the focus has been diverted to the budget preparation and the complications in peaceful negotiations. There are also financial implications laid out by the peace accord that will affect development spending.

This absence in the concrete structure of the government and ongoing political instability is encouraging the spread of corruption and impunity. There are allegations that the Young Communist League, the youth Maoist group has used intimidation in pushing people for their own agendas. This facilitates discord amongst the parties and the trust by the constituents. And the uncertainties about the economic policies have also caused deterioration in investments despite claims that there will be pro-active changes. Expected growth rate for FY 2007/2008 and 2009/2010 is below the target, 3 to 4 percent compared to the target 5 percent. This is a vast improvement from the FY 2006/2007 growth of 2.5 percent. This was most likely due to the Maoist insurgency, blockades and strikes, which had stopped the movement of goods and services across the country. The unrest also caused high inflation, labor unrest, and inability to procure petroleum. Over the last decade, Nepal has made tremendous progress in reducing poverty, from 42 percent to 31 percent (during FY 95/96 to FY 03/04). But it still needs to overcome state building disagreements and inclusion of the various minority populations.

On the recipient side, these political changes have changed the society and Nepalese people to a considerable degree, especially in viewing corruption in the government. The perception of corruption by the recipient country is that of distaste. The citizens have more liberalization of the press, and are unwilling to tolerate gross abuses of the trust set forth by the public. The print media and these journalists have played a key role in creating a more open and transparent parties, and informed the public about official indiscretions. And technology and improvements in education have aided the freedom of information, and made the public more aware of the anticorruption efforts and be unwilling to tolerate such abuses.

And finally, the political transitions in Nepal have caused the donors to be concerned. The World Bank has been invested with eradicating corruption, but the recent instability limits the enforcement abilities of the CIAA and implementation of other international and national anti-corruption policies. If Nepal does become a failed state due to rampant corruption, the world economy would also be affected. These donors will need to use new methods to effectively respond to Nepal's growing needs as it settles in becoming a country.

II. Donors' Role in Nepal

The effort to combat corruption has many debates about the role of good governance and economic growth. The donors, at the end of the Cold War, had reduced willingness to overlook political and financial improprieties, and emphasized better governance methods. These donors have increased pressure on delivering maximum value for the loans invested in the recipient country. This may be the reason Nepal has recently adopted the UN Convention to combat corruption. Many of these donors are hoping to create more transparent and accountable states, which would in turn facilitate better loan repayment. However, the most important factor that these donors are concerned with is to contain corruption and at an extreme, play a role in stopping the recipient country in turning into a 'failed' state.⁷

Eliminating or reducing corruption is thought to be a useful mechanism for good governance. Corruption has become an important international subject, but the method to which it has been targeted varies. As the following chapters will show, donors do not share the same list of priorities, even though they hold corruption to be a main deterrent to good governance within the donor communities. However, many of their efforts hold similar elements, such as competition among political parties, accountability, transparency, rule of law, increased level of official and public participation, and sufficient levels of civil liberties. Most bilateral donors view corruption as a result of weak political institutions. These include organizations from major bilateral donors such as the USA, EU, Norway, Canada, and Japan. These nations rely on the assumption that strengthening political institutions of democracy will decrease the levels of corruption. And as many of the democratic ideals coincide with anticorruption methods, they are seen to be coexisting. The basis of these policies is to strengthen the infrastructure for there to be an indirect cessation of corruption. Donors who have developed their policies based on such conditions, place anti-corruption strategies as part of the overall good governance aims, rather than their main aim of focus. But without a strong national committee, all international anti-corruption campaigns have failed to show long term results.

Furthermore, the Center for Democracy and Governance (CDG) of the USAID, believes that corruption is a threat to the establishment and implementation of the democratic

⁷ Stopping a country from becoming a failed state has many a state tied to the recipient country. A failed state stops investment from the international businesses, and creates a geo-political nightmare.

government.⁸ The USAID's "*Promoting Transparency and Accountability: USAID's Anti-Corruption Experience*" program shows that it has developed two policies to counter the effects of corruption. These changes include changing the "environment in which the public and private sectors interact and mobilizing public support for change."⁹ These programs are to implement infrastructural development in the fight against corruption through extensive reforms in domestic law and involving the recipient citizens. UNDP, a multilateral donor agency deals with corruption through the Programme for Accountability and Transparency (PACT), and perceives corruption as a problem of poor governance.¹⁰ These UNDP projects include institutional development and reform of the private sector management, transparency and accountability, increased role of the media, decentralization, and establishment of independent third party guards on these processes.¹¹ Similar to donors of the UNDP and USAID, Britain's DfID has also increased its priorities on countering corruption, while working with the recipient governments. The increases in reform agendas show that the aim for fighting corruption has been perceived to be an important factor in effective development. But many of the policies coincide with good governance, reducing poverty, and developing development policies.

There are several cross-country corruption indicators through *Transparency International's* Corruption Index and the World Bank Indicators, which aim to assess governance and prevalence of corruption.¹² Even with such standards of measurement, measuring perceptions of corruption rather than actual corruption itself prove to be difficult, as it depends on subjective memories and conceptions. However, such measurements describe the basis to which anti-corruption strategies are effective. The matter of perception is individualistic and impacts the way one gathers information and implements ideas. Similarly, donor agencies have intended to decrease corruption and increase the power of anti-corruption agencies through the reduction of monopolistic power, and thereby increasing competition in the governmental institutions and the market. Though indirectly, corruption is thought to

⁸ Marquette, 396.

⁹ USAID (1999), p.5.

¹⁰ UNDP (1999), p. 3.

¹¹ UNDP (1999, p. 4. "UNDP sees corruption as a problem of poor governance. Good governance is participatory, transparent and accountable – its social, political and economic priorities are reached by consensus and the poorest and most vulnerable have their say in matters affecting their well-being and in the allocation of development resources. Bad governance, rife with bribery, corruption and maladministration, has the opposite effect."

¹² Olken, 950.

decrease if enough competition was implemented.¹³ Through such anti-corruption policies, it would be essential to discuss ‘corruption’ as seen by the donors and the recipients.

These donors have methods of controlling corruption, but the methods are similar to those that deal with governance and pro-democratic issues. The recipient country’s perception of corruption is that of an immoral act, but has been socially and legally implemented in the average citizen. These vary according to the history and culture of the country, and prove that most of the factors of corruption themselves are culture specific. The donors must realize that Nepal is a country with entrenched corruption. Unlike the occasional press coverage seen in the U.S. or UK about acts of corruption, Nepal’s behaviors of corruption are widely spread. With issues of morality and tolerance, corruption is dependent on culture in some aspects; however, this would not translate to the actual law reforms of curbing corruption. Wherein, there is the issue of enforceability when societies may find it acceptable to engage in ‘corrupt’ behaviors. Even when such acts are tolerated, what is important to note is that increase in acts of corruption would entail a decrease in trust no matter the culture.¹⁴ When discussing the donor’s agenda in decreasing corruption, it is important to note that corruption itself is viewed differently in entrenched societies, like Nepal.

III. The main components of the study

The major elements of the research are composed of 1) analysis of literature on corruption and anticorruption strategies in the secondary literature; 2) analysis of donors and recipient policies against corruption; 3) the persistence and morality of corruption; 4) the print media on corruption; exit survey of the perceptions of citizens who had completed their work in government offices, and; 5) ethnographic study of the relations between state officials and citizens during their experiences and perceptions of citizens, government officials, donors and middlemen.

The literature review, on the second chapter focuses on the studies of corruption in the recent past. The examples of print media show the current understanding of the perception of corruption, which will help understand the relationship between the citizens and recipient government officials with the donors. These elements will help in the understanding of the subject of corruption and its reach in the recipient country.

¹³ Carr, 152.

¹⁴ Carr, 157.

III.1. Analysis of the print media

The literature review and print media is used in this study to get a broader spectrum of public understanding of corruption and the various discourses on the subject. Limits were put on the number of print media and secondary sources, to better analyze the subject in a specific light, and understand the new reports, articles and editorials published in daily and weekly news reports from 2007 to 2011. Because most of the publications are in Nepali, select English language dailies were used, due to language restraints.¹⁵

There are vast differences in corruption itself, mainly grand and petty corruption. The mass print media focus mainly on uncovering grand corruption- political and administrative in Kathmandu. The reports are mostly on misappropriating funds, bribes, nepotism, and favoritisms on government positions and actions of senior politicians and businessmen. The reports on petty corruption are rare, which show the acclimatization of petty corruption. The editorials and print media depict that corruption in Nepal is pervasive within all the levels of the state. And more so, due to lack of actual prosecution of the alleged corrupt politicians and bureaucrats, the perception of corruption is widespread internationally - for other politicians and citizens, and also externally - for donor and thereby donor aid.

III.2.Exit survey

The exit survey conducted by the World Bank depicts the perception of Nepalese citizens on government officials and their experiences and understanding of corruption in the country. Of the 500 citizens interviewed, large amounts of inefficiency, corruption, lack of accountability, transparency, and governance was found at these government offices. The survey also looks at the Land Revenue Offices in Kathmandu, Pokhara and Bhairahawa and the Transport Management Offices in Lalitpur and Pokhara. This study not only shows the capital's viewpoints on corruption, but also the experiences of local citizens regarding the perception of corruption. This view is tied to the external viewpoint of corruption in the country. In addition, the study concludes that state officials are not all corrupt, which is distinctly different from popular perceptions. The study finds that these state functionaries are accountable and get the work done without having to be bribed. More importantly, the survey finds that most of the respondents- 75 percent, do not find any problems with the government. The work was thought to be on time and helpful without much monetary support.

¹⁵ The reports include *Kantipur and The Himalayan Times* and *Himal Khabarpatrika*.

This study is important to show the divergent findings on corruption, and perception of corruption by the donors on the recipient government. The media focuses on corruption, which has made it possible for more understanding on the subject and a need for change and accountability. However, this has also shown that the focus of the media has been on grand corruption rather than on petty ones in local level offices and local government officials who deal directly with citizens. Hence, any reforms on petty corruption have not been reported thoroughly by the print media. The news is focused on the ‘bad’ aspects of corruption, rather than the success rates of transparency in the recent past. So the tendency of news is focused on the negative aspects of government inefficiency rather than positive changes.

Aside from the print media, the boundaries between the state and citizens are blurred by the role of middlemen and state officials. The distinction and formal rules are renegotiated and the social understandings are influenced by power and influence. The print media do not show the impact that the middlemen and the state functionaries have on the citizens and the general perceptions of corruption in the recipient country. But it must be noted that generalization of the perception of a corrupt recipient country is faulty in reasoning. A proportion of the officials do the job without asking for extra incentives. This chapter is crucial to understand the nature of the topic. The relationship between the donors and the recipient country is not simple, but has external factors that form the partnership. These also contribute to the perception of corruption.

IV. Structure of the Research

The following chapter analyzes the literature review on corruption and anticorruption measures by donors and the recipient country. The main thesis in this chapter is that perception is necessary to be analyzed for better understanding of corruption and better implementation of anticorruption measures, by the donors and recipient nation. The print media and literature on corruption, argue that corruption is a menace to society, but these actions are tolerated by the government and the public. There is a general sense of tolerance of corruption, but there is also intolerance. Corruption may seem ‘normal’ and a part of everyday, political and bureaucratic cultural and social behavior in Nepal, but intolerance is also slowly growing with greater formalization of rules.

The media is an important source of information on grand corruption, and the editorials also show how corruption has impacted the general public. The chapter on the exit survey (conducted by the World Bank) discusses the perceptions of Nepalese people on corruption

and their experiences in government offices. The general reports by the media do not correlate with the findings of the survey. This is not to show that all media reports are faulty and attention seeking in their attempts to sell news. The print media is crucial in reporting unjust attempts at personal gain, and focusing news on the subject for change. Nonetheless, the survey finds that perceptions of citizens are not always negative on government officials and offices. These government offices are not unaccountable as most believe, but rather the respondents did not face major problems in their work. The work was completed on time and the officials were even thought to be helpful. But some also gave money for the job to be completed on time. But these citizens could have also used middlemen or have lied to protect their contacts in the government. These middlemen may have continued the trend of corruption, and the perception of corruption.

The research is analyzed and summarized in the last chapter. The conclusions are based on the literature present, and because of the on-going changes in the political and cultural nature of the country, Nepal has managed to change in the small time frame. Nepal has many anticorruption strategies and policies. However, no matter the amount of policies, the country faces problems of implementation and attention in the current political power struggle. The perceptions of corruption have changed vastly in the recipient country, and that is partly due to the work of the donors.

V.Conclusion

Corruption is a common topic of discussion for aid donors and recipient nations, as being the cause for the failure of development. This discussion has shown the perseverance and clutch of corruption. In recent years corruption has become a major issue across the globe, for both developed and developing nations. And as news has accumulated the view of growing corruption, so has the need for immediate change. Partaking in corrupt actions is perceived immoral (and illegal) and this perception is analyzed further in this research. Although corruption is seen to have a transnational effect, it is a popular arena for discussion for ‘developing’ nations, media agencies and international organizations to commit to many anti-corruption policies and campaigns. Furthermore, corruption is deemed to be one of the main factors limiting economic growth and undermining the effectiveness of political, economic and judicial institutions aiming for the country’s development. Corruption diminishes the effectiveness of aid driven development projects, and weakens public support for the government. With so many reactions and interplay with other barriers to development, this has

resulted in specialized organizations to counter corruption.

Corruption has become a major focus for developing countries due to democratization and economic liberalization. With increased democracy, political parties, independent media, public representation, and accountable institutions, it is believed that corruption will decrease as a result. However, some analysts have argued that corruption has increased because of democratization. Rather than decreasing the level, democracy provide ample ground for corrupt practices. Even with foreign aid and economic liberalization, corruption seems to be entrenched in developing nations. Nepal is a unique country going through significant political and economic changes, taking on international pressures while pursuing its goal to establish a new state. This research looks to answer why we should look at corruption in Nepal.

The main purpose of this paper is to describe and discuss the role of corruption and methods of anticorruption measures, the rules, and the experiences and perceptions of donors and Nepalese citizens, officials, donors and middlemen involved in the delivery of these services. The report is based on complementary sources of data from government and donor offices and analysis of print media and secondary sources. This paper seeks to be more comprehensive and definitive in nature, but it must be taken into account that some parts are interpretive due to the subject matter. Because corruption is so encompassing in nature, the perceptions of corruption is analyzed to showcase the failures of the anticorruption strategies.

One of the reasons why corruption has been so persistent is not only that of economical and institutional factors, but also that of perception. By looking at perception of corruption, is to gather information on the basis to what extent corruption is thought to be immoral and why there have not been major anti-corruption achievements. The culture of corruption is a different subject matter because it is difficult to ascertain its extent. Observing ‘corrupt’ behavior is almost impossible as these actions are mostly done in closed doors, and less likely to be displayed publicly. And bribes or other forms of corrupt behavior when practiced by politicians, public officials, and businessmen, are perceived to be too prevalent for anti-corruption strategies to be effective. Not only do these forms of corruption impact the perception of the recipients of the foreign aid, but also the donors as well. This paper looks to examine the extent to which perceptions of both the donors and the recipient’s construction of corruption has played a part for donor-recipient trust and anti-corruption strategies to be effective. This claim will be studied through a case study of Nepal as the recipient.

Chapter II: Literature Review on Corruption

This chapter reviews the literature on corruption and perception of corruption that have been carried out in the recent past. The research on corruption is vast and this chapter seeks to understand the developments that have risen thus far. Since the mid-1990s, the world's attention has been set on the problem of corruption and much has been written regarding the links that corruption has with poverty and sustaining underdevelopment. As a result, the donors, both regional and international institutions have drafted numerous legislations to eliminate the threat of corruption. These donors, all have reached out to create all-encompassing regulations, but the scope of these legal instruments vary and do not share a harmonized approach to combating corruption. And as much as the focus is on creating legislation against controlling corruption, there are other factors to the solution. And as Indira Carr points out, many of the studies on corruption fail to take into account human nature, which has as “much to contribute to corruption as socio-economic conditions.”¹⁶

Along with scholars, current headlines imply that corruption is widespread across the globe, whether the nation is developing or developed. Scandals as the Goldman Sachs in the U.S. fraud show the inescapability from corrupt actions. While corruption is a prevalent problem across nations, the degree to which corruption affects the country is varied. While developed nations have adequate infrastructure and social motivation to overcome corruption, the developing nations have a harder time. And even though there have been many attempts to remedy corruption permanently, there are limited success stories. The solutions to corruption developed by academics range from the involvement of democratic institutions, increased interest in civil society, role of foreign aid, and combination of all these factors. These legislations sound true from an ivory tower, but these policies are not properly implemented without the understanding of recipient citizens. Anti-corruption legislations provide only a segment of the answer, and the private sector also needs to be understood.¹⁷ However, the many legislations and attempts at reform programs have been largely thought to have failed to curb corruption.

Nepal is a country rich in resources; however, the country is still conflicted with a

¹⁶ Carr, 2.

¹⁷ The Center for International Private Enterprise states that the private sector is important. The business organizations must refuse to act in corrupt manner, which causes limitations on foreign investment. (Center for International Private Enterprise Economic Reform Issue Paper No 0409. Available at <http://www.cipe.org>)

myriad of problems.¹⁸ Through analysis of literature, it is seen that the anti-corruption programmes have not been fruitful-- this will be further developed in Chapters 3 and 4 of this research paper. Those programmes that have been successful elsewhere are only successful in Nepal for the short term. And as Nepal is implementing donor produced legislation (UN Convention), this paper is also a warning. Corruption cannot be changed with only legislations, the implementation and acceptance by civil society and changes in the perception of corruption is necessary for these policies to work. The recipient country cannot placate donors by adopting international policies. Furthermore, the following academic studies show that several perspectives of corruption need to be analyzed for a full understanding of the role of culture in corruption. The anti-corruption strategies will be successful in the long run with the alignment of donor and recipient perceptions on corruption. By studying corruption, the research will point to a better understanding of the subject.

This research paper reviews the literature on corruption, anti-corruption efforts, and the perception of corruption in relation to the donor agencies and recipient nations, with the focus on (1) the problem of corruption, its reputation and its forms, (2) study of corruption as part of culture, and (3) international role in regards to corruption. This literature review will seek to analyze the donor and recipient perception of corruption and analyze the study of the subject thus far.

1. Problem of Corruption

The starting place of the literature review is to define corruption. When conjuring up words to describe corruption, it is first thought to be a vice and a crime against the nation. And therefore, corruption is generally defined by donors as “the misuse of public office, public resources or public responsibility for private - personal or group gain.”¹⁹ Peter Ward states that corruption, whether it is a top level or systematic, is detrimental to the interests of the poor, takes advantage of the weak, and should not be condoned.²⁰ But Ward fails to take into account how corruption can sometimes aid in expediting processes in the short run. It also aids in moving the economic market’s ‘wheel.’²¹

Furthermore, there is a preconceived viewpoint on corruption that it is one of the main

¹⁸ Appendix 1.

¹⁹ Szeftel, 407.

²⁰ Ward, 4.

²¹ Beck and Maher, 1-3.

causes disrupting economic development.²² However, Nepal has had more growth than ever before. The interaction between corruption and development is a complex phenomenon with cause and effect relationship. This view is important to consider for this research to show that perception of corruption is not a simple interaction. The problem of corruption cannot be fixed with only legislations and conditionality.²³ Furthermore, Weber and Talcott Parsons (1997) state that good governance is the basis for ethical transactions of public goods. If looked at from the perspective of economic theory, corruption is only a marginal social cost. Corruption is thought to be a faction of rent-seeking. And by reducing rent seeking behaviors, it is possible to reduce corruption.

In addition, Mark Robinson (1998) states that corruption is a complex, multifaceted phenomenon that has pervaded all societies to varying degrees, which limits the anticorruption strategies from having long lasting impacts.²⁴ And Paolo Mauro blames corruption to be a result of red tape, inefficient judiciary and political instability. The mixture of the aforementioned causes instability, and lowers investment and economic growth. For Nepal, the recent political activities might prove Mauro true, but by increasing economic growth and investment, corruption can be reduced.²⁵ Susan Rose-Ackerman (1978) further states corruption exists at both public and private sectors, and eliminating corruption is difficult. These scholars paint a picture of many directions that the anticorruption strategies could take, and in terms of policy it is a combination of these solutions that is required. These commentators take the view that corruption may be reduced to tolerable levels that do not cause serious harm to society and the economy, but nevertheless, are of the opinion that it cannot be completely eradicated.²⁶

Additionally, Rose-Ackerman (1999) states corruption in the government limits investment and growth. And international actors play a dual role in causing corruption, but also reforming the development aid.²⁷ While this book focuses on the investment and financial aid, it overlooks the general areas that connect corruption with economic growth.²⁸ Mushtaq H. Khan (1996), on the other hand, looks at corruption in behavioral terms and believes that by

²² Schleifer and Vishny (1993), p. 602.

²³ Sen, 5.

²⁴ Robinson, 6.

²⁵ Mauro(1995), pp. 681-684.

²⁶ Susan Rose-Ackerman (1978), 113.

²⁷ Susan Rose-Ackerman (1999), 15.

²⁸ Bardhan (1997), 1330.

changing rent seeking, patrimonial relationships, and distribution of powers, a controlled corruption can be attained.²⁹ A 'controlled' corruption can also be seen as tolerating it to an extent. In countries where corruption is so entrenched, it is difficult to distinguish where the line ends. With civil service reforms, increased accountability and transparency, and creation of anticorruption agencies, it is possible to reduce the impact of corruption.

Reputation

"Merely shouting from the house-tops that everybody is corrupt creates an atmosphere of corruption. People feel they live in a climate of corruption and they get corrupted themselves."³⁰ As shown by the aforementioned quote by Nehru, belief of corruption creates an established climate of corruption. And as a result, the recipient country perceives corruption as a behavioral option because of its reputation. This generates a cycle of self-fulfilling corruption as the official is bribed because he is thought to be corrupt anyway.

The persistence of the perception of corruption is also due to the reputation. As author Jean Tirole (1996) notes, individual reputation increases the perception of corruption.³¹ Tirole describes the impact of group and individual reputations and their joint dynamics. The reputation of the group's individual members can give the perception that there is more corruption than there actually exists. And collective reputation of the recipient country is therefore escalated from individual reputations. The new members of the organization are faced with obligations of following the previous sins of their elders, long after the latter have gone. And these past practices of the office and officials structure the current behaviors of the new members, who attempt to mimic the elders. Therefore, the collective perception of corruption and the resulting reputations is based on the reliance on past behaviors. Also, after the new employees take over, their efforts to rebuild the reputation of their office or department are met with difficulties from donors and citizens who anticipate member's individual behavior from previous encounters from the group. Similar to the middlemen, these agents have more incentive to be more corrupt if the society has already based its assumptions. Furthermore, if the reputation is so deeply imbedded in the country then this would mean that anti-corruption policies would face difficulties in having a lasting impact. This study was significant to show the impact of reputations, especially when dealing with societies that are

²⁹ Khan, 2-4.

³⁰ Myrdal (1968), pp. 408-09: quotes Prime Minister Nehru.

³¹ Tirole (1996), pp. 2-5.

community based. So corruption that is perceived in the recipient country is transferred to the viewpoints of the donors. And this causes the donors to act with more deterrence, causing a cycle of self-fulfilling prophecy.

Another group that benefits, other than the low income citizens and elites, are the middlemen involved with keeping corruption as it is. Not only do they provide services to all groups, but provide a strong opposition to anti-corruption strategies. Oldenburg (1987) further states that the main mechanism of corruption in the developing bureaucratic system is the middleman, with the study of land consolidation in India.³² These ill-paid officials deal with bureaucracy by providing the service, and these citizens pay the extra money with the belief that corruption is pervasive and the best mode of operation. This reputation gained by the department is perceived by the citizens and officials, and informally indicates corruption's spread. These groups show that entrenched corruption is apparent in all level of society, and makes it much more difficult to find the right anti-corruption strategy. In summary, corruption in entrenched societies is harder to fight because of its usefulness, acceptance, and tolerance of corruption. And these reputations are expedited by individuals, having long term impacts on how the citizens act and trust the government. Aside from reputation, tolerance of corruption is also perceived to limit the anticorruption strategies.

Tolerance

Corruption is thought to flourish in weak democracies because there is lack of durable political institutions and political competition, and weak and undeveloped civil society. Similar to India in many social and geographical aspects, Nepal also has had difficulties in fighting corruption due to its perceived convenience and tolerance (to an extent). Robert Wade further points to India as an example to show that bureaucratic initiatives mainly fail due to the societal pressures on officials to be corrupt.³³ This example goes to show that these societal pressures for corrupt behaviors are tolerated because they are rewarded and socially conditioned. It is harder to apply anti-corruption policies to change a society where a "corrupt" behavior is seen as a reasonable social interaction. David Bayley goes further to show that the official who is taking bribes may be conforming to the values set by his social cluster of family, friends and colleagues. The official giving posts to relatives is not considered immoral, but rather he is being a loyal friend or relative. And this official would be

³² Oldenburg, 510.

³³ Wade, 467. Appendix 1.

treated harshly by the small niche he knows, if he were to suddenly follow the concepts depicted by “foreign” policies. Bayley shows an example of this behavior from his interview with a Delhi businessman who describes corruption as follows:

Bribery and corruption! These were foreign words, it seemed to him, and the ideas behind them were also foreign. Here in India, he thought, one did not know such words. Giving presents and gratuities to government officers was an indispensable courtesy and a respectable, civilized way of carrying of business.³⁴

This quote is significant for this study of corruption perception, as this view itself is a very subjective topic. This act of “corrupt” behavior of gifts is not seen as bribes, nor is it viewed as immoral, but rather they are seen as a “respectable” social etiquette. If these actions were taken as the norm, then implementing the donors’ pillars as the method of social interaction would be social suicide. Also, in Nepal, there is no word specifically depicting corruption. “Bhrastachar” is the closest term, which generally means bad and unlawful behavior. This concept is different from the west, and the terms are different creating discrepancies in common understandings. Not only is the goal of the anti-corruption strategies to strengthen the civil society, but also to call upon new strategies to comprehend cultural reliance on corrupt actions, and introduce depersonalization methods.

The acts of corruption themselves bring about perks, theft of resources and patronage. These practices result in few negative outcomes for these low-income groups. And along with the ability to avoid taxes, to buy land cheaply, and engage in the sale of goods without licenses by side-stepping red tape influences, the lower-income population comes to rely on corruption.³⁵ The patronage-clientelism relationship further brings support to the less advantaged.³⁶ These social behaviors are implemented and tolerated by society because there are no apparent and immediate ‘victims.’³⁷ In the long term, the widening inequalities for the poorer population due to corruption cannot be avoided. However, there are no harms in the short term, and the damages can only be pointed to long-term corruption reliance at a variety of levels. This leads to a questioning of the perception of corruption and the extent to which morality plays a role in forming the anti-corruption strategies. That is to point to the concept of morality and tolerance, and the plan to revise the ethical framework of the recipient society.

³⁴ Bayley, 720.

³⁵ Ward, 12.

³⁶ Gaft in Wade (Corruption, Development and Inequality), 10.

³⁷ Johnston, 92.

In addition, Nepal's feudal elite had control of the country's relations with India and China, other foreign aid, and the country's finances. These elite diverted foreign aid to themselves to strengthen their power. The pervasive corruption seen in Nepal is a result of collusion between foreign aid donors and the Nepalese elite, which has led to the poor implementation of the development projects. Not only are the elites furthering their own goals through the use of bureaucratic, monetary or political tools, but they also have a stake in maintaining this dependency. Thus the corruption that is experienced in Nepal has also pervaded onto the political and bureaucratic ways of dealing. Thus, this higher elite level corruption, which is of more concern, is more systematic where high level (but corrupt) decisions are made that have more national and international impacts. These elites benefit both in the short term and the long term. The corruption in the elite levels brings out the fact that it is more pervasive in the country. But these types of corruption show the pervasiveness and tolerance of the problem in the recipient country.

Furthermore, this society of entrenched corruption is reliant on the acts of corrupt actions. Robert Wade suggests that when dealing with a system (as that of Nepal), the personnel are regularly transferred, and such posts are "bought." Appointments to the most lucrative posts provide the most pay due to the illicit earnings, since the post itself often has a low salary.³⁸ These positions are either bought or influenced, and these actions are tolerated. The benefits to using corrupt measures are perceived to be more lucrative than following the bureaucratic rules. Moreover, these fraudulent appointments and promotions are thus seen as social norms. Nonetheless, in doing so, the institutions would remain under-qualified and unable to accomplish the tasks properly. Thus, the anti-corruption policies would be impacted, among others, since the success of these strategies would depend on qualified people.

The appointments and the degree to which corruption impacts society are still based on the perceived levels of corruption. These levels have different influences. The lowest level of incidental bribes to traffic officers or dealing with grocery shopping matters to get the best goods, are seen as being the most benign to the wider economic system. The poor benefit from corrupt actions and tolerate its existence in day-to-day survival. Lifetime bondage to social subservience, on the other hand, has long term impacts against their interests.³⁹ And the

³⁸ Wade, 8.

³⁹ Wade, 9.

short term goals do not outweigh the pressures of the long term impacts.

For many of the developing nations, the expectations of the officials are different from those of the developed ones. People accept corruption as a fact of life. A serious consequence of democratic politics is that the politicians are pressured by constituents. As Bayley points out, politicians are deemed to be effective only when they accomplish various agendas of the public's expectations. If the politician was able to influence the building of a road for his constituents, he would be admired. This form of corruption provides a method of passing elite and donor conceived plans for economic and social development. Then this act would be considered corrupt by international forces, but in the area, he would be admired for doing his job and responding to national pressure groups. And the donors are bound to argue that the interests of these politicians should lie between his constituents and the interests of the country.⁴⁰

Because of the effects of corruption, it is impossible to quantitatively gather the good or the bad end results. Corruption in such perspective has been a means to an end—it is an accommodating device for many factions of society to function.⁴¹ There is limited empirical research conducted in this area, and reliable data on corruption is impossible to gather. To gather such data, there are preconceived ideas on corruption. And the researchers- if foreign to the developing nation- may find the perceptions to be an issue. The participants may find his or her actions to be normal, while the researcher may presume it to be a corrupt act. To gather such information about corruption, there is the matter of corrupt actions apparent in the office, family influences, and other social motivations that determine corruption research, and tackling of the anti-corruption strategies.

The following quote depicts corruption in the recipient country:

“How much is true and how much is false about corruption in high places nobody outside a small circle can ever know for certain. What is certain, and can be said without circumlocution, is that to wander through the corridors of power in these countries is to wander through a whispering-gallery of gossip, in which the fact of corruption at the highest levels is taken utterly for granted, and the only interest lies in capping the latest story with one that is even more startling.”⁴²

⁴⁰ Bayley, 723.

⁴¹ Bayley, 730.

⁴² Wraith and Simpkins in Bayley, 724.

The extent to which corruption actually affects the country is not known for certain. The individual is only conforming to a pattern set by the society of family and friends, where the actions are culturally and socially conditioned.⁴³ For example, there are many cases reported in Nepal where relatives have been given jobs by their family members. This action, in the eyes of the donors would be considered immoral, but since society is based on loyalty to the family, this act is expected and tolerated. And the person who would not conform would be socially condemned for not considering his 'fellow men'. This nepotism in government or university hiring, provides employment and secures support of the government. In the developing nations, there are large numbers of educated unemployed, and corruption is thought to keep the job market functioning.

This process helps to keep the government running without the educated parties leaving the government for not being paid enough. Corruption provides a means to supplement the meager salary, and provides incentives to keep the position. However, the opposite is true as well. The educated and qualified public official would be interested in other job opportunities if he/she knew about the salary. Those who engage in corrupt behavior are not unpatriotic, nor are they unable to perform their jobs.⁴⁴ These individuals are pressured by the stress of their extended family, to bring in a stable paycheck. Through this method of engaging in corrupt behavior, the individual has played his role in continuing the social preservation of corruption.

2. Corruption: Part of Culture?

A gift can be seen as a bribe in western countries, but for the recipient country, it could be simply a token of appreciation. People's behavior pattern is based on their cultural backgrounds. The extent of corruption varies between different countries and different financial cultures. Corruption behaviors are socially purposive and an accepted method of interaction between two parties. One person's corruption could be another's method of completing the job efficiently. And by this way of thinking, corruption is a method of getting things accomplished. This societal corruption is behavior that is morally questionable, but has a function in accomplishing jobs. To change these behaviors would be to adopt aesthetic values by the younger generations that are foreign to the older generations. Another reason for the culture of corruption could be simply that Nepalese people lack civic virtue. Their

⁴³ Bayley, 721.

⁴⁴ Bayley, 729.

behavior is so deeply entrenched in traditional behaviors that they disregard the “common good” for their own personal greed. This view blames the recipient country for not wanting change, which is far from the truth. Corruption is a problem that the recipient country has tried to change through many judicial changes, civic protests, and media outrages. This shows that the failure of anticorruption strategies could be due to the inability to understand the extent of corruption in Nepal.

Furthermore, donor agencies and thereby developed nations view corruption as being inimical to one’s moral consciousness by making a profit while taking advantage of one’s own authority. This authority ranges from politicians and other public officials. Donor agencies view corruption as one of the main reasons for the failure of developmental projects, and weak public support for societal change. The World Bank points to corruption as being the greatest obstacle to reducing poverty.⁴⁵ And such donors seek to eradicate corruption completely rather than settling on a *tolerable* level. To be completely free of corruption is impossible, as stated by Michael Johnston.⁴⁶ Aiming for the complete elimination of corruption is costly and this plan also goes against democratic ideals to have such control. Nonetheless, donor agencies like the WB view corruption as a threat to a nation, and have created an agenda of complete eradication.

While the WB points to corruption in the official aspect, it fails to understand the underpinnings of cultural corruption in developing nations. Transparency International’s catch phrase is interestingly “Corruption ruins lives.”⁴⁷ Furthermore, the ‘perception’ of corruption is subjective by nature. The cultural definitions of corruption and views of eradication are myriad. Some scholarships have shown that corruption not only helps run daily lives, but can be beneficial to every-day citizens, even though this train of thought is debated. For developing nations like Nepal, strict policies have resulted in the affected citizens to be taken in by unscrupulous opportunities, where cumbersome bureaucratic regulations can be avoided. It is not to say that corruption is *good* or *moral*; it affects the poor directly with the misallocation of donor aid. However, the subjective nature of the study shows how corruption is regarded, in relation to the donor policies. And implementation of such policies depends on

⁴⁵ The main webpage of the World Bank regarding its anti-corruption movement states, “Corruption is the greatest obstacle to reducing poverty.”
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/EXTANTICORRUPTION/0,,menuPK:384461~pagePK:149018~piPK:149093~theSitePK:384455,00.html>

⁴⁶ Johnston, 3. “Social Development as an Anti-Corruption Strategy”

⁴⁷ Transparency International slogan, <http://www.transparency.org/>

acknowledging the individual recipient situations.

Entrenched Corruption

For developing nations as Nepal, the country is affected by entrenched corruption at all levels, where infrastructural and societal (food, housing and schooling) improvements, economic growth, and other developmental programmes are held back by the unscrupulous handling of money. The bribes and frauds are results of both a combination of societal and individual needs and greed, where low salaries and poor work conditions have accelerated corruption ratings. Given the prevalence of corruption, national and international observers condemn its existence. And international measures have been taken to eliminate this “enemy” for there to be successful development, and decreasing poverty levels. These donors have further assumed that having corruption equals negative economic growth.

The viewpoint on corruption from donors is that it is one of the main causes disrupting development. Not only is corruption the cause of low economic growth, but evidence points to its proportional relationship with the country’s poverty and development level as well, according to Mark Robinson (1998).⁴⁸ Therefore, international attention has been focused on fighting corruption as the ‘cure-all’ regiment. The campaigns take a long time for visible results, and donors have set aside sums of money and time to commit to the programs. And within these allotted time frames, difficulties lie in the reform of these institutions and public awareness, which cannot be realized without drastic changes to the implementing body and the constituents’ daily activities. Aside from why the anti-corruption strategies have not been too successful in the long term, there is also the issue of the perception of corruption held by these international aid donors.

Additionally, corruption is not confined to the elite, but rather pervades every structure of society. It is involved in court proceedings, civil service jobs, housing development inspections, formation of contracts, and even to the point of avoiding traffic arrests.⁴⁹ For such corruption, a mere institutional change would not be effective nor would it bring about any change without every segment of society’s backing. These acts of corruption are accepted as a functional way of conducting business.⁵⁰ Societies with entrenched corruption have the following features: low political competition and economic growth, weak civil society, and

⁴⁸ Robinson, 5.

⁴⁹ Bayley, 724.

⁵⁰ Robinson, 3.

absence of institutional structures to deal with the problem.⁵¹ However, even with such institutional structures in place, there are still societal and political obstacles in bringing about change in concern to corruption.

Furthermore, Gunnar Myrdal states that anti-corruption strategies fail to be successful due to the society's belief that those who hold high level positions will exploit their powers due to their sense of loyalty to their family, friends, religious, political or other social groups.⁵² Furthermore, the perception of society (in this case Nepal) is difficult to gather because the viewpoints vary drastically per social status, showing a range of public opinions in regards to issues with corruption and the anti-corruption agendas. The disadvantage of trying to define 'recipient' perception is its lack of precision. But, there is a plethora of studies, both local and international, on perceived level of corruption across countries.

Furthermore, corruption is seen to take resources away from the poor, and allow the wealthy to attain their goals much more quickly than their poorer counterparts. This perception views corruption as being a tool of the privileged, and reinforces the inequalities by facilitating the unequal appropriation of goods and by limiting changes to the status quo.⁵³ Then again, corruption acts as an influence and helps the poorer individuals obtain benefits they might not have otherwise achieved without bribes or using their 'connections.' It can also be seen that low-income groups can also jump the queue that may have been blocked by bureaucratic rules. These two differing views show the contradiction that is corruption. Corruption brings benefits and damages both directly and indirectly. It is not to say that corruption is the best solution, or moral; it impacts the poor directly and has long term impacts on the economy and the society. The donors are not wrong to perceive corruption as an obstacle for the development to succeed. However, the subjective and emotive nature of corruption shows how corruption is regarded as being efficient, in relation to the failure of these donor policies. The implementation of such policies depends on acknowledging the differences in viewing corruption between donors and the recipient country.

⁵¹ Robinson, 4.

⁵² Singh, 422.

⁵³ Johnston, 88.

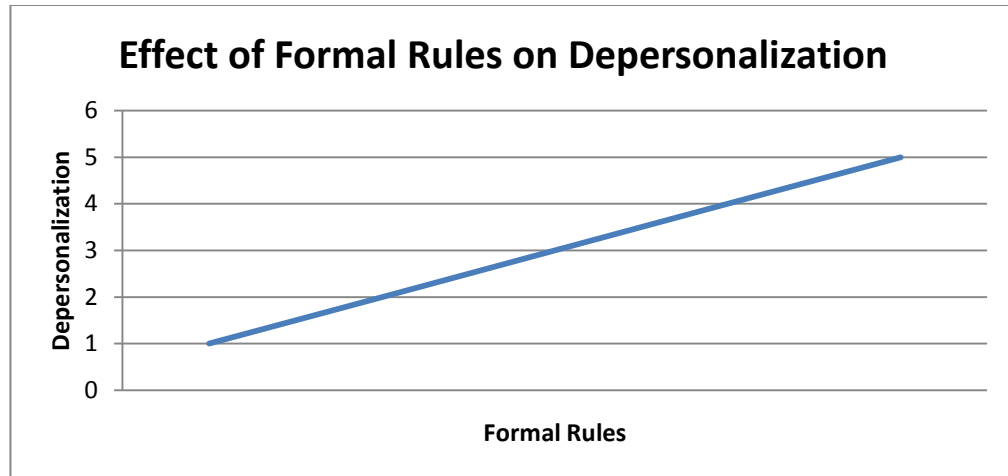


Figure 1. Effect of formal rules on depersonalization and thereby decrease of corruption.

Additionally, the figure above describes a solution to the entrenched corruption. By increasing the importance of the state, then depersonalization and formalization of social regulations systems also will increase (*Figure 1*). Currently positions are filled essentially through interpersonal relationships. The Anglo-Saxon systems are more formalized and there is more compliance with formal rules. And as the level of development increases, the degree of depersonalization is usually thought to increase as well, creating a congruent belief system for recipient country and the donors regarding corruption. And depersonalization will also decrease the reliance on entrenched corruption.

3. International role

The international donors have greatly impacted the anti-corruption strategies with foreign aid, investment and guidance. However, there is limited research on the effect of international factors on the country. These various approaches limit the strategies to domestic institutions, and overlook the large influence by these international multi-national corporations and aid donors. While the international anti-corruption strategies try to detect and limit corruption, the international bribes and illegal investment flows have severe repercussions for the recipient country, and also economic markets around the world. To be able to sustain these anti-corruption strategies, both international and national need to understand the historical context, and plan for a longer investment in the country.

Furthermore, these international donors have supported economic liberalization across nations as the primary method of fighting corruption. Since corruption is one of the main causes for limiting economic development, market mechanisms of price reforms, reducing

tariffs and other structural reforms for the banks is thought to increase privatization and decrease the level of corruption. This belief is found across donors asking the recipient countries to increase privatization and make more changes in the international and national policies. It is expected that the changes in the state's role in the economic sector would decrease rent seeking opportunities, which would lead to a decline in corrupt behavior.

However, basing economic reforms as the primarily method of eradicating corruption is faulty in thinking. Toye and Moore show that economic reforms can have adverse consequences.⁵⁴ Without adequate enforcement mechanisms installed for the tax reforms and other structural changes, there is incentive for illegal misappropriation of the funds. The problem might be in the case of poor implementation of the policies and infrastructures; however, there needs to be political and public sector reforms for these economic policies to be effective without rent-seeking behaviors. Economic liberalizations do help nations with limiting the impacts of corruption, but only with proper regulations. Also, there is the issue of controlling the state elites in the public sector. As mentioned above, they are essential in ensuring the implementation of the anti-corruption strategies and economic liberalization methods. However, on the other hand, they have equal, if not more, opportunity to benefit monetarily through illegal means without proper monitoring.

Another common push by these international donors and aid agencies is the political change for democratic institutions. This is a controversial arena, as debates have risen about whether the Western states only want to copy their own constitution onto the recipient country. Changes brought about by democracy are believed to curb corruption because many of the ideals give more power to the constituents, and attempts to raise trust in the government. By requiring the recent nation to become transparent and accountable for its actions through watchdogs, the success of overcoming corruption is thought to be through a democratic state. The political reforms would then increase communication between the political leaders and the mass public, which would reduce the level of corruption. Stephen Riley argues that while political competition would help these political leaders to take action against corruption, the process also offers incentives for rent-seeking behaviors.⁵⁵ Similarly Michael Johnston states that democratic rights and structural changes do not necessarily contribute in limiting corruption. To have a copy of the western political model is not enough to combat entrenched

⁵⁴ Toye and Moore, 60.

⁵⁵ Robinson, 9.

corruption. For example, India- a culturally similar neighboring nation is still dealing with its fight to overcome corruption even though it has democratic institutions. Johnston further argues that for the democratic structures to work in controlling corruption there would need to be public support through ‘social empowerment.’⁵⁶ Organized citizens willing to implement the reforms would be a cause of success. The donors do emphasize stronger civil societies, but it is important to note that public action varies across countries. These civil organizations can monitor behavior of the officials, not only to build a stronger rapport, but also to trust the system and the officials.

In terms of anti-corruption strategies being effective, this paper seeks to examine the donor imposed anti-corruption strategies, and claim that these reforms have limited success due to these donors’ lack of understanding of the recipient country’s perception of corruption. Without full comprehension, the strategies will not be sustained. These topics have shown the various paths of controlling corruption and the perception of the concept of corruption itself, but also the limits to such policies. A large part of these anti-corruption strategies to become more effective would be through understanding of the recipient perceptions on corruption, rather than limiting the comprehension to that of the donor countries.

Conclusion

This literature review on corruption has shown that corruption is not a simple problem to be solved. Corruption should be tackled at all the international, national, local, and institutional levels for a thorough process of containment. To be rid of corruption would entail the involvement of government, civil society, private sector, and as well as international actors.⁵⁷ By understanding the various impacts and byproducts of corruption, these anti-corruption strategies would be more productive.

Previous research has shown the merits and disadvantages of corruption, along with how corruption has been regarded by donors and the recipient country. However, the most available documentation on the subject of corruption remains to be suggestive, rather than describing in detail the procedure of a bribe, and what may actually be taking place in the recipient country. Most of the literature and evidence of the study of corruption remains undetected by donor guidelines. And furthermore, understanding the recipient point of views,

⁵⁶ Johnston, 85.

⁵⁷ Robinson, 12.

and personal battle with corruption are faced with language barriers. The books are written in Nepali and would need to be translated, which is a goal for future research.

Attempts to solve the corruption problem also face the problem of other development goals. The donor investment in the development of the developing countries are not limited to only the anti-corruption methods but rather an array of goals of poverty alleviation, understanding general imbalances, income distribution, structural adjustments, along with environment issues. With all these issues, these donors do not have a comparative advantage in the recipient country, and therefore would be difficult to have long run impact of these aid programs in the overall distributions of income.

The literature has shown the preventive and curative suggestions, and they range from being direct to indirect ways of fighting corruption. The studies have explored the national commitment, leadership roles, and even the power of reputation. The donors have played an important part in realizing the feasibility of controlling entrenched corruption in developing nations such as Nepal. However, studies have shown that there needs to be a congruent understanding of perceptions of corruption and expectations between the donors and the recipient country.

Chapter III: Donor Perceptions on Corruption and Anti-Corruption Strategies

The literature review has looked at the positive - social, psychological, historical, and economical- attractions of corrupt behavior, but also the negative consequences. Even though the negative outcomes outweigh the benefits, corruption has persisted. Donors and recipient countries have attempted to remedy this problem in Nepal. For example, the World Bank has supported more than 600 anti-corruption programs and governance initiatives developed in its member countries since the anticorruption drive in 1996. The involvement in developmental assistance is linked with sustainable reforms in various judicial, legal, economic and political frameworks, along with structuring the infrastructure for national growth.

This chapter looks at the donor anti-corruption international legislation and methods suggested for Nepal to control corruption. The following section on Regulatory Measures looks at the international donor conventions to tackle corruption. Even if the regulations are created, it seems unlikely to see remarkable results unless enforcement mechanisms are put in place. The last section describes the difficulties that the donors face when enforcing these conventions, and also the importance of aid coordination. Lack of unified approach limits the fight against corruption. This section looks at possible changes to modify the perception of corruption. Hence, social awareness is a great lead to educating about the damages of corruption and its long term impacts.

A. Donor Anticorruption Strategies

Since the mid-1990s, the world attention has focused on corruption as a problem to development and reducing poverty. Wolfowitz's proactive fight against corruption focused the international organizations as the WB and IMF on making anticorruption methods more proactive. While before the focus had been on other factors as poverty and infrastructure development, and corruption were considered a byproduct, and even a political mechanism; and initially beyond the donors' jurisdiction. This limited the role of aid donors on corruption. The donors generally assumed that by implementing developmental goals, corruption would cease to exist. However, these organizations have now begun to focus on corruption as a long term investment, and have revised their statements on the power of corruption in sustainable development programmes. Corruption in these cases is perceived to be wrong in its very existence, and a major concern for Nepal.

Similarly, the WB considers that by attacking corruption, poverty will be reduced. It is not to say that poverty and corruption are related, but the features of curbing the level of poverty are similar to that of anticorruption measures. This fight has created legislations and policies in both the national and international levels. These international organizations include the UN, WB, IMF, Council of Europe, EU, OAS, OECD and Development the Global Coalition for Africa, and International Chamber of Commerce.⁵⁸ These multilateral organizations view on corruption has led to many anti-corruption instruments to be attempted. The regional and international institutions have drafted eight international legislations to combat corruption (even though not all are active). The policies started with the 1996 Inter – American Convention Against Corruption and the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. These anti-corruption measures have been courageous in their attempts for corruption control, but these instruments have not gone far in dealing with a complete eradication of corruption.⁵⁹ The next section, ‘Regulatory Measures’ will seek to analyze and summarize the international attempts at controlling corruption in more depth.

Additionally, these donors have an active role in the recipient country by drafting new anticorruption measures. The anticorruption efforts have made an effort in improving the infrastructure: strengthening accounting, regulation of banks and money laundering, creating better access of information, and general transparency. However, Nepal’s case is not so simple. Since Nepal has corruption that grows under the patronage of high level decision makers and even patronage from regular citizens, it not simply a case of implementing these policies. Patronage provides intimacy, friendship, socialization and even business partnership, and has become imbedded in the system.⁶⁰ Donors have to face political issues and varying behaviors, attitudes, and culture of the recipient country. The methods of their participation are either conditionality for aid, or have the donors be more actively involved in the recipient countries’ policies. By creating more public involvement, there is likely more synergy amongst the donor and recipient goals. Being aware of these issues, the anticorruption international conventions are meant to control the effects and have more regulatory measures in place to control and prevent corrupt activities.

⁵⁸ Uprety (2007), pp. 157-158.

⁵⁹ Uprety (2007), p. 158.

⁶⁰ Upadhyay, 149. ⁶⁰ Surya Nath Upadhyay was the head of the Commission for the Investigation of the Abuse of Authority, a Constitutional body from Nov. 2000 to Nov. 2006 in Nepal.

Aid Instruments

The approach to instituting the legislation is also based on the extent to which the aid instruments are used. The donors use either the programme based or sector wide approaches. They vary in the way they approach the thematic problem, and also the way they handle the solutions. The Programme-based approaches (PBA) engage in locally owned programmes of national development strategies. PBA is composed of the following features: (i) leadership by the recipient, (ii) thematic programme with budget structure, (iii) donor co-ordination of procedures for framework, management, budgeting, procurement and evaluation; and (iv) implementation of the programme design.⁶¹ Under this approach, donors can support programmes across a range of aid modalities including budget, sector budget and project support, along with coordinated arrangements.⁶² The thematic programmes focus on poverty reduction, HIV/AIDS and environment projects. The PBA brought about the Paris Declaration, which has created a joint effort for donors and recipient countries to promote recipient ownership of the programme, donor alignment with the goals set by the recipient country, and coordinated donor actions.⁶³ Because of the perception that the recipient country cannot be independent and that these institutions are warped with corruption, the donors have tried to implement more single sector approaches.

The Sector Wide Approach (SWAp) is defined as “significant funding for a single sector policy and expenditure programme under government leadership, adopting common approaches across the sector, and progressing towards relying on government procedures to disburse and account for all funds”⁶⁴ SWAp should not be seen as a blueprint, but it is a framework for a coordinated and effective aid management.⁶⁵ The goal is to transition from the reliance on donors to recipient accountability of all funds. The anticorruption programs for Nepal are based on the SWAp format, for better implementation in the local markets. However, without coordination, the recipients are under administrative burden due to multiple reporting, and also under the dictation of the donors to spend the aid according to the donor framework. The focus has been on how these donor frameworks are created rather than

⁶¹ OECD/DAC,2008; p. 37.

⁶² OECD/DAC,2008; p. 37.

⁶³ Handley, 5.

⁶⁴ Foster, 9.

⁶⁵ Evans, 5.

ensuring programme sustainability against entrenched corruption.⁶⁶ Furthermore, these approaches for aid are only a set of tools for the donors and the recipient country. Without proper emphasis on aid delivery systems, there is limited success for development and anticorruption results. The focus is not just on one area but the budget is allocated in several organizations at multiple tiers of the government. This causes limitations on planning and implementation of the planned projects.

The SWAp shows that the strategic learning evaluations are more necessary than the study on structural efficiency. Even though there might be differences between the interests on part of the donors and the recipient country, the program will be able to solve such cultural problems. The SWAp also helps to monitor expenditure of both the recipient and donor agencies involved. By focusing on the processes, the SWAp makes it possible to learn from past mistakes, and reviews the projects for the partnership to function properly. The links between donor funding and project operations aid the donor-recipient relationship. The sector budget support systems emphasize specific activities and policies. The donors each provide resources for the programme separately, under strict activities watch, which in return, causes stronger accountability and responsibility for managing these programmes. But because the criteria of the anticorruption strategies intertwine with the needs of eradicating poverty and installing governance and development, projects and grant macro-economic programmes are usually resourced together.

Also, there has been a gradual change from short-term stabilization to medium and long term donor planning and budgeting processes. The OECD development assistance manual (OECD 1992a) with the cooperation of the WB, IMF, UNDP, European Union (EU) and major bilateral donors have adopted guidelines consistent with the Development Assistance Committee (DAC) principles. These interrelated project, technical, sector investments, and program assistance coordination have become the new aid giving agenda to achieve larger sectorial objectives.⁶⁷ The DAC framework does sound ideal, but they are not without problems. There are no clear agendas of the sector program assistance, or any forms of checks and balances. This nonetheless, has been the start of having donors attempt to live up to the intentions of a united sector aid.

⁶⁶ Lawson et al., 12.

⁶⁷ Anderson, 180.

The World Bank has taken the lead to seek out corruption as an issue that concerns the members of the DAC and for support of the larger sectorial programs. The blueprint that the WB created has been called the 'sector investment program' or SIP for short. The SIP states that first, adequate macroeconomic and sector policy framework must be in existence or be created. Second, program should be sector wide in scope. Third, there should be willingness for the recipient government to take lead. Fourth, there should be an adequate government implementation capacity, so there is a limit on technical assistance. And fifth, there should be donor agreement to use unified approach for implementation arrangements. These five topics create a basic guideline for the other donors. However, the World Bank has also stated that there must be basic prerequisites for successful foreign aid: full recipient responsibility for the aforementioned frameworks, and preparation and implementation of sector programmes to be supported by donors.⁶⁸ However, these statements are difficult to carry out in practice. These various sectors of transportation, infrastructure, and education, among others are defined within a comprehensive budget and policy frameworks. The anti-corruption strategies are not listed as main priorities, and are coordinated with other anti-poverty programmes. Furthermore, the perception of high corruption decreases the willingness of donor bodies to let the recipient government take lead. By maintaining the perception that Nepalese citizens are not interested to lead the projects because of corrupt and selfish acts, there is further distrust between the donor-recipient partnership.

Furthermore, by having other important sectors given priority, the government may not be able to meet its financial obligations to the anti-corruption programmes. If there is a national emergency as drought and earthquakes, the allocation of the budget would be transferred to the programmes that are in greater need. And another problem could be the deterioration of the system, the imbalance of payments, and the allocation of public expenditure budgets. These cause an interruption to the proper implementation of the programmes.

Nonetheless, the WB puts emphasis on the recipient ownership of the programs, and in principle, the recipient-produced long term goals would have longer lasting impacts than those forged by donor agencies. The World Bank SIP asks that the recipient government to have the willpower to refuse aid if the aid program does not fit the goals of the country. However, this

⁶⁸ Anderson, 181.

is a large risk for the recipient country. Because of the poverty, it is improbable for a poor country to refuse aid and have confrontations with the donors. It is seen that some sectors have more than 20 donors at a given time, and even though there is large aid volume, the contribution has been relatively small and the impacts are usually short term.⁶⁹ The WB calls for a framework of effective and committed donor coordination. Furthermore, the conditionality for establishing the SIP often cannot be met because these donors would have to make compromises amongst disbursing money from debt payments on behalf of recipient government, balance of payment assistance, project aid, and the combination of these aid transfers.⁷⁰

With this information, it can be assessed that donors do have vested interest in the anti-corruption policies. But corruption is not the only vice affecting Nepal. And the attention by the recipient government is usually diverted to contain these problems. But as noted, the donors have through time shown that the need for recipient ownership and leadership is one of the key issues. However, these donors face problems of coordination and implementation. The goals they have set are not yet ideal for the recipient country. And the donors still have to face the programme versus project aid, and be willing to give up adopt coordinated donor policies as their own. After looking at the implications of donors' involvement in anti-corruption activities in developing countries, corruption plays a large part in creating distrust in the donor-recipient relationship.

And by creating a more open market, the recipient country is welcomed in the global market. The failures of the recipient country have the danger to the regional and international market if corruption is allowed to run rampant. And the intentions of the Bank are not always altruistic. The World Bank is still a bank, seeking to make a profit.

I. World Bank's Policies for Combating Corruption

The World Bank has played a key role in displaying its role against corruption. James Wolfensohn, the former World Bank President, had displayed a tough stance and characterized corruption as a cancer on the global economy, and he emphasized that it was time the WB made efforts to address it. Similarly, the IMF director, Michel Camdessus noted that it was the officials' duty to push for anticorruption reforms in countries that are borrowing money. These leaders emphasized the role of donors to actively seek to contain corruption in the

⁶⁹ Anderson, 183.

⁷⁰ Berg, 14.

recipient countries. Corruption had become a social, developmental, and international issue that needed immediate aide.

Additionally, donors that sought to contain corruption had similar ideas. The WB's strategy to contain corruption is based on the following pillars: 1) preventing fraud and corruption in WB-financed projects; 2) helping countries that request the Bank's support in their efforts to reduce corruption; 3) taking corruption more explicitly into account in country assistant strategies, analytical work, policy discussion, and design of projects; and 4) supporting international efforts to reduce corruption.⁷¹

The World Bank works closely with the IMF, and when one of the member countries fail to show that it was pursuing to reduce corruption, the IMF tends to suspend their contract. The World Bank supports the IMF's move, and both donors reconfirmed their commitment to combat corruption in the World Bank/IMF summit in 1997. The Paris Declaration of 2007 furthered the commitment to fight against corruption. The multilateral development banks have been urged to ensure rule of law, improve the efficiency and accountability of the public sector. They have played a key role in encoring the international financial institutions in collaborating with the World Bank's effort to promote transparency and accountability.

The World Bank is an important donor in Nepal since its commitment to eradicate corruption started in late 1995. The former World Bank President has stated that recipient countries would benefit from aid if they were able to constrain corruption.⁷² Given the development aims of various international financial institutions, eradicating corruption is thought to be a necessary prerequisite for other development aims to be successful. Furthermore, corruption is not limited to politics, and has infiltrated all aspects of society. The policy changes include minimizing fraud and supporting international agendas to eradicate corruption in all aspects of society. Corruption in the eyes of the World Bank is regarded as the main cause of developmental failure, and complete eradication is a prerequisite for any developmental changes. Currently, the WB projects include the Nepal Economic Reform Technical Assistance Project (NERTA) and the Financial Sector Restructuring Project, which seek to improve public sector management and governance. The NERTA project aims to implement short term measures for reform in the public administration, law and justice, and transportation. These regional projects are implemented so that the recipient country adopts

⁷¹ World Bank (1997), p. 15.

⁷² Easterly (2006), p. 2.

the anticorruption framework.

Anti-Corruption Strategy of the World Bank

The World Bank has multi-layered anti-corruption strategies that include the following:

1. Increased political accountability with competition among political parties, transparency in expenditure and income, and civil society participation.
2. Competitive private sector through economic policy reforms, increased competition, and transparency in corporate governance.
3. Institutional restraints on power through independent judiciary, legislative regulation, and increased enforcement of these policies.
4. Improving the public sector management with adequate civil service pay, budget management, tax and customs regulation, and increased accountability in all the various sectors of health, education, etc.

These anti-corruption strategies are generalized to all the aid receiving nations. And these strategies can be generalized to ADB, USAID, and DFID. In all instances, corruption is perceived to be one of the main causes limiting development and economic liberalization. These nations view corruption as an enemy, and as much as these policies have been attempted, the actual implementation is still lacking.

II. USAID's Strategy to Combating Corruption

Along with the WB, the USAID has been involved in development aid and has created several methods to combat corruption. It emphasizes the public sector corruption, which it believes to be one of the main causes for the disorganization that leads to corrupt behaviors in the political and economic systems. USAID views the rule of law and institutional development as main counter-methods to corruption. Although the donor does not emphasize economic liberalization as the World Bank or ADB, the economic development is impacted by the by-product of these strategies. By increasing competition and increasing financial pressure on the government, USAID, unlike the other donors, emphasizes more compatibility between the public and the private sectors, so that the public support is shown for the anti-corruption strategies. However, the main emphasis is put on the public sectors, so that civil society changes would occur.

Furthermore, the Center for Democracy and Governance (CDG) of the USAID, believes that corruption is a threat to the establishment and implementation of the democratic

government.⁷³ The USAID “*Promoting Transparency and Accountability: USAID’s Anti-Corruption Experience*” program shows that it has developed two policies to counter the effects of corruption. These changes include changing the “environment in which the public and private sectors interact, and mobilizing public support for change.”⁷⁴ These programs are to implement infrastructural development in the fight against corruption through extensive reforms in domestic law.

As seen in the example of the bribe mentioned above, programmes have been designed to change the incentive structures to decrease rent-seeking behaviors, and increase meritorious actions. By decreasing the disparity between public and private sectors, there is greater transparency, which in effect is believed to decrease corruption. Therefore, the emphasis is put on institutional reforms to increase competition, privatization, and liberalization. These institutional reforms seek to improve transparency and accountability, to strengthen anti-corruption agencies, and mobilization of the public forces. These public changes include increasing civil society actions through public awareness, media, and public workshops.

Furthermore, USAID provides funds to governmental contractors like Chemonics International, RTI International, IRG International Resources Group, and International Relief and Development. These contractors work alongside USAID and pursue international development projects in the developing countries. However, these contractors are not limited by political complications. For example, Chemonics International has invested close to \$12 million as of April 2010 to create radio talk shows in Nepal to increase public perceptions to various problems affecting the country.⁷⁵ These talk shows also create a venue for citizens to decrease their tolerance for corruption. And by increasing the intolerance of illegal and immoral aspects of corruption, it is more likely that citizens would be more unwilling to subject themselves to be involved in corrupt acts. Furthermore, the headquarters of these contractors are usually in the Washington, DC and New York City area, and the perceptions of these individuals may be different from the ones in the recipient land. Therefore, the relationship between the donors and the recipient agents are not simply principle-agent interactions, but rather there are many more actors at play.

⁷³ Marquette, 396.

⁷⁴ USAID (1999), p. 5.

⁷⁵ www.chemonics.com

III. DFID's Policies to Combat Corruption

Corruption is a multi-faceted problem that remains to be active in all aspects of Nepalese culture. Most of the international anti-corruption solutions are uniform to all nations, and they fail to capture the essence of the nature of corruption. Unlike the other donors seen above, DFID's multi-dimensional approach seeks to create a developmental approach that takes effective action against corruption. DFID is different in this cause as it seeks to reduce corruption directly through poverty reduction. Poverty is one of the causes for the reliance on corrupt behavior and DFID attempts to reduce poverty to increase the aims of the anti-corruption strategies and the emphasis is on enforcement. This agency states that to control corruption completely, there ought to be strong investigative and punitive mechanisms in place. However, poverty is not the only cause for corruption. These policies need to have the proper effort and aid to be properly implemented. Unlike the other agencies, DFID has attempted to work with and provide funds for the recipient anti-corruption agencies: the CIAA, National Vigilance Center, and the Judicial Council. These groups will be discussed in depth in the next chapter.

IV. UNDP's Anti-Corruption Policies

Additionally, UNDP, a multilateral donor agency deals with corruption through the Programme for Accountability and Transparency (PACT). While dealing with corruption, UNDP sees corruption as a problem of poor governance.⁷⁶ These UNDP projects include institutional development and reform of the private sector management, transparency and accountability, increased role of the media, decentralization, and establishment of independent third party guards on these processes.⁷⁷ The budget for Nepal's overall improvement is around 44 million USD.

For many of these policies, there are preconditions to be met first. These anti-corruption strategies ask for a working legal framework, capital, public support, and balance of powers between all the various sectors (prevention, investigation, education, and coordination). As mentioned by USAID, there needs to be domestic leadership that is vested

⁷⁶ UNDP (1999), p. 3.

⁷⁷ UNDP (1999), p. 4. UNDP sees corruption as a problem of poor governance. "Good governance is participatory, transparent and accountable – its social, political and economic priorities are reached by consensus and the poorest and most vulnerable have their say in matters affecting their well-being and in the allocation of development resources. Bad governance, rife with bribery, corruption and maladministration, has the opposite effect."

in these anti-corruption strategies. Without clear signal in the government, the public is less likely to follow. But with the perception of a corrupt society and even more corrupt government, there is less incentive for the donors to give leadership to the recipient nation. By having a more credible government, the public would be willing to trust the policies and react quicker to the changes.

However, these anti-corruption strategies posed by these donors have several problems. There are costs to acquiring resources, implementing anti-corruption agencies, and establishing democratic bureaucracy (which is good for fostering the strategies, but pose problems with implementation). Also, without proper coordination among the various institutions, the anti-corruption agencies have not been successful. These governmental bodies suggest the need to render anti-corruption controls to be more effective. The government has made timely provisions for the cause, but there are still downfalls limiting these agencies to be effective.

B. Regulatory Measures: The Conventions

The World Bank defines corruption succinctly as, “the abuse of public office for private gain.”⁷⁸ The Bank also points to corruption as being the greatest obstacle to reducing poverty in Nepal. With this in mind, the anti-corruption policies of the WB, USAID and DfID have focused on the following ‘pillars’: 1) law enforcement, 2) public awareness, 3) civil service reform, 4) public programs, and 5) creation of institutions as the main actors for fighting corruption.⁷⁹ These strategies share many of the democratic points of transparency, political accountability, checks on power, and civil society participation. And the goal of these policies is to eradicate corruption completely rather than settling to a tolerable level. However, these anti-corruption strategies have had limited success. Corruption is apparent in all societies, and would never be completely eradicated.⁸⁰ It is human nature to find ways to achieve one’s goals, and corrupt actions can be seen as a means to an end. And as these anti-corruption strategies have been tried, they fail to bring long term success. Because corruption is subjective, the regulation of corruption is also based on psychological aspects. The use of negative conditioning of cautions, fines, and loss of freedom and social stigma with criminal

⁷⁸ <http://www1.worldbank.org/publicsector/civilservice/corruption.htm>.

⁷⁹ Galtung (2006), p. 106.

⁸⁰ Klitgaard (1988), p. 24.

records are used to deter these corrupt behaviors. These punishments are used to motivate people in changing their daily human interactions, and thereby change national perception and tolerance on corruption. Maybe corruption has remained as an optional behavior because the deterrence factors are not severe enough in Nepal.

Regulation measures are a means to solve the corruption problem in Nepal. International and regional institutions have passed several legislations to attack the problem of corruption in the recipient nation. Since 1996, there have been eight international anti-corruption conventions, which make criminal law the main mechanism for combating corruption. These conventions were a result of cooperated regional and international legislative approaches to curb corruption, though they vary in procedures and substance. The following list of anticorruption conventions showcases international attempts to create cooperation for recipient-donor relationship. Additionally, these treaties are not used all at the same time. The recipient nation has the option to pick the most relevant convention for the country.

These eight multilateral treaties are as follows:

- 1) Organization of American States Inter-American (OAS) Convention Against Corruption, 1996.
- 2) Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997.
- 3) Convention drawn up on the basis of the Treaty on European Union (EU) on the Fight against Corruption involving Officials of the European Union Communities or Officials of Member States of the European Union, 1999.
- 4) Council of Europe Criminal Law Convention on Corruption (COE), 1999.
- 5) Southern African Development Protocol Against Corruption (SADC), 2001.
- 6) African Union Convention of Preventing and Combating Corruption (AU), 2003.
- 7) *United Nations Convention Against Corruption (UN)*, 2003.
- 8) Council of Europe Additional Protocol to the Criminal law Convention on Corruption, 2003.

The OAS Convention is the earliest anti-corruption convention with the main objective to eradicate corruption. It criminalizes corruption between donor and recipient. The OAS

convention also includes corrupt activities of both public and foreign public officials. It also covers both passive bribery (acceptance by a public official of a benefit) and active bribery (offering a benefit to a public official).⁸¹ The convention states that soliciting or accepting, or the offering or granting, directly or indirectly any benefit (gift, money, favor) in exchange for any act or omission in the performance of his public functions by a governmental official or public official is made an offence.⁸² The focus is not just on the one giving the bribe, but also the one on the receiving end.

Like the OAS, the EU Convention addresses both active and passive corruption-offering and soliciting bribes. Unlike the OAS convention, the OECD convention only deals with transnational bribery and makes bribery an act of crime in the context of international business transactions.⁸³ The OECD convention focuses on the bribe giver and only makes the active bribery a criminal act. The perception of a country being corrupt influences international business transactions by such a belief. And since there is no definition of international business transaction, the business customs in the recipient country can be influenced by different jurisdictions. Thus donors like the OECD, the United Nations (UN) and other regional institutions (African Union and South African Development Community) have worked to implement country specific corruption legislation.⁸⁴

SADC Protocol and AU Convention are regional conventions, and have limited impact unlike the UN Convention. The SADC Protocol has a transnational legislation that includes bribery of foreign official as an act of offence. The AU is wider in scope by listing all the specific acts of corruption- passive and active bribery in public and private sector, provision on illicit enrichment, diversion of funds, trading in influence, and concealment of funds resulting from acts of corruption.⁸⁵ And of the many attempts to increase the impacts of aid, the Paris Declaration of 2005 has laid down five key principals to increase aid effectiveness - recipient ownership, coordination of donors to the programs, transparency, accountability, and implementation of the programs for better development.⁸⁶ By working with the Conventions, the declaration is thought to aid the fight against corruption.

⁸¹ Arts VI(1)(a) & (b) of the OAS Convention. <http://www.oas.org/juridico/english/treaties/b-58.html>

⁸² Carr, 14.

⁸³ The OECD convention is influenced by the US Foreign Corrupt Practices Act 1977, when the multinationals like Lockheed were making payments to ministers and senior civil servants to obtain lucrative contracts.

⁸⁴ Carr, 12.

⁸⁵ Carr, 17.

⁸⁶ Acharya (2011).

Furthermore, the UN Convention is the latest legislation against corruption, and has support from the IMF, the World Bank, and the recipient country. This convention criminalizes bribery of national officials, foreign public officials, officials in international organizations, private sector, and embezzlement of property, illicit enrichment, abuse of function, and laundering and concealment of corruption.⁸⁷ The UN Convention takes a more comprehensive approach and addresses complications to implementing the anticorruption strategies. And this Convention has recently been adopted by the Nepalese government as the most probable solution to limit corrupt activities.

The Nepalese government has recently attempted to ratify domestic anti-corruption Acts and laws, by creating anti-corruption legislations that match the international standards. The ratification of the UN Convention against Corruption in February 2011 has made several changes in Nepal. The formation of two separate committees, a Steering Committee headed by Chief Secretary Madhay Ghimire and a Working Committee led by Trilochan Uprety, recommend amendments to recipient laws conflicting with the UN treaty. This means the work in the recipient anti-corruption legislation is not complete, but rather the UN treaty will aid the formulation of new laws. These committees will work with consultants to firstly amend the CIAA act (2002) and Corruption Prevention Act (2002), so that the Acts can oversee the political parties, NGOs, judiciary system, and the private sector with more power.⁸⁸ Even so, the failures of the anticorruption strategies and the timely UN Convention adoption could be an attempt to placate the donors to receive more aid, or a true attempt to curb corruption. Nonetheless, the UN Convention adoption would mean a total overhaul of the current structures, and the results are yet to be seen.

Furthermore, the most important contribution of the UN project was to coordinate the donors at the donor headquarter and at the recipient level in support of programmes and strategies. However, this idea of moving from project to program aid, and unifying the projects is not easily accepted in aid agencies. Powerful commercial investors and other career interests within the international and recipient aid bureaucracies would be personally interested in blockading this type of aid programmes since they would need to give up their power to the new unifying force. Nevertheless, the Convention would facilitate donor

⁸⁷ Art 16-25, UN Convention Against Corruption, pp-17-21.

⁸⁸ Currently, the anti-graft agencies like the CIAA and the National Vigilance Center are only able to investigate corruption in the public offices-elections, donations and party operating systems.

coordination across the broad sectors in the economy. This understanding of how these donors supported investments are linked would create effective dialogue and even ownership by the aid recipient.

C. Mutual Assistance and Co-operation

These conventions include provisions on international cooperation and mutual assistance in the anticorruption procedures. The UN Convention includes provisions detailing co-operation between national agencies and private sector, international cooperation, and law enforcement cooperation.⁸⁹ The OECD and the COE conventions provide for mutual legal assistance and extradition.⁹⁰ Having collective and transparent donors for efficient aid delivery between the developing partner and recipient country, a common framework is laid out further by OECD. The DAC under the OECD was created to harmonize donors to create good practice, and also country ownership for development and governance work. The DAC works with government officials, civil society, and think-tanks to identify the perspectives and needs of the developing countries.⁹¹ The goal of harmonizing the donors for this task is to change the recipient practices to increase ownerships, and also a greater partnership to maximize the impacts of donor aid.

Furthermore, the number of aid coordination is overlapping. Of the 160 borrower countries, the WB chairs Consultative Group (CG) mechanism for about 60 countries; the UNDP chairs Round Table (RT) mechanisms for 20 countries, and the Regional Development Banks chair CGs for 5 countries. The official bilateral and multilateral donors can be about 50 for some recipient countries.⁹² In conjunction to the OED carried out by the WB, the UNDP also chairs the RT. As the organizer, the WB plays the role of middleman- for the coordination between donor-recipient, and among donors. This showcases the various consultative groups involved in the recipient country, and many without coordination.

Moreover, donors have been involved in Nepal since 1952 when it joined the Colombo Plan for Cooperative, Economic, and Social Development in Asia and the Pacific. The plan was mainly used to educate and provide scholarships. The other grants were oriented towards agriculture and transportation infrastructure growth. However, without much success, the

⁸⁹ UN (2004), p. 27. Art 38.

⁹⁰ Carr, 22.

⁹¹ OECD, 2003.

⁹² Picciotto, 30.

programs were focused on various degrees of development agendas to decrease corruption and promote governance. Therefore, the Operations Evaluation Department (OED) reviewed by the WB's Committee on Development Effectiveness (which was endorsed by the DAC and OECD) found in 1999 that aid coordination had several development effectiveness challenges. In 1995, there were improved linkages between the donors and the programmes for development. In 1998, the WB and the IMF dictated the need for a new development partnership that was led by recipient governments and civil societies, with coordination within and with the donor community.⁹³ This Comprehensive Development Framework (CDF) created in 1999, was for this partnership.

It must be noted that there is a problem with the CDF. The CDF states that in coordinating the donors, there would need to be a leader, which the WB has assumed. The review created by the Bank states that the donor community has been well-served by the Bank's leadership, which in itself a self-appreciating viewpoint. Furthermore, end of the Cold War reduced the ideological approach to providing aid to the recipient country, but many of the geopolitical considerations are still present. Nepal is conveniently located between India and China, and has strong ties with both rapidly developing countries.

The WB conducted a study questioning 130 Bank staff, recipient government officials, and donor agencies and their in-country representatives. The CDF and the study identify a number of barriers to development, both due to the recipient and the donors. The WB states that the recipient country lacks the commitment and the resource capacity to process the development strategy of transparency and standards of accountability. The Operational Evaluations Department recommends that 1) the Bank coordinate its aid policies with the CDF principles of ownership, partnership and results orientation; and 2) each Bank country team work with the recipient government and other development partners to formulate a strategy for moving to country leadership.⁹⁴

This strategy was instituted to reform recipient policies, while strengthening aid coordination, developing donor partnership, and delineating mutual responsibility.⁹⁵ Successful implementation would require consensus and direct collaboration amongst the donors (World Bank, UNDP, DAC, and Regional Development Banks) at regional and

⁹³ Picciotto, 1.

⁹⁴ OECD/DAC (2006), pp. 13-17.

⁹⁵ The recommendations are further developed in the Poverty Reduction Strategy Papers (PRsPs) to create a better harmony amongst the donors.

international levels. The aid coordination is thought to make development more effective since recently there have been minimal development reforms.

The CDF states that the partners develop the objectives together. The purpose of aid coordination is 1) to assimilate external donor assistance with the development priorities of the recipient country; 2) to create accountability for both the donors and recipient governments to adhere to the objectives; and 3) the recipient government is responsible for the aid coordination. These donors stress that development can be attained with increased policy ownership by the recipient country and increased institutional quality capacity to manage and coordinate the aid. With mutual assistance and cooperation, the anticorruption strategies can be better attained.

Partnership: Aid Coordination

Strong country commitment and high institutional capacity are keys to the effective promotion of development. The recipient country would then be more likely to coordinate the aid more efficiently to control corruption. However, the weaker the country commitment and the lower the institutional capacity, it is more likely that donors will be to insist on donor-driven aid coordination in the interests of development effectiveness. The aid can be better assimilated in the designated programmes of anticorruption and governance, if there is strong commitment and high institutional capacity.

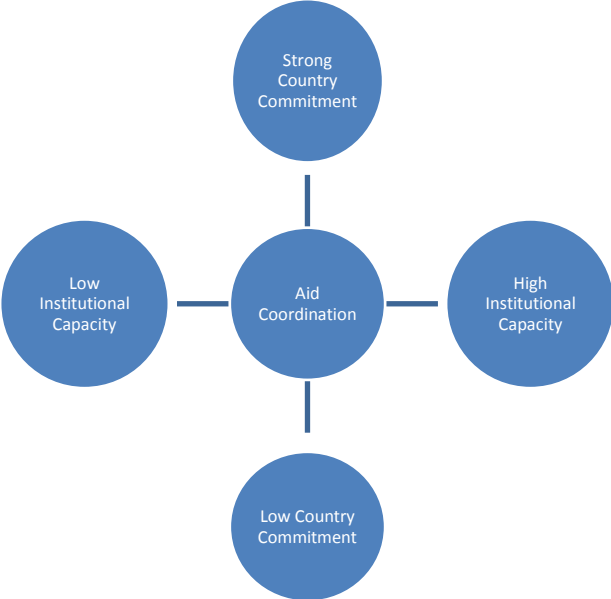


Figure 2 illustrates Aid Coordination with strong country commitment and high institutional capacity.

For the recipient country, Nepal is thought to hold low levels of commitment for corruption, even though there are media and policies against the problem. As mentioned before, aid coordination can be better received by the recipient country by strengthening both country commitment and institutional capacity. However, the donors, NGOs and the international agencies influence the coordination of a recipient led aid coordination. Since there are many donors in Nepal seeking to develop the country, each with their own objectives, thus they are harder to organize. Because the causes of many donors are overarching needs of development, than specifically controlling corruption, effective coordination becomes problematic. Effective aid coordination would involve regulating the donors and the recipient country with mutual accountability and responsibility to achieve development agendas. This coherence should be focused on the country's developmental priorities.

In conclusion, review of the CDF and the donor development community has been a good start to coordinate aid in the recipient country. A major theme in the politics between donors and the recipient, is the pressure to increase the recipient role in the aid talks, and even lead these programmes. But the donor coordination still remains to achieve the goal of recipient country leadership and the long standing anticorruption goals.

D. Enforcement and Informers

The ratification and adoption of an international convention is a show of commitment, but it only goes so far to counter corruption and its effects. The regulations have to be implemented efficiently by the recipient people, to change their perceptions and behaviors towards corrupt activities, as bribing for an immediate gain or speeding up a process. Corruption is conducted secretly and the actions themselves are hidden from society surveillance. Because corruption is based on human will, regulation must be properly implemented to control these behaviors. Therefore, enforcement is necessary to create a sense of regulation.

These legislations try to ensure protection from the effects of corruption, and also from the impacts of poverty. Enforcement of these anticorruption policies is dependent on the process of which the recipient investigates the corrupt activities. Surveillance of officials and transparency of bank transactions could be made to expose corrupt activities and make these covert actions more overt. However, since Nepal is a newly democratic country, the rights of

the privacy and human rights are key subjects. Also, the costs of enforcing these changes have high financial costs and for a developing country, Nepal cannot spend on such luxury infrastructures.

In addition, informants and whistleblowers who try to provide information on corrupt malpractices are important in the anticorruption strategies in exposing covert corruption transactions. They can give information about malpractice that is not visible to those outside of the company or the government. However, they may face severe reprisals and may risk their employment, or forego on salary increase if they were to speak out against their coworkers and their bosses. For a country like Nepal which has a strong sense of community, and protecting each other from 'others,' betraying that trust and *aphno manche* (one's own people) is essentially social and career suicide. Therefore, legislation to protect these whistleblowers must be ratified in Nepal.⁹⁶ But legislation is not enough to ensure safety for the whistleblowers, societal change must be enacted to welcome individuals to come forward to report corruption.

These anti-corruption regulations by adopting international conventions are only a partial answer to the anticorruption crusade in Nepal. Without proper enforcement and implementation of these legislations, there is psychological impacts of hopelessness and tolerance of corruption. Corruption behaviors are self-seeking. For a developing country, Nepal needs to develop a sense of nationality and accept anticorruption methods as a national cause. By making people aware of the long term impacts of corruption- ignorance, prejudices, and links with poverty, the anticorruption process is possible. These anticorruption policies need to cover both overt and covert corruption, and short and long term impacts. Along with education of the public, the NGOs, civil society and activists play a role in spreading the ill impacts of corruption, and also methods for citizens to inform authorities and media about corrupt behaviors.

Moreover, the lack of prosecution could be due to quality and commitment of the prosecutors.⁹⁷ But the quality of the prosecutors is unclear and subjective in nature. The ability to prosecute also refers to the judge's ability to prosecute based on allegations of corruption. And the amount of prosecution is not sufficient to measure the actual level of

⁹⁶ Whistleblower protection legislation is seen in UK (Public Disclosures Act, 1999) and the US (Sarbanes-Oxley Act, 2002).

⁹⁷ Lambsdorff, 4.

corruption since many may not even reach the courts. Another limit on reporting could be the lack of trust in the government, police, and the judicial system causing less reporting, which only makes it difficult to assess the extent of corruption. Hence, corrupt behaviors are difficult to prosecute due to lack of evidence based on apathy, high level of corruption tolerance, lack of information and legal rights, lack of trust in the judiciary system, and fear of political and social whiplash for trying to convict someone political. The perception of corruption is more than prosecutions; it is the views of corruption in the government, reports in the media, financial disclosures, and implementation of the anticorruption strategies.

E. Selectivity

The donors and the recipient face the problem of selectivity when dealing with the problems in the recipient country. On the donors' side, there are many programmes to which the donors can invest in- project to fight poverty, progress of human rights, development of the state resources, instituting a democratic society and enabling recovery after the civil war, assistance in capacity building and health projects, AIDs/HIV understanding, empowering women, economic growth, and corruption in bureaucracy, health, politics and society. Because of these many problems, the donors need to be selective to keep comparative advantage- which addresses the 'numbers' problem. The WB has led aid mechanisms, which have greatly changed the recipient progress at a national level. The Bank and the other 50 donors cover development projects over 60 recipient countries.⁹⁸ The disbursements of the funds have to be arranged for these recipient countries, each with their own individual development problems. The CDF of the WB has helped mobilize the resources for each individual country and achieve a greater aid focus.⁹⁹ The CDF helps to organize the records of the development agendas.

On the recipient's side, because there are so many donors providing loans and financial aid, the recipient country with its myriad of problems in development have difficulty refusing the donors, or their conditioned objectives. The donors and recipients are not on the same level in relation to the partnership. The aid partnership coordinates the sector program

⁹⁸ Picciotto, 20.

⁹⁹ The CDF's (1999) goal of aid coordination is not a new programme. The Operational Directive 14.30 of the Aid Coordination Groups (1989) also emphasized the need of aid coordination. But the CDF did emphasize the presence of the WB in the development field. And most of the talks about coordination had been laid out in 1969 by Pearson Commission report, Partners in Development.

objectives as well as the loans and credits, to facilitate aid coordination of donors and increase leadership of the recipient country. For example, a project to build a bridge in a remote city can be funded by more than two donors without being aware of each other. This undermines the role of the donors and their funds in the country, and increases corruption and the perception of corruption in the donor-recipient relationship. This level of corruption limits the recipient country to take leadership in the aid coordination, and increases the perception that the recipient country is too corrupt and lacks commitment for change.

As much as the recipient leadership is crucial, the barriers to country led aid coordination range from administrative procedures to the burden of accommodating numerous and various visiting donor program managers. For the removal of these barriers, and increase in recipient country responsibility, the WB's main goal should be to support recipient country leadership. And aid coordination incurs costs: staff time, publications, travel, meeting facilities, and opportunity costs of the participants. This is not to say that the donors need to stop its role in aid coordination, but rather they give the recipient country a chance to take responsibility, in line with the CDF and OECD/DAC principles.

F. Power Imbalance

The jargon used to describe the relationship between the donor and the recipient is mainly referred to as partners. To an extent, the aid relationship does not depict the power structure and dynamics of the partnership. As Robert Picciotto states, “mutually agreed objectives [involves] shared responsibility for outcomes, distinct accountabilities and reciprocal obligations”¹⁰⁰ The relationship between the two are not symbiotic, but rather, the relationship resembles a give and take scenario. Robert Axelrod explains the donor-recipient relationship with a game theory- the donor and the recipient each have only two choices, to cooperate or to avoid the obligations.¹⁰¹ If both the partners cooperate, then both would benefit. If one of the two partners benefits, then the non-cooperative side would benefit as well. And similarly, if both partners avoid the obligations, then there are no benefits. This theory gives both parties the best optimum solution to the problem. With mutual cooperation, can they reap the benefits for both parties.

¹⁰⁰ Picciotto, 18.

¹⁰¹ Axelrod, 34.

If there is a perception of imbalance between the donor and the recipient, then the cooperation will be limited. Hence there will be limited anti-corruption measures' success rate. Even if the donor provides resources and funds, the recipient is not able to provide the necessary materials. This causes disadvantage in the relationship between the two. The problem is solvable by making the resources and flow of information available to the recipient country. But shown by the Axelrod's game theory, the recipient country could remain as it is, and allow the donor to provide for the recipient even after the end of the contract. However, continual interaction is necessary to build trust between the two partners for long term commitments. Without proper symmetry in the relationship, there is lack of flow of information and communication of mutual goals. The donors have a global market for information, and the recipients are limited by the resources and language.

The public sector in Nepal is seen as a ground for petty corruption. It has been suggested to the recipient country that by privatizing the public sector, it would be able to curb the role of corruption. And the public sector corruption reaches both petty and grand corruption with the involvement of senior managers, who engage in corrupt activities - procurement and compromising of confidential and sensitive company information.¹⁰² And the privatization is on terms of the World Bank, in addition to the loans and financial projects. This creates a power imbalance: needs of the recipient country versus requirements of the donors. The involvement of public corruption is further discussed in the next chapter- Recipient Policies and Anticorruption methods. To control corruption, it is also necessary to have legislation for the private sector in the regulatory framework.

Additionally, Nepal's adoption of the UN Convention against Corruption is comprehensive in its approach to prevent corruption in the long run with articles on prevention and detection of transfers of proceeds of crime, creation of financial intelligence units, participation of civil society, improvement of accounting procedures, and introduction of the codes of conduct.¹⁰³ Even though the UN Convention creates ground for improvements on anticorruption strategies, it is still not a recipient driven agenda. The codes of conduct mentioned on the Convention create an imbalance on the donor and recipient belief systems. Furthermore, prevention of corruption should partly be up to the participation of the citizens, and those willing to speak out from personal experiences of corrupt behaviors. The

¹⁰² Carr, 17.

¹⁰³ UN Convention, pp. 28-48. Art 40, 52, 58, 13.

coordination between the donors and recipient government is necessary, but what is even more necessary is the civil perception on the agenda of these goals. The media is a great medium for this discussion. And the access of internet and social media groups have allowed citizens to understand the national problems, impacts of corruption, and also a sense of civic responsibility for the newly established government. With this discussion, the media can create a better power balance, by giving the public voice.

Transparency International

The level and spread of corruption is critically assessed by the methodology of agencies that make Nepal to be perceived as corrupt. This is assessed by compiling the data by *Transparency International* (TI) and its perception index. International donors base their opinion about the recipient level of corruption from the corruption perception index. TI's Corruption Perception Index (CPI) 2010 gives the US and Britain high marks against the global corruption level. However, Nepal is on 146th level with a score of 2.2 out of 10; showcasing the country to be on the bottom tier of the world's perceived corruption.¹⁰⁴ Nepal scored 143rd in 2009, and this gives the impression that corruption has not decreased in the past year, but rather increased! TI's CPI grades on the amount of corruption, 10 being the least corrupt and 1 being the most. And of the 180 countries surveyed against the corruption scale, 129 countries scored less than 5 on their marks. Along with the donors, civil organizations have insisted on the menace of corruption. This perception of corruption index has grown exponentially, and includes both developed and developing countries.¹⁰⁵

This indicator shows that bribes, among other corrupt actions are regularly used by both public officials and privately by the common citizens in the recipient country. Furthermore, TI uses a very catchy phrase to describe corruption as the following: "Corruption ruins lives." This viewpoint summarizes the intent of pointing to corruption as a source to blame, rather than looking at why these 129 countries still face corruption in their daily activities. Simply transferring policies to these countries have not been successful, as corruption is still apparent and still relied upon. With the quantitative data, corruption is put into context in relation to the other nations. But this study also shows the reliance the recipient country has on corruption.

¹⁰⁴ Appendix, 2.

¹⁰⁵ The corruption indices are available on the site: <http://www.transparency.org>

The TI has tried to ensure that there is uniform methodology in ranking the country, by having strict selection criteria of the sources used for the index. They use people from the business sector, country experts and academics to express the amount of corruption in the countries. The TI ranking is based on the comparisons of the country's score than ranking, because a rank might change if a new country is entered in the index. The methodology of arriving at corruption levels can be more encompassing if the extent of corruption is relayed. However, the methodology and data is limited by the secretive nature of the topic. TI does not provide a true picture of corruption in the country, but a representation against the other nations. Nonetheless, this ranking is used by numerous international and regional institutions to draft anticorruption legislations with the view that the rank is encompassing even if only 6 surveys are used. The reliance on the TI and the number of international and regional initiatives shows the limitations of the perception of corruption.

Additionally, anecdotal evidence from donors with their interaction with individual businessmen and bureaucrats would go a long way in spreading the perception of corruption. The tales of corrupt and morally irresponsible behaviors form the impressions that corruption is encompassing and entrenched. And for countries said to have systemic corruption, this problem is perceived to be too difficult to eradicate. Perception of corruption is based on subjective experiences, and lacks objectivity. In conclusion, TI has limited outlook on the level of corruption, but it creates a perception of entrenched corruption in the recipient country and the donor community.

III.2. Donors' Interaction with the Recipient Country

This chapter looks at the relationship between the donors and the recipient country, and attempts to re-examine the anti-corruption practices. This chapter examines the emerging possibilities for donor and recipient cooperation in aid and development, and the differences between the two that limit a stronger partnership. The interaction between the donors and the recipient country depends on the goals of the strategies, and how they would help the country. By perceiving the project as “foreign,” no matter if it is governance or anti-corruption agendas, these attempts will only be caustic to the future of the donor-recipient relationship.

Donors and the recipient country have invested time, effort and financial aid on trying to curb the reach of corruption in Nepal; however, the country is still facing damaging impacts of corruption. Nepal has many policies and procedures in an attempt to stop and limit the reach of corruption. While reviewing why the anti-corruption policies have not succeeded, it is suggested that the recipient countries do not assume ownership of the project evaluations. They have not accepted these procedures as attempts to remedy the reach of corruption. And completing these evaluations have only been a means to more financial aid. These policies are still perceived to be “foreign” rather than a necessary measure for the recipient country. Another factor could be the changes in the donor system in development cooperation. The aid is transferred through the multi-donor budget programmes rather than the single-donor individualized projects, which challenges the method of focusing on certain projects.

The studies show that attempts to get the recipient country to accept ownership to the development and anti-corruption procedures would depend on evaluation, which is mainly donor driven.¹⁰⁶ With proper identification of the problem, and management, the recipient nation would be more likely to assume responsibility for the projects. But these evaluation tasks are thought to be mainly the area of the donors, and are seen as a function of donor's monetary control. By allowing the recipient country to have a more degree of control over the project activities, it is possible to integrate the strategies. But without interest, the aid recipients are not likely to follow the procedures set out by the donors. And the recipient country becomes part of the problem, rather than part of the solution for the anti-corruption measures.

¹⁰⁶ Edgren, 2.

Another factor is the differences in perspective on using the aid funds between the recipient country and the donors. There are factors aside from the anti-corruption drive, that have to be evaluated when dealing with a developing country with developmental and governance needs. This is not to say that the donors are not aware of these problems. The donors have pulled their resources to target the problem properly. By understanding the partner's purpose, the aid evaluations are a method of observing perceived donor agendas. The donors are interested in the following three agendas:

1) *Accountability*: The donor body wants to ascertain that the audit books, accounts, and all matters of funding regarding the assigned programmes are accounted for. And that the goals of the programmes have also been reached - development, transparency, and anti-corruption rules implementation. The recipient country has similar agendas of accountability. With similar interests and evaluation results, there is more likely that there would be more financial aid to the recipient country.

2) *Implementation*: Even with proper regulations and rules, the project cannot be successful without proper implementation of those rules. Both the donors and the recipient country are interested in the implementing the projects, which would create more favorable results for both parties involved. Proper implementation is difficult, as shown by the failure to curb the reach of corruption thus far. Without proper daily monitoring of activities, resources, and evaluations, feedback is not possible. But with proper control, feedback can be used to change the project to make the implementation of the anti-corruption agendas more effective.

3) *Learning through mistakes*: Evaluation is necessary to generate conversation and ideas to better the project. The donors have tried to eradicate corruption in various countries around the world. Evaluation will help people learn more about the experiences, failures and also the success rates. As mentioned before, evaluation can be a concerning subject for the donor and recipient countries. Since evaluations are mainly used for donor guidance, the recipient country considers it to be a foreign paperwork, rather than a method for revisions in the policies on both sides.¹⁰⁷

The policy evaluations also manage to show the way donors coordinate the funds and the procedures. These evaluations link the financial aid to the actual outcomes, and give the recipient country to have leadership. And this can impact how aid is conducted in the future.

¹⁰⁷ Edgren, 3.

By having the donors under evaluation, the recipient agencies and the donors have a method of collaborating and understanding the experiences.¹⁰⁸ This increases the chances of strengthening the partnership and lessening the perception of power imbalance as aforementioned.¹⁰⁹

It is necessary to understand the donor and recipient interactions, and the different perceptions in looking at the success of the projects. Without matching the goals and the achieved results in the partnership, the aid that donors give to the recipient nation would not result in lasting achievements. The access to information, power, money, and resources differentiate the role of the donor to that of the recipient country. And without proper systems that generate trust between the two, the recipient country would not be willing to evaluate and create better anti-corruption and governance measures. By strengthening the partnership between the donor and the recipient country, and also their perception of corruption, it is possible to help evaluate and make a more lasting anti-corruption outreach for Nepal.

Further donor controls that would hinder the relationship with the recipient country is donor appointed evaluators. These evaluators are also “foreign” and for a country that has largely remained untouched by the western world, it strives to contain itself from the “other” (foreigners). The donors need to understand that training the staff is necessary for proper implementation of the anticorruption measures. Without assuming themselves as experts, donors need to work with the recipient country to garner necessary needs for governmental organizations like the CIAA to function properly. Another fault of the donors would be excluding the interests of the recipient agencies- their experiences and everyday hurdles regarding corruption.

However, it must be taken into account, the limitations of the recipient anti-corruption agencies, as the CIAA. This organization lacks a head commissioner, and the managers lack proper training. The current governmental changes are detrimental to the work of the anti-corruption agendas. The focus has been on promoting other governance areas, so the staff and work processes are improperly staged in these important organizations. Also, the feedback that the donors receive is only partial. Proper feedback and evaluation are possible by knowing the language and getting a large pool of survey data. However, the data is limited to only a select few groups who are willing to talk about the subject and if middlemen or local civilians are

¹⁰⁸ Feinstein and Ingram , 5.

¹⁰⁹ Edgren, 15.

used to gather data. In review, the strategic dissecting of past knowledge for a better programme is a common method for the donor agencies. And the donors often complain that recipient agencies do not use the knowledge generated by evaluations, while recipients complain that the donors seek too many immediate evaluations.¹¹⁰ The recipient and the donors' interactions suggest the differences in cultures and diverging interests between the two. The management styles, short and long term goals, and the power structures are important to relay a better understanding of each other.

Approaches to Evaluation

The different strategies are only so far effective in respect to their objective to reduce corruption. Another factor is the extent to which these anti-corruption strategies are implemented. These strategies and the implementation process need to correspond. Under the implementation criteria, reliant evaluation is under limitations due to the paucity of relevant and reliable data. This partnership is used to elaborate the problem, implement the measures, and follow up with the anticorruption strategies. And as much as the donors and the recipient country have a partnership to see that the anticorruption strategies work, the civil society, think tanks, and private sector are necessary to make the implementation process more effective.

Furthermore, the OED evaluation states that there are positive outcomes from the management accountability and evaluations, but the donors do not allow for an improvement on the old feedback systems. The feedback is based on reporting, rather than how useful the programs are. Nepal has a sector budget support system, unlike seen in Africa's direct budget support. Under the direct budget support, the donors pool their resources directly into the government budget, so that there is no ownership and transaction cost problems, expanding the perception of corruption. This makes it difficult to trace the amount of individual contribution by the donors to the beneficiary. And this type of budget support is limited to macro goals of development, i.e., national economic growth. The donors are brought into the national budget process, and are part of the accountability and power structure.¹¹¹ The attention is focused on the national economy, rather than individual goals of structure, monitoring, and evaluation of developmental goals.

¹¹⁰ Edgren, 5.

¹¹¹ Odén and Tinnes, 23.

The recipient government under the financial aid is not likely to openly criticize the donors and their procedures, even when the donor strategies and evaluations cause problems. And the OECD and the World Bank have made attempts to monitor donor behaviors.¹¹² These sector programmes create a more equal relationship for the donors and the recipient. However, this also creates an advantage for the recipient, who can play the donors against each other. The donor interest range from a vast area of governance, and for the recipient country dependent on aid, getting all the donors to focus on one topic is difficult.

On the recipient's side, there are many limitations that escalate misunderstandings with the donor agencies. The recipient country faces many donor driven programmes, which are considered to be largely 'foreign' driven. The inability for the recipient country to manage and respond to the donor driven evaluations creates misunderstanding, albeit misconceived, that the recipient country does not want to be rid of corruption. Evaluations that the donors demand, are further not considered to be necessary outside the project. This lack of accountability by the recipient country also causes a lack of transparency. Without openness between the donor and recipient interactions, the mismanagement in the structure can limit the flow of information between the two. And without proper information back to the decision makers, these policies and regulations are not useful without implementation.

Additionally, the recipient and donor partnership relies on specific issues of corruption, but the focus is divided with larger developmental and governance objectives. Because the country is slowly establishing itself, the more concrete projects are easier to be undertaken- for example, roads, institutions, new government offices, etc., rather than the policy driven development goals. Furthermore, the donors give the aid money with few conditions, and the recipient country is more likely to play down their reservations against the donor's agendas in an attempt for international investment and financial aid. And this need based relationship is not likely to aid the long term goals for development that the recipient and donor have tried to create. A proper relationship between the donor and the recipient is based on common vision of the country's future.

Evaluations are only part of the conditionality. The donors provide the funds, and therefore are accountable for the aid. These donors have certain criteria on how the funds should be used and how the governance should be met. The case of conditionality creates

¹¹² Holmgren and Soludo, 4.

criteria by which the recipient country should follow.¹¹³ These changes include the democratic ideals of governance, accountability, democracy, and transparency. The donor reports showcase the recipient country's success rates. The numbers themselves create a standing for the recipient country against the others who vie for the donor's aid. And evaluations are further used to allocate funds to prolong a project. The evaluations may be seen as a nuisance by the administrative recipient country.¹¹⁴ But they do provide a way for accountability and help the recipient country become more self-reliant and individualistic. Recipients and donors are accountable for the financial aid, but without proper accountability and transparency, the principle and agents are not focused on the anticorruption agendas. And the budget evaluation makes it possible to ensure that the donor's aid is not siphoned off for non-developmental purposes.

In summary, evaluations are necessary to change the donor-recipient relationship, and have a better implementation of anticorruption strategies. The external assistance provided under the sector wide approach manages the multi-donor evaluations. By evaluating outcomes, the goals are kept in practice. The idea of the partnership showcases recipient and the donors sharing power, and the recipient body is able to take lead on the projects- especially to gather information and evaluate the feedback. Nonetheless, the perception of corruption limits the recipient ability to take this leadership.

The evaluations of the projects and programmes are necessary, but they seem to be more useful for the donors than the recipients. The failures of these projects show that even though evaluations and changes to the projects have been made to understand the limitations of the project, deeper understanding of the issue of corruption is necessary. Evaluations of the projects depict the progress, and they need to be changed to the satisfaction of the donors and the recipient country. Furthermore, the donors emphasize their accountability to their government and other donor agencies, but are less likely to feel accountable to the recipient country. If there are to be symmetry in the partnership then both need to accept accountability for the project, especially for one as demanding as anti-corruption policies. This will lead to better evaluations and joint understanding of the project.

The partnership between the donor and the recipient country is secured with the knowledge that there is certainty. But if the obligations in the contracts are not fulfilled then

¹¹³ Fowler, 23.

¹¹⁴ Edgren, 3.

there is distrust, and difficulty in establishing responsibilities. The recipient countries have many donors that vie for the projects. There is possibility to keep the multi donor cooperation in sector and budget support. And with asymmetry of information for the donors, the recipient country can keep the various donors for the same projects. Even after 40 years of interest by the donors on the recipient country, there still have not been substantive changes in the corruption level. The partnership needs to agree on the results to create policies and rules that the public can assimilate in the society and culture. And evaluations and discussion of past failures make it possible for better implementation of future anticorruption strategies.

Chapter IV: Recipient Policies and Perception of Corruption

This chapter analyzes the recipient policies in relation to curbing corruption in Nepal. Nepal has tried to curb the role of corruption from its society, media, government and politics since 1950s, and has been aware of the problem for some time. This chapter will seek to examine the old and the new recipient anti-corruption strategies and the role donors have played to aid the development. It is important to note that corruption in Nepal is perceived as a thorn to democracy and development, but it still exists. To better understand this problem, the following sections will seek to analyze recipient anti-corruption policies and the ombudsman-CIAA, and also the role these donors play in eradicating corruption.

1. Recipient Country and Corruption

There are many reasons for the sustained rise in corruption. Reasons include the inability and ineffective enforcement of laws, corruption in politics, low moral values, and perception in society about corruption and the coexistence between corruption and citizens. Corruption deters rapid social and economic progress. And it also negatively impacts governance and implementation of the rule of law. However, there have also been many changes in the cultural conscience and perceptions of corruption.

Nepal has been aware of the drawbacks of corruption and has taken steps for control before the donors attempted to install their own programmes. The Prevention of Corruption Act of 1952 was the first national anti-corruption agenda intended for controlling corruption in Nepal. This was a great achievement for a country which had been under the rule of monarchy, with limited civil society and freedom of speech. The Prevention of Corruption Act created the Corruption Elimination Department shortly after in 1953. For the Act to be more effective, the Corruption Elimination Department was changed to building and structuring the Department of Special Police in 1959. This Special Police Department was the instrument of the Corruption Elimination Department and the Corruption Act of 1952 to initiate necessary proactive action against corruption.

Need for a more powerful body to fight against corruption, helped create the Commission for the Investigation of the Abuse of Authority (CIAA), which was instituted in 1975. This commission has been included in the constitution of Nepal, and has played a key role in singling out individuals (mainly high level politicians and bureaucrats) indulging in corrupt acts, and abusing their authority for their own personal gains. CIAA also plays a part

in investigating claims and aids in providing information for prosecution at the court of law depending on the severity of the crime. This body has been given more authority to be more effective in curbing the control of corruption. The CIAA is an important recipient anticorruption body, and will be analyzed in the following section.

Corruption of Context

At present, Nepal is experiencing political problems. After the Maoist insurgency and de-establishment of the monarchy, Nepal is considered to be one of the poorest in the world. And when there is rapid poverty and instability, there is also a rise in corruption, and economic and social disparity. Surya Nath Upadhyay, the former CIAA chief states that the main goal should be to fight corruption to end poverty and institute development. He makes note that corruption usually involves monetary incentives, but it is also a societal necessity. And the donors being the largest supplier of said money, are also involved in the anticorruption drive, which can breed more issues with corruption. Even though donors have been accused of having ‘first world’ bias, corruption has its reach in both developed and developing countries.

This leads to the question of whether the nature of adding money in the recipient country causes a reaction on corrupt measures by transforming their nature. Upadhyay admits that aid money has transformed the petty corruption in bureaucracy into grand corruption. The lack of transparency hinders better implementation of aid management in Nepal. As per the report of Office of Auditor General (2002/3), a total of NRs71.22 billion (nearly one billion in US dollar term) involved in 4827 technical assistance (primarily experts, consultants, advisors) from various donors have not been accounted in the annual budgets of the government.¹¹⁵ This creates an interest problem between the government and the donors. The donors accuse the government of corrupt bureaucracy, lack of ownership, and inability to handle development programs, and the recipient government in turn accuses donors for their policy encroachment and stringent aid conditionality as factors responsible for breeding corruption in Nepal. However, even with such arguments and alarming perceptions, the money continues to flow into the recipient country.

¹¹⁵ Remarks delivered by Mr. Surya Nath Upadhyay, Chief Commissioner of CIAA/Nepal in the forum on *Improving Donor Effectiveness in Combating Corruption* organized by OECD and TI in Paris from December 9 to 10, 2004.

Additionally, Nepal is a deeply religious country blessed with natural beauty. The Hindu religion makes up almost 81% of the total population. And the other second highest practiced religion is Buddhism consisting of 11%.¹¹⁶ The Hindu value system is to respect family, clan, kinship, lineage, and community. But rather than stop the spread of corruption, these values have perpetuated the favoritism, kinship and community ties, and patronage which are key parts of corrupt activities. Furthermore, the religious holidays and prayers keep the community closely knit, and reliant on each other. For such a community, it does seem possible for patronage to be rampant. But due to the changing times, and influence of the donors, the value system is now slowly changing to that of the West. And as a reporter comments, “the disorientation of present day Nepal can actually be ascribed to the growing ineffectiveness of the Hindu value system, which loosened the only ‘emotional tie’ that was holding the society together.”¹¹⁷ The present Nepal is torn in the acceptance of Western style of individualistic life, or to pursue the community based lineage system. The lack of popular participation is one of the main factors to cause stagnation in the Nepalese society. Maybe what the valley needs is not religion, but a secular forum to make the population work together.

2. Recipient measures taken to control corruption: CIAA

The Commission for the Investigation of Abuse of Authority (CIAA) is an important recipient anti-corruption agency. It is a constitutional body that was established in 1991 to combat corruption in the public sphere. The work of the CIAA is both reactive and proactive in nature, to give necessary regulation methods to the government; and also build coalition with the civil society and media to increase public awareness on the vices of corruption to limit further occurrences. Additionally, the Special Police Department was established by the government in 1960 and was empowered for corruption control. Over time, it gradually turned to be an agency which has been largely neglected by the government in terms of its priority to the overall strengthening and equipping the government bureaucracy against corruption. It has lacked leadership and failed to control corruption at the highest levels. CIAA is not the only agency in Nepal aiming to control corruption. The fight against corruption goes back to 1977 with the Commission for the Prevention of Abuse of Authority

¹¹⁶ <https://www.cia.gov/library/publications/the-world-factbook/geos/np.html>

¹¹⁷ Luintel, Y.R. (1992).

(CPAA).¹¹⁸ Anti-corruption Act of 1959 lasted until 2002. It was replaced by the new Act with the same name. And the CIAA was also amended.

A number of multilateral and bilateral donors have invested in supporting anticorruption measures in Nepal. The measures include: (a) Enactment of four major bills related to anti-corruption measures in 2002, (b) formation of Judiciary Inquiry Commission on Property, (c) establishment of Special Court and National Vigilance Center, (e) signing of UNCAC and (f) participation in OECD/ADB Anti-Corruption Initiative. The anti-corruption strategies have to face hurdles as pervasive impunity, low morale, low salary, frequent intervention and politicization of the bureaucracy, and even poor record keeping. However, the contemporary Nepal has not even seen a single important official who was perceived to be corrupt, to be convicted and incarcerated.¹¹⁹ And even worse, Upadhyay states that even though bureaucracy has incidents of corruption scandals, they disappear under litigations at the court. Without legal order, these criminal cases are withdrawn or the punishment is lessened. And the reputation (as discussed earlier with Tirole) and such outcomes, confirm the eroding respect of the government and the law to the masses. Upadhyay states with the Nepali idiom- *Thulalai Chain Sanalai Ain* (Law applies only for the powerless, small fry whereas the bigger fry is always beyond the reach of law).¹²⁰ This furthers the perception of instability and inability for the recipient-donor partnership.

Furthermore, the CIAA has problems with its infrastructure. The appointment of the CIAA commissioners are made by the Constitutional Council composed of high level politicians, so they have loyalty to political parties and thus been selected by political considerations rather than actual competence. Without proper checks, there are more incentives to see corruption *in* the CIAA. There needs to be a careful appointment to ensure that the incumbent maintains impartial and honest.¹²¹ The trustworthy reputation of the CIAA needs to take hold for the public and the donors. The officers of the CIAA are brought on from other agencies and belong to other factions of the government. They work at that CIAA for a couple of years and are then sent back to their respective organizations. This limits the CIAA's proficiency, expertise building and succession based on credit. These officials are

¹¹⁸ Upadhyay (2004), p. 20.

¹¹⁹ Upadhyay (2007), p. 146.

¹²⁰ Upadhyay (2007), p. 146.

¹²¹ Upadhyay (2007), p. 158.

under pressure from politicians and upper management when they return to their respective offices, so they are motivated to act in a corrupt manner.

Furthermore, Upadhyay recommends a clear code of conduct for the donor's staff members, while upholding accountability, and making the operations transparent. This would save "face" and help the donors gain more respect in Nepal. And these donors would not be charged as being the "suppliers of corruption." The article suggests that by making staff salaries competitive to local market, the donors can partly achieve their goal of implementing the anticorruption policies. Similar to the ideas of the World Bank, giving the recipient country local ownership would help ease the policies into place. Upadhyay further finds that by allowing more public participation, the implementation of the anti-corruption policies in rural areas would have higher success rates. And as the 'exit survey' will show later in this research, the Bank's agenda have taken hold: the government offices are perceived to be less corrupt than originally believed.

However, achieving these development goals in Nepal are met with oppositions from third party who have vested interest in making money, appointing close relatives, and using public resources for private benefit. The systemic corruption distorts the studies and surveys because this party seeks to increase budget aid. Since majority of the population have low education, the plans for anti-corruption strategies and development program would depend on the few, with higher rate of negligence and low checks and balances. This all goes to show that even though there are attempts made by the donors and the recipient country, they face oppositions from policies, infrastructure, lack of ownership, public tolerance of such activities, middlemen, and social behaviors. The role of middlemen and external forces that impede on the perception of corruption is taken into scrutiny in Chapter V of this research paper.

Other Recipient Anticorruption Policies

The CIAA is not the only recipient response against corruption. In 2002, four more anti-corruption bills were passed: the Impeachment Act, the CIAA Second Amendment Act, the Corruption Control Act and the Special Court Bill. The donors have played a key role in implementing the plans for strengthening the operations at the regional and district levels. They have invested aid and supported these anticorruption agendas of the recipient country.

The CIAA's Anti-Corruption Act widens the ability to investigate corruption in banks, companies and councils established by the government. The Act further increased the CIAA's power in controlling corruption in universities, schools, think tanks, and research centers. This

act was intended to curb the control of corruption in the government and other important organizations to increase trust and transparency for the public. Furthermore, the Special Court Act provided a method of conducting a trial of special cases efficiently and in timely manner. Corruption charges were now under the Special Court's jurisdiction. But in reality, there have not been strong reprimands, and hence the perception of inability of the CIAA has been enhanced.

Furthermore, the CIAA's Second Amendment Act empowers the CIAA to have more power to freeze accounts, initiate disclosures and have the ability to seize passports for those under investigations. Another important act passed in 2002 was the Impeachment Act which allows impeachment of heads of governmental bodies based on their misconduct and dishonesty, under trials of the Special Court. The Corruption Control Act also initiated the National Vigilance Center (NVC) under the control of the Prime Minister. The NVC has the responsibility of monitoring the government office, along with the CIAA, to gather information about corruption inside and outside of the government.

Additionally, the Judicial Inquiry Commission on Property (JICP) was formed in 2002 to investigate the acquisition of property by senior administrative and political leaders. The JICP works to provide reports on ministers, civil servants, and police officers for the CIAA. The CIAA's Chief Commissioner in the past has made few successful prosecutions by increasing legislative changes and taking active actions against senior politicians and government officials. However, the recipient proactive attempts to curb corruption on high profile officials, actual prosecutions have yet to be brought to these individuals. Currently, there is no active Commissioner, and this has deterred the national fight against corruption. Also, the CIAA delegates its powers to curb the effects of corruption cases. The following institutions have links with the CIAA:

Auditor-General

The Auditor General is authorized to audit the government agencies' financial accounts. This office plays a key role in exposing cases of corruption and conduct research on possible actions for better anti-corruption strategies' implementation. The new government has yet to appoint the current Auditor General. Without the role of a strong Auditor General, it becomes possible for corrupt politicians to appoint their own party's supporters. The vacate position has made possible for poor implementation of the legislations and inability to overlook the CIAA.

National Vigilance Center

Similar to the CIAA, the National Vigilance Commission was created to raise public awareness about corruption and create effective anti-corruption strategies. It was established under the Corruption Control Act in 2002. Unlike the CIAA, the NVC is under the direct control of the Prime Minister. The NVC conducts checks to see if there are any irregularities, and informs the investigation to the CIAA for prompt prosecution. The NVC is thus political in nature, and can have agendas against competitive parties.

Regional Administrators and Chief District Officers

The Regional Administrators and the Chief District Officers investigate corrupt activities in the post holders, and refer cases of corruption to the CIAA for prosecution. These investigations have yet to function efficiently, even after training by the CIAA. The staff is often asked to investigate the regional and district levels, which are slowly becoming more open to national causes. However, these agencies are limited by their direct involvement with the CIAA, which lacks a Chief Commissioner.

Revenue Investigation Department

The Revenue Investigation Department formed under the Revenue Inspection and Control Act of 1996, conducts investigations regarding revenue leakages. In 2006, King Gyanendra was asked to disclose information about the bank accounts and assets held by his family. And the same is requested from the previous prime ministers. And it found that few of the previous ministers had given money to journalists as bribes to not disclose certain information. However, this department has come under severe scrutiny from the CIAA because its officials have themselves been involved in corrupt activities. And because politicians have a strong hold on the CIAA, and the Revenue Investigation Department, which one could surmise that the CIAA is now politicized and used to limit corruption charges.

Special Court

The Special Court was formed under the Special Court Act of 2002. The Special Court is comprised of three member commissioners, nominated by the Judicial Council. This court works primarily with the CIAA, and currently there is only one in Kathmandu to deal with the corruption cases. The constitution allows for further special courts in the regional and district levels, but due to the low funding and establishment of the new government, the focus has not remained on Kathmandu's Special Court.

Links with the Civil Society

The CIAA has realized that corruption is not limited to the government. Complementary support to the CIAA from the civil society increases public awareness and willingness for change against corruption. It has established ties with the non-governmental organizations to combat corruption. CIAA works with NGOs as Transparency International, Pro-public and Bar Association, and Global Integrity among others. Pro-public agencies work with the CIAA to investigate these corruption cases. And they also play a key role in relaying messages of corruption through radio, publications and training for offices. These NGOs also help with publishing documents, newsletters and maintaining the website to increase public awareness and increase people's rights on their freedom of information. However, the CIAA mainly relies on direct complaints as identifying cases of corruption, and not on reports submitted by other agencies. These reports would help attain valuable sources of information for greater efficiency of the CIAA.

Donor Support to the CIAA

The donors play a key role with the CIAA, and thereby the fight against corruption. They aid in implementing the plans to strengthen operations at regional and district levels. The ADB, DFID are few of the donors who have provided technical assistance and planning. These donors have funded the CIAA Institutional Development Project, but the recipient country has not taken any actions concerning the project. The donors train the recipient officials, and supervise workshops to transfer knowledge. These donors show that they have succeeded with their programs as the National Counter Corruption Commission of Thailand and Independent Commission Against Corruption in Hong Kong. The anti-corruption organization as Hong Kong's ICAC has relative independence and stronger rule of law. Furthermore, the Government of Japan has provided financial support for the construction of the CIAA building. These donors make it possible for the interaction with the civil society, especially working with TI. And these donors play a crucial role in assisting CIAA in creating transparency and public awareness. But there is also the issue of legal transplantation. The policies of the donors may not be conducive in Nepal.

It must be taken into account the possibility of corruption from abroad, and not limit the anti-corruption actions to governmental controls alone. Corruption has deep roots in almost all factions in society, so having more effective agencies and a need for decrying corruption values may instill a lasting trend. The agencies so far have been more primordial in nature,

but the success seems to be instilling transparency, accountability and shaping public perception. The public demands would pressure for better anti-corruption legislations' implementation.

Strengths and Weaknesses of the CIAA

The CIAA is a strong agency fighting against corruption that was established by the recipient country. It has much strength, but also many weaknesses. As a constitutional body, the CIAA is independent and safeguarded against interferences from other parties. However, it is a government body and limited by the politicians' involvement. Note worthily, the Prime Minister appoints the Chief Commissioner and the other commissioners for a 6 year term. It is considered a difficult position, as there will be more enemies in high officials than friends. And the last commissioner, Surya Nath Upadhyay has been considered an indispensable leader against corruption.

Currently, the Council is still looking for a good candidate to lead the CIAA. However, the different factions in the Council have their own ideal candidates, and because of internal conflicts, finding a suitable Commissioner has been difficult. The parties are still struggling to appoint a just Prime Minister, and the disagreement on appointing the CIAA Commissioner is on-going. Furthermore, the CIAA is funded through the Ministry of Finance under the national budget. This is drafted through the Parliament, which has a set account. The allocated budget is not sufficient to encompass the growing staffing levels and office administration needs of the CIAA, especially when dealing with the new political environment.

A key problem with the CIAA is its staff resource and management. The CIAA does not have its own staff. The posts in CIAA are filled through transfers from other departments, rather than being based on performance related system. This limits growth and knowledge of the staff. The staff has to deal with a heavy workload and confrontational investigations. These transfers, sometimes political, limit the CIAA's ability to investigate corruption cases. Furthermore, tackling corruption in Nepal requires action on numerous areas: to reduce opportunities for corruption, and to strengthen anticorruption strategies to discourage corrupt actions. The high profile cases have generated public support, and controversy without proper prosecutions. By failing public expectations, these cases are under skepticism and the reputation of the CIAA is deteriorating.

Furthermore, the CIAA can be made weak by the politicians. The constraints of

physical and human resources, and lack of training show the dearth of skills development. The donors support these oversight agencies as the CIAA and Auditor General because they play a key role in lowering corruption in the current instability. But the problem of having a governmental overseer showcases the subjective nature of corruption. These government commissioners are asked to accuse fellow government officials and politicians of corruption, which would encourage perception of corruption even more in the long term even if there were no actual prosecutions. These officials in the CIAA would not be in the institution for a lifetime, and if they do accuse key politicians, they would be social and political outcasts. These governmental bodies suggest the need to render the anti-corruption controls to be more effective. The government has made timely provisions for the cause, but there are still downfalls limiting these agencies to be more effective.

IV.1. Perceptions of Governance in Nepal

The past assessments in the anticorruption efforts in Nepal are unlikely to be a useful guide for the current and future situations. Without proper governance, the anticorruption programs are unlikely to make a large difference on society. Nepal is undergoing rapid changes in all fields, and anticorruption strategies are necessary to control the drawbacks caused by corruption in governance. The international donors have attempted to get a comprehensive knowledge about the anti-corruption efforts in Nepal. But due to the historic changes, there have not been many country level surveys about corruption in Nepal.

Thus the Global Community Assessment Centre (CGAC) was established to assess the governance and anti-corruption enforcements in Nepal. The World Bank has collected its past analytical work, surveys, literature, and knowledge from the staff of the Bank in the office of Kathmandu. The staff also collaborated with the government officials, civil society, private sector, the donor community, and the academia. This collaboration shows that the knowledge of corruption is not just based primarily with the Nepalese government. The nonprofit agencies, the private sector and the think tanks play a key role in understanding corruption in Nepal.

Another analysis of the anti-corruption mechanisms that promote public integrity is the *Global Integrity Index* that rated Nepal in 2007 at a score of 60 over 100, which is equivalent to a “weak” rating. The most recent study conducted in 2009 finds Nepal to be still “weak” at

67 over 100.¹²² Nepal's score has improved slightly, and seen to be on an improving trend. Nepal scored 84 for its legal framework; however, the mean score is lowered by the score of 50 for the practical and actual implementations. The implementation gap is 34, which is very large. The categories show that civil society and media are rated strongly, but the rating is pulled down by the Right to Information Law that has failed to be properly implemented. This further proves the scores, and the repercussions of the failure of actual implementation. The following data depicts the study by *Global Integrity*:

Category	Score	Rating
Overall Score	67	Weak
I. Civil Society, Public Information and Media	85	Strong
II. Elections	78	Weak
III. Government Accountability	55	Very Weak
IV. Administration and Civil Service	53	Very Weak
V. Oversight and Regulation	65	Weak
VI. Anti-Corruption and Rule of Law	70	Weak

The studies show that Nepal's anti-corruption agencies like the CIAA have unclear areas of jurisdiction, and lacks in the overall direction. While many legal reforms were adopted in 2007, these policies have not succeeded largely because they have failed to be properly implemented. The focus has been on state building, inclusion of the Maoists and conflicts resolution.

Furthermore, the Constituent Assembly elections in 2008 showed that the monitoring of the elections was effective despite the lack of overseeing staff and electronic voting technology limited only to Kathmandu. The voters elected representatives from 25 different parties into office, which was supposed to show greater representations. However, this has only created tension and political instability. Hence, this has delayed the legislative action on implementing the policies. But the elections have shown the national need for governance. The governance in Nepal has both positive and negative points.

The most positive messages are:

¹²² The Global Integrity indicator evaluates existence of laws, policies and regulations, their implementation and accesses that average citizens have to these institutions. The score is based on 290 indicators in six different categories. <http://report.globalintegrity.org/Nepal/2009>

1. Nepal has come a long way in a short period of time. The country has managed to move from monarchy and regional conflicts to democratic peace. And the elections of the Constituent Assembly (CA) have shown that valid elections can be held, and trust is still apparent amongst the parties and the constituents.
2. The elections further showed that it is possible to hold peaceful elections with above average turnouts.
3. Throughout the turbulent political climate, Nepal's civil service has shown resilience. And the citizens have been able to hold elections to form the Constituent Assembly, and the politicians have played their part in forming the CIAA.

Nonetheless, there are also negative messages:

1. The government has had a difficult time transitioning and including the Maoists into the government. And there have yet been key appointments to the CIAA, Supreme Court, and even the Auditor General.
2. There are large amounts of impunity in the Young Communist League. There is also the problem of convicting people whom the people perceive to be innocent, like the last governor of the Rashtra Bank.¹²³
3. There is a large gap between the legislature and the ability to implement these laws. The laws are adequate, as the Right to Information Act - necessary for the proper implementation of the anti-corruption acts, but the political interference and lack of political will has made implementation difficult.
4. The instability in the government and the decentralized government has also made difficult instilling people's trust in the government and the politicians. And the inability to deliver services to the people have increased this distrust. This creates a paradox: should the politicians use corrupt means to deliver services faster (to increase public trust in the new government)? Even though the answer might be considered simple, the public wants results.

These strengths and weaknesses have shown necessary changes in the recipient country. While numerous studies have inspected the effects of corruption in the international commerce, few have attempted to examine the importance of perceptions of country's

¹²³ World Bank (2002), p.7.

corruption and governance. Understanding which cultural characteristics influence the perceptions of corruption may help these multinational donors and lending institutions to accurately comprehend the situation in the recipient country and adjust their own perception of corruption.

IV.2. Perceptions of Government Officials

As aforementioned, Nepal has the necessary anti-corruption strategies, but they are not fruitful without proper implementation. The middlemen are only part of the execution of the anticorruption strategies. The perceptions of the government officials at local levels are instrumental for these strategies. These state officials interpret and are in direct contact with the public for implementation of rules and policies of anti-corruption. These government officials like the middlemen, help to merge the distance between the state and the society. They are essential to the donor's contact with the public. And the interactions with the government officials also make the public aware of their rights with the state to decrease the impacts of corruption.

Local government offices are frequented to obtain certificates, legalize licenses, and other important documents that need to be authenticated by state officials. Law states that certain processes must be followed- list of documents submitted, authorization by the state, fees paid, and so on, for these certificates to be legalized. And furthermore, the rights of the citizens and the state are clear. Ideally, the citizens and the offices' interactions are impersonal and they strictly adhere to the laws. Strict separation of state and society would keep corruption in check, so that favouritism or personal attachments would not factor into the official's decision making.

This separation of state and the society is not seen in developing countries where the local government officials interact with the citizens. The rules are not always clear, with customary rules vies with state rules, and the officials do not separate their private and public responsibilities. With a society of closely knit relationships, it is customary to help "*aphno manche*" or one's own people- relatives, friends, and colleagues. This trust is based on accepting only those in the community, and a strong distrust of strangers. The acceptance of only "*aphno manche*" makes it difficult for the citizens to trust the international donors who do not speak the language and are not aware of the community trust. The perception of corruption is not simply formulation of anticorruption laws, but also the perception of who and how these policies are implemented.

And there is also tension between the state and societal rules. And tension between the rights of the officials with the rights of the public. These officials have dual duties to the public and the state. They are accountable for the actions of the state, and also in direct contact with the public to uphold the law- property, law, documents, and customs. By being a civil servant, their virtues are always at stake, by carrying out their responsibilities to the state and the public. These officials are not directly accountable to the public, because their employed position is not based on the constituents' vote, like the politicians. This tension of responsibility and accountability to the state and people creates a dilemma for the spread of the perception of corrupt activities. The lower level state official has to give priority to either the people (by not strictly adhering to the rules), or to the state (because the job is dependent on it). But if the officials do not listen to the people, they face the outcry of the people. These officials have to stick to the rules, but also provide the services that the public demands.

It is the general perception that most of the government officials at the lower level are corrupt, and easily take bribes. The officials are aware of their reputation, and especially when clients accuse them of favoritism and not doing work without extra monetary gain. This perception is further spread with stories in the newspapers, TV, radio, and other media outlets. The state officials adamantly defend their reputation and blame the middlemen for the proliferation of the perception of corruption about the state. While other state officials admit to accepting bribes and think of them as being gifts or tips for completing the work well. And other officials take the money from the public because of their meager salary and to meet the daily and social expenses.¹²⁴ And corrupt measures are only methods to earn the extra money to pay the senior officials to be transferred to a better post. These officials state that the public, themselves have to follow the rules, and validate documents, which may take time to process. The middlemen and impatience urge the officials to accelerate the process by corrupt means. By undermining the role of the middlemen and increasing the pay levels of all officials, the perception of corruption could be decreased.

Additionally, the lower level government officials represent the government. They are the 'face' of the state to the people. They are responsible for implementing the rules and regulations of the state. And since they deal with the citizens directly, they show how these anti-corruption strategies can be interpreted. The actions that these officials take foreshadow

¹²⁴ Because Nepal is a socially driven society, these communities like to show their post and wealth. The official would be under the pressure of his/her families and friends to meet their expenses.

the perception of the corruption in the state- by the state to the people, and the people to the state, and the donors on the recipient country. The difficulty in establishing evidence on bribery is mainly due to the reluctance of fellow officials to publicly accuse and embarrass their friends and colleagues.¹²⁵

Even with such difficulties, the middlemen and the lower level state officials are useful in processing the paperwork in time. And the middlemen and the officials blame each other for the reputation they had incurred. This complaint and blame is also given to senior officials and politicians who pressure the lower level staff to do the work, even if they have to overlook certain criteria. The pressure also comes from friends and relatives, who request personal help and favoritism for work.

While being the “face,” these officials are necessary for the implementation of the anti-corruption strategies. And even more so, building trust between the public and the state, while decreasing the perception of corruption for the donors and the recipient government. While these state officials monopolize the power of the state, the citizens use middlemen and other mediators and influential people to deal with the procedures and paperwork. By doing so, the citizens are subverting the power of the officials and the government and the proper implementation of regulations. This cycle reinforces the image of corruption in the government and the country.

Aside from the people constraints, there are also managerial ones. The poor record system delays the processing of paperwork properly and effectively. The lack of money for the office, lack of resource, and poor salaries also influence the officials to be tempted with bribery. With increasing the number of public and senior officials demanding services as soon as possible, corrupt actions are tempting and made more easily. The expectations of the donors and the states are for these officials to abide by the rules, poor reputation, but also to adhere to the expectations of the public.

Analysis of the implementation of anti-corruption regulations by lower level officials, their interaction with the public, unofficial rules, and the role of middlemen, all influence the relationship of the state with the public and proper delivery of the procedures. Ordinary citizens need to trust the state and the local level state officials. This perception shows the behaviors of the citizens to the state, and the state officials to the public. Without proper

¹²⁵ Caplan, 266.

changes in perception, the cycle of corruption is likely to continue.

The main purpose of this report is to describe and discuss the actual practice of bureaucratic governance, the rules, processes and procedures, officials, experiences and perceptions of the citizens, and middlemen involved in the delivery of public services. The report is more of an interpretative than an explanatory type of study and it is exploratory and limited in nature rather than comprehensive and definitive.

IV. 3. Enabling State Programme

Aside from the petty corruption seen with government level officials, the donors have taken steps to control corruption through state grown initiatives. The Enabling State Programme (ESP) is one of the many programmes set to help the Nepalese government towards governance, and in turn also against corruption. These programmes set up to establish governance and development also deal with corruption. The focus is on macro concerns of development because corruption is not a simple, solvable problem. The ESP is developed by DFID, but is Nepali-owned. ESP's main purpose is to help the recipient country to develop understanding of governance issues in Nepal. The donor has provided technical support, and project focus/dialogue groups, feasibility studies, study missions, and workshops.¹²⁶ The donor has developed overall progress along with the monetary aid. The progress of the programme is monitored by the Prime Minister's Office.

Funding for ESP costs was a total of £5,950,000 over eight years (11 January 2001 to 10 January 2009) with the £550,000 expenditure on the inception phase, which brings the total cost to £6,500,000. DFID also has set aside £13,000,000 to fund satellite projects to aid ESP.¹²⁷ The goal of the ESP is to aid Nepalese key players--civil society, books, seminars--to successfully influence main power holders to create a desire for change for governance. The goal of the project is to create "home grown" change from the people, so that the policies are able to be implemented (rather than legal transplantations).

Similar to the ESP, Nepal's Ninth Plan (1997 - 2002) was established to enable governance to promote development. The Ninth Plan was to create a more transparent, competitive, productive, and accountable government and society. The ESP and the Ninth Plan, both have various features that aim for development, but also to curb corruption. These

¹²⁶ ESP, 2.

¹²⁷ ESP, 6.

programmes encourage legitimacy of the government and the civil society. Even though the features of the plans were desired, the previous governments were not as open to the changes and reforms. The present changes to democracy have increased the aspirations for change, and better implementation for the anticorruption strategies to work properly.

The multilaterals, the World Bank, the ADB, and the UNDP, similar to the recipient's ESP and the Ninth's Plan include governance and many development orientated strategies for change. UNDP focuses on decentralization, and the ADB on civil service reforms. The bilateral donors: Danish Development Agency (DANIDA), German Technical Cooperation (GTZ), Swiss Development Corporation (SDC) and Netherlands Development Agency (NEDA) have development strategies of decentralization, governance and anticorruption for Nepal. The recipient country consults with both the multilateral and bilateral donors. These reforms are based on the sector wide approaches.

The desire for change must come from the recipient country itself. The donors are essential for change, but they are not the only forces involved in Nepal. There are third parties involved, who profit from the current situations, and would not like for there to be changes. And the changes themselves come from the government, academics, NGOs, politicians, civil society, and grass roots movements. The donors oppose those who do not want change-middlemen and higher echelons of society who benefit from the current political instability. By securing governance and development, the civil society and the media can challenge these forces for immediate and long lasting reforms. And raising awareness of grassroots can give voice to the people. The strategies of the donors and the recipient country aim to change advocates within Nepalese government and society, and will succeed with top *and* bottom approaches for change. Because corruption is a problem with myriad of reaches, a better legal and regulatory environment in corporate governance will help invigorate the economy with foreign investment and the increase the role of the private sector.

Despite the aspirations of the recipient ESP and the Ninth Plans, 42% of Nepalese still live below the poverty line and corruption is still rampant. It is perceived that there is little motivation in the government to implement such policies. The weak political leadership from the Prime Minister's Office lacks commitment and focus to implement the anticorruption and development policies. There is minimal accountability and donor funded projects are amok across the nation with non-budget expenditures. The recommendations of the Auditor General's reports and the CIAA reports are routinely ignored. Another problem is the lack of

auditing standards in the country.

Furthermore, the Poverty Reduction Strategy Paper (PRSP) was approved as a new programme by the IMF and the World Bank in 1999. The strategy is to create a comprehensive scope of reducing poverty at a macro level. This strategy was created to be further developed between the partnership of the donor and the recipient. Although attempts were made to make it more poverty focused, the approach has had many weaknesses. The approach needed involvement of the NGOs and the civil society. Nonetheless, this approach created awareness of the problems of corruption associated with poverty, and focused on dialogue building partnership between development cooperation and better implementation of the strategy.

Additionally, NGOs have also taken a step in Nepal to counter corruption. The Civil Society Anti-Corruption Project (CSACP) was implemented by the Pro-Public, a campaigning organization in 10 districts from January 2005 to March 2008. It aimed to build a stronger civil society to counter corruption in the national level and make use of public hearings to stop the misuse of public funds. Because of the Maoist troubles, this project has not been able to continue. Nonetheless, this shows the public need to increase the awareness and perceptions regarding corruption.

Corruption has many negative effects on investment and economic growth. To develop more accountable government, corruption must be stopped. Corruption in Nepal has thrived to the lack of public accountability, difference in public and private sectors' pay, and corruption in the judicial system. The programs by the recipient country- ESP and the Ninth Plan, and the Poverty Reduction Strategy Paper (PRSP) have all rooted out poor governance as one of the main causes for corruption. Furthermore, the donors have invested money and attention to the recipient country's programs for development and governance. Corruption is believed to be only a consequence of poverty. This perception needs to be revised, and focus on corruption as a problem because of its reach.

Chapter V: Question of Corruption in Nepal

The importance of Morality, Middlemen, and the differences between Grand and Petty Corruption

Introduction

This chapter analyzes the persistence of corruption even after all the donor and recipient programmes, anticorruption strategies, and media outrage. This section will seek to describe and discuss the issue of morality of acting in corrupt activities. The perceptions of the middlemen, and their role in the interplay between the donor and the recipient country, along with the interactions between the recipient state's lower level state functionaries and the common citizens, increase the perception of corruption. This chapter looks at the problems that these groups face, and the role that these middlemen play in acting as a mediator for these groups. The significance of the grand and petty corruption is also necessary, as it will help delve deeper into the differences between the two, and the tolerance that the Nepalese people show towards corruption.

As mentioned in the earlier chapters about the various rules and regulations of the anti-corruption strategies, the attempt here is to go beyond the state policies and regulations, and discuss corruption and its various forms. The perception of corruption has been developed by these actors- morality, middlemen, and the grand and petty corruption. The perception and experiences of the individuals will be further developed in the following chapter- Ethnographic study. In order to keep with the organization of the study, this chapter has been divided into three main sections: corruption, middlemen, and morality.

1. Why Corruption Persists

Corruption is an ancient problem, and has afflicted nations across history. The roots of corruption are found to be entrenched in the country's political, social and cultural history, along with economic development and traditions. Literature shows that finding solutions to combat corruption have been met with resistance. Even though anticorruption strategies have been tried and implemented, corruption still continues to exist. Corruption is agreed to be different in different countries, and the donors continue to target it, but the question remains as to why corruption is more persistent in some versus others? For example, corruption was prevalent in Singapore's history, but today, this country has high scores on the TI index.

However, Nepal still has problems with containing these illegal activities even after years of attempts. The simplest answer is by the liberal economists who state that the system of permits is the main cause of corruption, and therefore different countries have different degrees of it in the state and the economy.¹²⁸ This answer is simplistic, and may be partly the cause of corruption. But it fails to answer why corruption is pervasive in different societies.

Moreover, it is suggested that corruption is caused by and perpetuated by the inefficiency in the regulations, and weak central government with inability to stop independent corruption agents makes inefficiency more severe.¹²⁹ This is important when comparing nations who have similar levels of corruption. Even though comparing the two nations would have similar perceived corruption, the economic performance is different, and in large part it is due to the centralization versus more fragmented system of bribery. The reach of corruption levels is different and the perception of it is also different, even though the status of nations is the same numerically, according to the perceived corruption levels on the global outlook. This all goes to show the individuality of corruption in each country, and how universal anti-corruption strategies are not completely effective. This only goes to show that these strategies have no long term impacts on corruption.

Another idea on comprehending corruption is the idea of multiple equilibria, where two similar countries may end up with two different levels of corruption. The multiple equilibria show that there are multiple layers in the structural hierarchy levels where corruption plays a role, from the lower level officers to that of the superior ones. These different levels of corruption play a role on how the official rises in power. There have been stories told about how an official tried to go against the system to point out a bribe in India; however, for the rest of his life, he was not given a promotion, nor held trustworthy by his colleagues. This shows the importance of culture and different concepts of corruption among nations. Furthermore, multiple equilibria fail to show how they reached those levels in the first place.¹³⁰ There would be motivation to be risk evasive if the anti-corruption policies were drastically compelling. Andvig states that there is less conceived punishment when more officials become corrupt, especially when the superiors themselves are also corrupt. By decreasing the potential bribers' demand for corrupt services, the bribe amount increases and

¹²⁸ Beck, 2.

¹²⁹ Bardhan, 1326.

¹³⁰ Andvig (1991) in Bardhan, 1332-1333..

the actual percentage of corrupt officials decreases. This model shows Nash equilibria where the corrupt officials' demands reach a positive correlation between profitability and frequency.¹³¹ This understanding of corruption is gained through game theory and queuing theory. Nonetheless, since corruption is accepted in the recipient country, then it is only evident that eradicating it would face resistance.

The idea of multiple equilibria denotes that colonial history may have been a factor, but as shown by current score of colonized countries like India and Pakistan, they also have yet to overcome corruption. Another explanation is showed by sociologists, who state that social norms are the cause of corruption, and different cultures perceive what is corrupt differently. What is considered corrupt in one culture would be a routine transaction in another. Pranab Bardhan gives an example of visiting westerners who are astonished when they come across societies who do not carry out ordinary service without *baksheesh* (tips), and find these transactions to be corrupt.¹³² And in this sense, corruption is what one would infer it to be. The term *ghus* (bribes) is used in the official print media, but unofficially discourse dictates that the extra monetary support is described as the official's tip or expenses for tea and snacks (*cheeya kharcha*). Furthermore, some developing nations have gift exchanging as social norms, especially in business and formal transactions, and kinship based allegiance loyalties often takes precedence even for public officials. And it is not to say that there is no concern for the continual use of corruption, but rather corruption is considered to be an important factor for the indigenous citizens. However, even with the dissatisfaction and ethical reasons with the use of corruption, it still has been used and relied upon for the completion of jobs. Country has entrenched corruption because its norms are more inclined to corruption. This whole idea is tautological in its conceptualization of the problem.

There are other authors who view corruption differently from Bardhan. Raaj Sah (1988) describes corruption as a learning, societal behavior.¹³³ And the corrupt officials are likely to meet other agents who are likely to be equally corrupt. And the reverse is true as well, for non-corrupt officials and non-corrupt agents. And as the agents meet more corrupt officials, the subjective belief that there is more corruption increases, and would be more willing to instigate corrupt acts in the future. This type of thinking focuses on the more

¹³¹ Andvig (1990), p. 65.

¹³² Bardhan, 1330.

¹³³ Sah, 11.

psychological perception that the experience of dealing with the corrupt environment perpetuates the culture of corruption. However, as mentioned above, two economies with similar cultural and economic background, would reach different parameters of corruption. But as Sah states that the perception and actual acts of corruption is also based on the history of the society and economy. Nonetheless, belief is a subjective topic, and the frequency of corruption and actual occurrence do not always coincide.

Philip Oldenburg provides an example to the study provided by Sah. As villages in Northern India tried to install a land consolidation program, the land was to be evaluated to map out the region, and this created new scope for corruption for the officials in charge. There were complaints by the farmers who did not understand the procedure. They were under the perception that the other farmers bribed their way into handling the officials. And the bribes were paid to the middlemen that were meant for the Consolidation Officer. Even though there may be actual corruption in the procedures, Oldenburg's investigation found little evidence of actual official corruption, but also emphasized the role of middlemen who have interest in spreading dis-information to gain more money.¹³⁴ This creates a cycle of self-fulfilling corruption as the official is bribed because he is perceived to be corrupt anyway.

As this study shows, corruption is not simply the relationship between the bribee and the bribed, but rather the middlemen play an important role in accomplishing the job, and feeding the corruption rhetoric and increasing the perception of corruption in the recipient country. The perception of how the system works influences the people's behavior towards corruption. Aside from the impacts of middle-men, Oldenburg also brings up the subject of understanding the process to lessen the impacts of middlemen and thereby decreasing corrupt actions. By lessening the chain of officials and the number of transactions to accomplish the jobs and understanding the history of the department, the degree of corruption would also lessen.¹³⁵ The insider middlemen have the advantage of access to the agency, and would know how to expedite processes through the departments, and therefore using their aid would minimize opportunity costs. This study goes to prove that developing nations are best

¹³⁴ Oldenburg, 511. The following section will delve more into the role of middlemen.

¹³⁵ Oldenburg, pp. 509-529. The "lower" these people are, the greater the expectation that they will take a cut of the bribe. The donor is paying for results; but while the lower-level "insider" middlemen (the donor's dependents and those inside the recipient's office) deliver quite narrowly defined results, the "outsider" middlemen are expected to get the job done.

understood when asking the causes, scope and effects of corruption, to fully develop anti-corruption strategies that fit the recipient country.

And what about corruption that is harder to detect? Shleifer and Vishny discuss the subject of secrecy that makes corruption more distortionary than the actual corrupt acts. The procedure of official charging extra for himself is more difficult to detect and therefore more persistent, and these actions are seen in quality controls standards, safety inspections, supplies of goods, among others.¹³⁶ This is not to say that corruption is seen with positive image in the indigenous country. But understanding corruption is only the tip of the plethora of problems that it has created and how it has been exponentially affected in return. This recipient country has strong reliance on corruption, both culturally and economically. These entrenched corrupt actions limit the power of the anti-corruption policies, and the donor agendas. Corruption persists, even though the vices and long term impacts are grand and damaging.

This chapter showed reasons why corruption would exist- economic benefits, societal learned behaviors, lack of transparency, and role of middlemen. Media study (Chapter VI) will show that corruption is not tolerated, but the fight against corruption lacks stringent prosecutions for criminal behaviors. Also, the perception of corruption is further implemented in the donors and recipient concepts when middlemen and various methods of corruption exist in the recipient country. Nepal is not a simple case of grand corruption; it also has problems of petty corruption.

2. Types of Corruption

Corruption is a complex enemy because it has many reaches in the government and society. The perception of donors is that most of corruption activities can be curbed by changing the bureaucratic structuring, and increasing pay for the officials. But this is not always the case, since corruption is entrenched and systematic. The types of corruption are as follows: administrative (bureaucratic) corruption, bribery, petty corruption, graft, political (grand) corruption, influencing- influence decision in own favor, patronage, clientalism, and nepotism. These various corruption behaviors emphasize the perception of lasting corruption in the recipient country.

¹³⁶ Shleifer and Vishny, 598.

The following corruption types are seen in Nepal:

- Administrative corruption* is an act of paying illicit payments to the civil servants for policies and paperwork. These civil servants seek extra payment for their influence on the law.
- Petty corruption* is thought to be small acts of rent taking behaviors, usually by civil servants. The acts of bribing and influencing are types of petty corruption. These public officials who have direct contact with the public to expedite forms, or police officers who take bribes for traffic tickets, are examples of petty corruption.
- Bribery* is the act of which there is an immediate or delayed mutual exchange of a benefit in return for a benefit, be it monetary or otherwise.¹³⁷ Bureaucratic corruption consists of paying money to officials to expedite processes.
- Patronage* is to benefit individuals or a group by virtue of a relationship, regardless of merit. This type of corruption may benefit a relative or a friend, or members of a group or caste. Nepotism similarly is the use of government resources for patrons, clients and family members. With fixed appointments and transfers, people are hired based on their connection with highly ranked officials. And in other instances, give bribes for employment. Even if not all the hires are corrupt, this creates a perception of corruption for all to the general public.
- Graft* is the use of public resources for private gain. Graft is the use of resources or facilities by the staff, while overlooking the interests of the public.
- Influencing* is the method of lobbying for one's own way of thinking illegally. This type of favoritism influences public interests, and limits the trust from the public, and even within the government. This is mainly seen in schools and universities where the students with enough influence and money could enter the school with extra monetary influence to the admissions office. This only deteriorates the quality of the graduating class, and therefore the perception of the school in the future.
- Misappropriation* is the illegal appropriation of funds for private use.

Differences exist on the type and scope of corrupt behavior, and the extent of anticorruption measures, but this phenomenon can be found in all sectors. Corruption takes on many forms, and it is important to differentiate between *grand* and *petty corruption*.

¹³⁷ Carr, 156.

Grand and Petty Corruption

The grand corruption or high-level corruption is the misuse of entrusted power by top political and bureaucratic leaders. Grand corruption is defined as having senior officials exchange large sums of money, and involves major decisions and contracts being made privately without transparency or public accountability. These events usually happen in private and have long lasting implications to their actions. Grand corruption is seen in the political field, with long lasting consequences. These grand types of corruption is witnessed in electoral campaigns, vote buying, secret deals with businessmen to limit competition, and abuse of state resources.

Grand corruption has larger long term damages to the society, and is also harder to trace and convict. Nonetheless, CIAA has little evidence on bringing high level politicians and other influential individuals to justice. This sort of corruption creates a system of little accountability and distrust for the government. And with such continued beliefs, the public assumes that all high level officials are easily bribed or use corrupt measures for their own personal gain, than serving their constituents. And this perception may also impact the trust that the donors would give to the recipient government.

Petty corruption, on the other hand, involves low-level officials, small sums of money, and supply of routine goods and services. Petty corruption is easy to trace, and involves only small amount of money to accelerate processes. By having a weak bureaucracy, there is mismanagement of the system and the administration. This type of corruption only involves the immediate parties involved. The principle and the agent in the petty corruption are expected to supply the good for the requested demand. The transaction is completed with the extra monetary support to the agent. This type of corruption is thought to be less damaging than grand corruption. If high level officials are willing to take bribes, then there is a leadership vacuum. And without strong leadership to fight against corruption, the anticorruption measures have been difficult to implement. By having the public become aware of corruption and become more self-motivated to stop corruption, it is possible to curb the extent of corruption. The general public would have to save “*izaat*” or integrity against their peers and the community.¹³⁸

Even in grand corruption, there are long term consequences. Consider the following

¹³⁸ Tirole, pp. 2-5.

scenarios: a minister who receives a high bribe for a private contract and a minister who appoints his brother for a public position with a high salary; which is more damaging? In the two scenarios, both are harmful to the society. The first situation cannot be easily enforced, which causes a lack of accountability, transparency, and difficulty in ascertaining the impact. For a country that is slowly developing a new government, this trust is crucial. The latter situation of appointment is worse than the first because of blatant public display of patronage. Appointing relatives impacts the trust of the citizens on the government and belief that the system can change. Without trust, the public is reliant on their own conception of “good,” and becomes more reliant on patronage, rather than think that the government and the top politicians can be reformed. Nonetheless, both grand and petty corruption limit the power of the state and the anticorruption policies to be fully implemented. Aside from grand and petty corruption, middlemen play a key role in perpetuating the perception of corruption.

3. Middlemen

The work of the middlemen is usually downplayed. It is usually assumed that middlemen can get anything done with enough *ghus* (bribe). These middlemen can get licenses renewed within an hour, versus two days if done by oneself. These middlemen play an important role in the interaction between the state officials and the public. These middlemen help to lessen the civilian and state divide, by acting as the intermediaries for the state and society. But by doing so, without the official and the public meeting, the middlemen spread corruption. These middlemen profit from the current corruption activities and would be less likely to want the anti-corruption policies to take effect. They provide services to facilitate the completion of tasks. They sustain the current relationship, and even lessen the divide between the parties involved.

Middlemen are crucial for the spread for corruption, but they would be crucial for the anticorruption measures as well. As mentioned before, Oldenburg’s study finds that the main mechanism of corruption in the developing bureaucratic system is the middleman.¹³⁹ The author states that these ill-paid officials deal with bureaucracy by providing the service, with the belief that corruption is pervasive and the best mode of operation. They make the citizens believe that they are the only intermediaries for the government and the “voice” for the people. They have an interest to spread the belief that they are key to completing the transaction.

¹³⁹ Oldenburg, 510.

Because Nepal and India are so close culturally, the role of the middlemen in India is also seen in Nepal. They are intermediaries to give bribes (or tips) to the officials to expedite a service or delay a problem.

These middlemen spread the belief that corrupt measures are needed. They claim that the official would delay the work unless extra money is given to them. These middlemen benefit from this instilled belief system. Not only do they gain extra money from the fees they charge the public, but also a cut from the officials. They spread the perception of systematic corruption and officials with biblical greed. With conditioned effort, the public would be more likely to hire middlemen to deal with officials based on the aforementioned beliefs. This reputation gained by the department is perceived by the citizens and officials, and informally indicates corruption's spread. These groups show that entrenched corruption is apparent in all level of society, and much more difficult to find the right anti-corruption strategy. In summary, corruption in entrenched societies is harder to fight because of its usefulness.

However, despite the perceived corrupt actions of officials and middlemen, not all officials need large payments to complete the paperwork. And the middlemen are not the intermediaries of only corruption. They aid in the paperwork, gather information for the officials by having direct contact with the public, and also gather information about the public for the officials. They facilitate contracts by negotiating with officials and clients. The more experienced middlemen, called *lekandas*, know the law and can provide advice to the clients. And since these experienced middlemen frequently interact with the officials, know the procedures, and are in friendly basis, so they are able to complete the tasks faster. These middlemen aid in the completion of tasks, not just spread 'corrupt' money from client to government officials.

The officials and the middlemen have a symbiotic relationship, where both need each other, even if they accuse the other of spreading corruption. Since they both benefit from the interactions, this has created a system for the client, middlemen and the government officials. As the middlemen rely on the officials for business, the officials also depend on the middlemen to get their paperwork processed quickly and efficiently, and also aid in the increase of their income. These middlemen and the officials have trust with each other, and their individual work. This speeds up work, which the client had initially requested.

Donors and Middlemen

The multi-lateral agencies have tried to produce development, but rarely have they completed this task. One of the reasons could be the need to get the right agents to do the job-middlemen. These banks need to get these middlemen to work for the project. These middlemen form a supply chain, and have social skills that the donor agents lack. Middlemen play a key role in the relationship between the government agents and the Nepalese public, and also between donors and the government agents. They are aware of the perceptions of corruption, and can aid in developing methods necessary for proper implementation.

When looking at a simple principal-agent relationship, the middleman forms the relationship by being between the donor and the recipient. The donor would be the taxpayer, and the recipient the agent. But also, the donor would be the multilateral agencies, and the recipient is the Nepalese government. It must be noted that the aforementioned model does not actually reflect the complexity of all the middlemen and their interactions with each other and the donors. There are too many variables to be specified. But by simplifying the procedures, contact with officials and decreasing red tape, the reliance on the middlemen can be gradually decreased.

The donors need to take care in selecting the proper middlemen and monitoring their activities. And as Zetland notes, “the donor’s costly effort to select and monitor middlemen creates benefits for others, the recipients”¹⁴⁰ However, with the middle-men's involvement, there is not a straight transparent and accountable relationship. This causes the donor to face weak incentives and weaker feedback. But it is also assumed that middlemen aggrandize corruption with theft, mismanagement in bureaucracy, spreading relationships without transparency, and other interweaving methods can be distractions from the recipient-agent model. The middlemen from the model play a key role in turning the development and anticorruption money from the donors to either a success or a failure.

Additionally, the donor middlemen can be made to facilitate campaign awareness on corruption. But the trust needs to be developed between the donor and the middlemen. The donors have to choose the right middlemen to form correct set of choices that can be not known to the donors. Adverse selection would only result in the reliance of further corrupt measures. And the trust has been entrusted to the middlemen who might not have vested

¹⁴⁰ Zetland, 333.

interest in the success of the anti-corruption strategies. The problem is the quality of the middlemen selection, than the morality of the issues. But by making the middlemen understand the moral hazards of corruption, anti-corruption strategies would be more easily implemented. Also, the middlemen have two key advantages: knowledge and motivation. These middlemen have the local language, culture and norms to respond to local needs. They have the facilities to acquire surveys and find information and people for the project's advancement. And the intrinsic motivation of the middlemen, are not based on material self-interest. As Fehr and Fischbacher (2002) note that people "are not solely motivated by self-interest, but also care positively or negatively for the material payoffs of relevant reference agents."¹⁴¹ There are important forces shaping the social norms. And these middlemen are motivated by their work regardless of their monitoring.

These values are intrinsic and harder to quantitatively measure. It is hard to measure if the middleman aided or hindered the donor's anti-corruption projects. The middlemen can be motivated extrinsically, which would be a problem because corrupt measures will be of more interest. But the failure of the anti-corruption strategies could be the need of new staff, and monitoring through the middlemen with joint responsibilities makes it hard to know who did what or how those inputs affected outcomes.¹⁴² Ostrom et al. (2001) notes that middlemen serve the donor more than the recipient government. But the priority must be given to the recipient.¹⁴³

Monitoring the aid money is difficult and would cost more money, which is more useful for developmental programs. The aid goes to anti-corruption measures that are hard to measure and culturally different. And on the other side, the recipients are also powerless to in monitoring these middlemen. For better effective aid, fewer high-quality middlemen will save money and focus projects on respective recipients. A way to counter the role of the middlemen would be to hire motivated people who care about the subject, and pay well so they do not act in a corrupt manner.

4. Morality and Corruption

The study on the difference in perceived moral codes between developing non-Western societies and Western views is not a new phenomenon. Morality and perception are subjective

¹⁴¹ Fehr, et al, C2.

¹⁴² Zetland, 334.

¹⁴³ Ostrom, 4.

terms. The social practice of corruption provides short term benefits, and condemning it is based on moral thinking. Western norms dictate for the corrupt actions by public officials to be penalized if the same situation were to occur in the Western soil. However, it is not acceptable to change the normal operating behaviors of the developing nation. This line of reasoning has its paradox, as questioning whether these “corrupt” behaviors would create a perception of difference between the developing and developed societies- as “us” versus “them” scenario. If the definition and the perception of corruption were changed to the view of different societies, then the official appointing his relatives and even accepting bribes would be acceptable. Certain corrupt practices arise and can only be understood within the particular country’s social context.¹⁴⁴ By understanding the role and dependency of corruption, it is possible to create a better anti-corruption policy that would show results within the government, various agencies, and also the civil society.

Not all the donor agencies can be seen as moral actors. The fight against corruption, in terms of the donor overall agenda seems to take a strong stance on the complete eradication of corruption. This amounts to a fight against a great “evil” that is ravaging developing countries. No matter how benign the actions may seem, donors have been thought to accept favors and gifts. These actions are termed as being benevolent, both in the cultural sense, but also for conducting business. However, the wider implications of creating deals with more corrupt actions would imply much more detrimental repercussions for dealing with donors in the future, as well as effects on the anti-corruption policies. It is not to say that corruption is *good* or *moral*; it affects the poor directly with the misallocation of donor aid. However, the subjective nature of the study shows how corruption is regarded, in relation to the strict and inflexible donor policies. And implementation of such policies depends on acknowledging the individual recipient situations. These scholars show that corruption cannot be taken succinctly ‘bad’, but rather it is a convoluted subject with imprecise definition and solution.

The donor agencies (and even local agents) who have taken bribes are considered corrupt, but not when these cash bribes are exchanged for political support in the recipient country. This patronage and improper use of the public funds is the result of the abuse of power. However, the argument remains as to the degree to which “soft” (informal systems) practices are apparent in developing societies, even with the drawbacks. Studies show that

¹⁴⁴ Schenk in Wade (Corruption, Development and Inequality), 111.

there are greater social benefits derived from ‘soft’ practices rather than focusing on only ‘actual’ rules of bureaucracy through bending of the rules. Therefore, would it be moral to continue this way of life? Furthermore, since the informal and formal sectors are intertwined, by allowing informal methods to aid the more underprivileged sections, the formal productions would in turn also profit. But to what degree is corruption “good” to make sure that there are results, and in that sense fight should be for the more detrimental corruption with a little monetary push? And likewise, should there be a more understanding approach to view corruption when dealing with a society that has entrenched corruption?

To answer these questions, it is important to look into the concept of corruption, not only looking at it with the ‘good’ versus ‘evil’ moral view, but rather the perception of it changes based on the situation. Corruption affects the poor directly with the misallocation of donor aid. The view corruption is ‘all evil’ can be contrasted with other scholarships that corruption can also have positive effects. To be completely free of corruption is impossible, as stated by Michael Johnston.¹⁴⁵ Aiming for complete elimination of corruption is costly and this plan also goes against democratic ideals to have such complete control over the institutions and civil society. Even when the World Bank views corruption as a threat to a nation, and has created an agenda of complete eradication, it also provides opportunities to the less advantaged groups, and addresses the structural inequalities and poverty in the society. As much as corruption may aid the society in the short run, the dependency in corruption may intensify the exploitation of the majority of the population.¹⁴⁶ On the other hand, for developing nations like Nepal, strict policies have resulted in the affected citizens to be taken in by unscrupulous opportunities, where cumbersome bureaucratic regulations can be avoided.

The problem of trying to depict corruption in terms of morality leads to its imprecise and unanswerable existence. The debates that these scholars have shown do not lead to a precise answer. The various forms of corruption, has lead this paper to question whether it can be defined as being moral or immoral, and if the donors should change *their* views on corruption to correlate with recipient ones. The objective method of factual inequalities and numbers on corrupt acts versus the more subjective perceptions of these acts show the difficulty to pinpointing which area is more important. The collective is harmed by the corrupt actions, but in the short term, these corrupt actions provide a system for the more

¹⁴⁵ Johnston, 87.

¹⁴⁶ Ward, 3.

disadvantaged group to succeed.

Conclusion

In the context of pervasive regulations in developing nations, corruption may actually improve the efficiency of the state and economic growth. The persistence of corruption shows the reliance that some may have on bribing and other such methods to complete these contracts or jobs, especially when the country is poor and faces myriad of developmental, poverty, and infrastructure problems. Corruption aids these government employees by paying them directly. This extra monetary aid helps the employee preserve and advance their conditioned behavior to complete the assignments as per their job requirements. And corruption is also said to facilitate other private entrepreneurs to overcome cumbersome and elongated regulations to enter the market and conduct business. The motivation to bribe is based on how quickly the job needs to be accomplished and their individual opportunity costs.¹⁴⁷ The bribe also depends on size of the amount for the officials. This form of bribing forms the Nash equilibrium, where the waiting costs are minimized and bribing the public bureaucratic administration becomes more efficient for the individual client. By paying a little more to cover “administrative” charges, the client would accomplish the task faster and more efficiently. This explains the personal agenda for illegal activities, but societal pressures are also important in comprehending the reach that is corruption.

Another harmful impact of corruption is the role it plays on limiting competition, by bribing police to harass rival organizations.¹⁴⁸ This role of corruption is not limited to opening the market for new entrepreneurs, but also has the opposing role of limiting the activity of new companies to open and function properly. Since there are no checks and balances, nor strong negative consequences, the official would be interested in continuing his/her work with the extra benefits. It must also be noted that if the good or service could not be delivered then the bribee would be asked to pay more before the good is delivered. But Murphy, Shleifer, and Vishny show that contracts made under corrupt situations are not enforceable in courts, so the actual delivery of the service is not promised.¹⁴⁹ This furthers the power of the corrupt actions. The bribed official is not held accountable for the case, and is not punished, but rather given more incentive to continue these corrupt dealings. The perception of these officials as willing

¹⁴⁷ Lui, 762.

¹⁴⁸ Bardhan, 133.

¹⁴⁹ Murphy, Shleifer and Vishny (1993), 409.

agents to take bribes is thus further entrenched in the community. This not only increases inefficiency and the rate of bribes, but also tarnishes the reputation of the state and officials involved in the bureaucracy, and general trust that the public would have on them.

Furthermore, Gunnar Myrdal dictates that corrupt official would be tempted to increase the number of administrative delays to attract more bribes.¹⁵⁰ This also suggests that the official is not representing the best interest of the public, but the power rests on the official, who can charge as much or more depending on the person, and how speedily the service or good needs to be delivered. And to limit the money and power on these civil servants would be difficult to enforce without any drastic anti-corruption strategies with harsh immediate punishments. These corrupt actions are not a way to circumvent the system, but rather the corruption actions are part of the patron-client system, where the people with money are able to have their will over those who do not. And this cycle of bribing reliance causes an indirect need for more monetary aid. If corruption is not curtailed, then the success of the bribes would influence these corrupt officials to demand even larger bribes. This further creates a culture of corruption, and in turns causes inefficiency between the donor-recipient relationships. These differences in the way corrupt actions are handled show the importance of culture and historical background. The growth of the recipient nation is dependent on overcoming these entrenched perceptions. Development is not likely to succeed if the effects of corruption are accepted and condoned.

Corruption has other several negative impacts, but it is directly linked with limiting growth and investment. If a company or government is even thought of to be corrupt, the perception of it would create more incentive for investors to *not* invest. And when the resources for public building infrastructures and other developmental policies are diverted for detrimental rent seeking behavior, the growth rate would be impacted adversely.¹⁵¹ And the slow growth would deter further development of new policies.¹⁵² As new policies are attempted to be integrated in developing countries, these policies would be at the mercy of corrupt public officials and powerful elites. And these price distortions and bureaucratic impediments are decisive factors in slowing development.¹⁵³ It is important to consider how the 'bottom-up' tier or the common man also has a part on rejection of corrupt actions. For

¹⁵⁰ Myrdal, 167.

¹⁵¹ Myrdal, pp. 408-09.

¹⁵² Murphy, Shleifer, and Vishny, 413.

¹⁵³ Romer, pp. 35-36.

societies with entrenched corruption, all citizens would need to be motivated to accept the anti-corruption measures.

Without denying the positive impacts of corruption, however, corruption is still perceived to be so pervasive that it presents more long term damaging effects of inefficiency and impedes policy implementations. It also becomes virtually impossible to confine corruption for just the short-term and present beneficial impacts. The efficiency effects described above in favor of corruption creates a repeating cycle of positively reinforced dependence. Since there are no negative conditionings, nor harsh and immediate punishments, the corrupt actions outweigh the benefits of following the state's anti-corruption policies. And the impacts of such actions are long term and detrimental to the developing country.

Additionally, the secretive nature of corruption makes it harder for its detection and punishment becomes distortionary to actual events. The amount of bribes that are used is based according to the importance of the activity, and even without bribing; there are other substitute actions to complete the transaction. Also, to preserve the secrecy of corrupt deals, small elites would try to create entry barriers for many of these situations. And exposing these 'secret' dealings would cause backlash to those brave enough to oppose conformity. This creates another adverse effect to society by discouraging new ideas to economical or societal development.¹⁵⁴ This limits competition, transparency, and overall developmental policies from being implemented. For these anti-corruption strategies to function properly, the perception of corruption and reliance of it would need to change. Also, establishing these strategies would need the aid of these small elites, without whom these concepts would be inefficient in the higher tiers of government and societies.

¹⁵⁴ Schleifer and Vishny, 601.

Chapter VI: Data Collection

Ethnographic Study- Print media

During the panchayat (monarchy) era, the absolute authority of the monarchs limited the role of the media. It was made sure that the complaints in the legislature and judiciary against the king were dismissed, and ministers were appointed and dismissed on a whim. Furthermore, the Rana regime denied freedom of expression and installed a network of loyalties and a practice of favoritism. This ‘carpet scandal’ was seen to be one of the main reasons for corruption to be so rampant in the government. However, now that there is democracy, public perception of the government is still dire, and the political instability is not aiding the transition. Kantipur News recently reports corruption in the Home Minister’s office, police personnel, intelligence personnel, and other ministries (finance, forest, etc.).¹⁵⁵ This report is one of many to showcase the high level of corruption in the government.

Nonetheless, the print media is also a data gathering mechanism about the perceptions of the media, citizens and the donors on corruption, and anticorruption methods. Media is used to substantiate this research, and to test the hypothesis: perception of corruption does impact the interaction between the donor and recipient country. This chapter will seek to gather ethnographic and social data on perceptions of corruptions- for the recipient citizens and the donors. This section seeks to gather data on the subject of perception through media reports. First, various recipient newspapers and magazines are analyzed to gather information on the perception of corruption. Then the study will analyze the World Bank’s exit survey, which was gathered in conjunction with the recipient country, shows the discrepancies in the perception of corruption. This survey showcases the complexity in perceiving corruption.

1. Print Media

The political change to democracy in 1990 has had a tremendous impact on the print and visual media on the fight against corruption. The insurgency and the power struggle had put limitations on the extent to which the media could convey more pressing topics. But the recent political change had returned the freedom of press to the visual and press media, and this has allowed more attention to be spread on the corruption cases, anticorruption measures, and awareness about the subject. In 2002, the Nepali Times conducted a survey to question the

¹⁵⁵ Sharma, K. (2011).

main reason for the country's poor situation, and corruption was mentioned more than the Maoists. Corruption is a major impediment and is systematic in appointments, transfers, procurement, and other areas. With rumors and media reports, corruption is thought to extend from the highest levels to smallest bribes. And the print media have played a large role in exposing the truth about corruption, but also expediting the perception that the corruption is rampant in the country.

Due to the new freedom of press, mass media has grown in the recent past. Media has paid special attention to corruption through news coverage and magazine articles. The amount of print media is large, and the research has been focused on three national daily newspapers, *Kantipur*, *Nepali Times* and *Himalayan Times*. There is also two weeklies *Deshantaar* and *Dristi* and magazine *Himal SouthAsia*. These are all in Nepali, except for the *Himalayan Times*, *Nepali Times*, and *Himal South Asia* which are in English. The review covers recent news, but also some of the coverage in publications from 2007-2011, correlating with the anticorruption policies' implementation and changes in the politics. This research looks at a range of corruption issues reported in the mass media.

The print media has paid large amount of attention to mainly *grand* corruption in the Kathmandu valley. Because of the long term impacts of grand corruption, these stories garner more attention for the media. The focus has been on bureaucratic and political corruption: misappropriation of fund, bribes, nepotism, and favoritism in transfers and employment appointments in the government official positions. These corrupt actions are seen with senior government leaders, ministers, prime ministers, and political parties who have dealt with businessmen and other middlemen for personal gain. But these magazines and print media have also shown *petty* corruption that the citizens face with their interaction with state officials. These lower level officials have more direct contact with the public, usually the customs office, courts, police and the Land Revenue Office, and are able to ask for bribes more directly and more often (even if the amount of bribes are low).

The dailies, *Kantipur*, *Nepali Times* and *Himalayan Times* cover mostly corruption scandals that are political and bureaucratic in nature. The weeklies, *Deshantaar* and *Dristi* cover a range of corruption stories, but mainly attempts to analyze the news. These attempts to analyze the reports have the problem of being subjective and biased in exposing the truth on corruption on politicians they support. They also would give more attention to the wrongdoings of rival politicians, rather than covering an encompassing story. The forth weekly

magazine, *Himal Khabarpatrika* prints stories based on personal stories. Because of the more biased nature of the topic, and the subjective personal statements, it is difficult to find real evidence of corruption in these articles.

Nonetheless, these print media provide an outlet for ordinary citizens who have had experiences with dealing with corrupt officials, and general perceptions of corruption. Media has been very important in the fight against corruption. They report cases where government officials are accused of corrupt activities, but have failed at prosecuting them successfully in courts. They also act as the overseer of the government anticorruption institutions as CIAA. By investigating the efforts of these anti-corruption commissions, the media plays a key role in investigating the proceedings and willingness of the CIAA in controlling corruption.

Furthermore, the investigation officers and the former commissioners of the CIAA have been said to abuse the authority and received bribes. The Supreme Court has ordered action against former acting chief commissioner Lalit Bahadur Limbu, and this goes to show that even the anti-graft body is not free from corruption. Nonetheless, the media plays a key role in perpetuating the perception of corruption in the governmental bodies, which must be trusted for the anticorruption strategies to work. With stringent words, Bhadra Sharma notes, “CIAA has yet to make an official comment about their involvement, although the media has provided sufficient evidence to prove their guilt. Deliberate delays and hesitation to suspend corrupt senior officials on CIAA’s part hint of something fishy.”¹⁵⁶ The article goes on further to state that the details of a closed door meeting that the CIAA officials had with alleged corrupt officers were also exposed. The article also brings up the topic of favoritism within the organization with the fear of appointing commissioners. This particular article depicts the hesitancy of politicians not wanting stronger anti-corruption mechanism, fearing the consequences. The media has shown the problems within in the CIAA institution, and the limitations that have delayed the appointment of the chief commissioner for the past five years.

In June 2007, CIAA filed a corruption charge against the Governor of the Central Bank, Bijaya Nath Bhattarai for accepting a bribe. However, the prolonged legal case was thrown out by the Apex Court in 2008. Similarly, CIAA charged the CEO of Nepal Airlines Corporation,

¹⁵⁶ Sharma, B. (2011).

Sugat Ratna Kansakar for making a nonrefundable commitment, but the case did not much hold without the Chief Commissioner in power.¹⁵⁷ These cases and the media attention only go to show that the recipient country has a faulty legal and institutional arrangement to deal with corruption, expediting the growth and pervasiveness of corruption in Nepal.

Additionally, in 2005, the Royal Commission for Corruption Control (RCCC) charged Nepal's Prime Minister Sher Bahadur Deuba, and his ministers for misappropriating 180 million Rupees that was meant for Melamchi Drinking Water Project. While there was anger at this blatant corruption, some responded with tolerance. When asked about the corrupt activities of Deuba, a citizen exclaimed, "I do not even care if he took Rs. 20 million provided there is a guarantee that Kathmandu will have Melamchi water by 2010. Imagine the opportunity cost the residents of the Capital are bearing from not having Melamchi water on time. It probably runs into the billions."¹⁵⁸ This view goes to show the tolerance of corruption, and acceptance of transaction costs to subdue large amounts of opportunity costs. Another key factor is the level of tolerance. Former finance secretary, Rameshwore Khanal quit his job when he could not bear the corruption in his job. It is not to say that all politicians and ministers are corrupt in nature. *Nepali Times* reported former minister Hari Prasad Pandey admitted to bribing officials, evading income tax, and covering up misdeeds for his personal benefit when he was in office.¹⁵⁹ But he did admit to the charges and the wrongdoings. This type of news is rare, as most Nepalese ministers would not be willing to be exposed to the constituents and the society, or expose fellow government officials.

The citizens report to the weeklies their repeated experiences of corruption in government offices. The officials have asked citizens for bribes (*ghus*) and they admit that work would not be done without the extra expenses. More than corruption, these officials spend time amongst themselves, leave the office before closing time, are rude to citizens, while enjoying the facilities and pay of the state. While there are anticorruption agendas and plans to control corruption, actual officials take days to complete work that should only take a few hours.

The media also creates opportunities for the public to discuss why corruption is so rampant in Nepal. The paper asked why the official would take a government employment

¹⁵⁷ Sharma, B. (2011).

¹⁷¹ Manandhar, N. (2011)

¹⁵⁹ Kedar, S. (2002), p. 1.

when it is known to be of lower pay. *Kantipur* printed a letter who argued that civil servants should not take on government jobs, knowing the pay would be low. *Kantipur* reported that the Special Court recently had sentenced UML lawmaker Dol Bahadur Karki to six months in jail and fine of Rs. 100,000 on corruption charges. He has been the first lawmaker to be prosecuted with corruption, after the CIAA has filed a case against him. Ironically, Karki had accepted bribe to make the bribee a police inspector.¹⁶⁰

Himalayan Times has recently reported that the external donors have played a productive part in developing countries, as Nepal. The rules set by recipient country impact social behavior, and these legal policies and instruments are influenced by the donors. And the news reports that the donors demand the justification of aid effectiveness when corruption is rampant. The report specifically points to the conditionality that the donors put on Nepal.¹⁶¹ Furthermore, the *Himalayan Times* has reports of complaints that police officers have demanded money from businessmen. And furthermore, these officers have been collaborating with smugglers in the smaller districts of Nepal.¹⁶² After the report of corruption on these police officers, the CIAA has filed corruption case against 34 officers on a multi-million dollar scam. And of which, 23 senior police officials have been suspended by the CIAA as per the Corruption Prevention Act of 2002. This has been first instance that so many high level officials have been charged on corruption.¹⁶³

Print media have shown increasing news on corruption, providing knowledge of information and laws to the recipient citizens. The new political environment has encouraged the media to write about sensitive issues of corruption, especially in high government levels, and also petty corruption. These newspapers have provided very informative information, but also reinforced previous perception that politicians are corrupt limiting people's trust on them.

2. Local media and donors

The perception of corruption in Nepal is not inaccurate. The ongoing political impasse in Nepal has forced the donors to pressure the Nepalese leadership in demonstrating, as USAID states, "a genuine commitment to the peace process, transparency, accountability and ability to tackle corruption."¹⁶⁴ USAID speaks for all donors on their frustration. Nepal, in

¹⁶⁰ Kantipur News, (2011) "Graft Watch: UML lawmaker jailed for corruption."

¹⁶¹ Mainali, S. (2011).

¹⁶² Himalayan Times. (2011) "Complaints against cops alarming."

¹⁶³ Sharma, B. (2011).

¹⁶⁴ Kantipur Editorial. (2010). "Donor Fatigue."

response has attempted to adopt the UN Convention against Corruption, to show this commitment. According to the Economic Survey for the year 2009-10, donor assistance in Nepal consisted around 4.5 percent to the GDP. However, without donor funding and mutual understanding of Nepalese corruption, the long term consequences for Nepal's development are minimal.

With so many dismissed corruption charges, and perception of rampant corruption, the country is at risk in losing its reputation in the international community. And these reports are found in the internet, forever securing the perception of corruption in the country for the masses. As one of the donors describes the current aid to Nepal as “supporting the peace process is like pouring water in the sand.”¹⁶⁵ After the Comprehensive Peace Agreement was signed, there has been more than Rs. 12 billion spent on supporting the democratic process. However, failure to integrate former Maoists and elect a Prime Minister has further affected accountability and transparency in various government institutions. As a matter of fact, the CIAA and the Office of the Auditor General, still lack their Chief Commissioners. Lack of official watchdogs, has led to an increase in the abuse of authority, and limitation on checking grafts in state agencies. This only goes to show to the donors, the mindset of Nepali leaders who perceive political agendas as more important than development and anticorruption efforts.

With the aid induced hegemony, there needs to be an understanding on how aid influences the perception of corruption in Nepal, as the society attempts to redefine its standards and strategies for development. In 2010, official Overseas Development Assistance (ODA) to developing countries was about \$147 billion. Of this amount, 64% goes to bilateral agencies (USAID), and 25% goes to multi-lateral agencies (World Bank). The rest of the amount goes to food aid and non-governmental organizations.¹⁶⁶ Donors have pledged around Rs. 45 billion for Technical Assistance to the state, which is half the foreign aid estimate for the fiscal year 2011-12. It is not clear where 87 per cent of Rs. 17 billion received was spent, in the fiscal year 2009-10 (as there is no one agency that directed the aid's transactions). And over the past 50 years, the total amount of foreign aid to Nepal has totaled to more than 2.3 trillion USD.¹⁶⁷

¹⁶⁵ Kanpitar Editorial. (2010). “Donor Fatigue.”

¹⁶⁶ <http://stats.oecd.org/Index.aspx?DatasetCode=TABLE1> , accessed on 3 May 2011.

¹⁶⁷ Ojha, H. (2011)

The media further reports of the discrepancy in the total volume of aid that Nepal receives. The government in 1999 reported of receiving USD 251.4 million and UNDP reports under the Development Cooperation Report of giving USD 416 million in the same year. And similarly, UNDP figures show a total of 21 INGOs disbursing around USD 24 million in 1999, the Social Welfare Council lists 96 INGOs with USD 20 million contributions.¹⁶⁸ Even through all this time, the differences in perceiving the amount of aid, points to the dearth of accountable, financial institution. The extent of misuse of aid is not easily assessed, since these files are hidden from public viewing.

Aid has supported many pro-democratic rallies, which is funded by foreign aid. This industry has driven conditionality and acceptance by the recipient country to make framework changes for the continuance of income. The centuries of foreign aid reliance has Nepalese citizens more reliant on foreign style development, and domestic political and institutional changes. This aid economy has driven many educated to the aid driven workforce. Rather than becoming teachers or social campaigners, these citizens are in the aid driven development agencies. And as many move away from the rural areas, more individuals are looking for positions in Kathmandu. It is not to say there is a new market for the people, but that there is more reliance on foreigners- development consultants and NGOs. As the WB and other donors have a noble agenda, they are still focusing on their own incentives. Nepal's poverty is because there is no history of democratic leadership, accountability and responsibility. And as the aid has opened up the job market and aid projects, the initiatives have also entrenched the ideological hegemony of aid. Instead of keeping the anti-corruption Acts and supporting the recipient attempts, the recent adoption of the UN framework has changed the programme objectives (which ask for changes in the CIAA). Foreign aid should be held accountable for their attempts to change the recipient country, and also ensure that the recipient country has the freedom to critic the aid processes.

The CIAA, Auditor General, Supreme Court, and media attention of corruption have shown the cases of corruption in the area, but this does not indicate that Nepal is full of corrupt activities. As donors have offered support to local and international organizations, the root cause of corruption is still yet to be found. Impunity is thought to be all over Nepal, and this is shown in the case of Krishna Bahadur Mahara, a Maoist leader who was caught on tape on

¹⁶⁸ Mihaly, E.B. (2003)

September 2011 negotiating for Rs. 500 million to buy members of Parliament. And even more disturbing is that he has now been appointed deputy Prime Minister, with no protest from citizens and his fellow politicians.¹⁶⁹ The attention has been focused on fighting corruption on the grand and bureaucratic level, but focus is rarely on capitalists and businessmen.

The total funds that the recipient country receives equal to about 10% of the government total budget. And donors like DFID have announced their support to increase the budget to USD 170 million in 2014. A total of 14 donors chaired by WB, ADB, and DFID contribute to about USD 200 million, under the scheme of Local Government and Community Development Programme (LGCDP). The local officials, politicians, journalists, all have similar stories on the systematic corruption, where local auditing and monitoring procedures are circumvented. There are stories of how donor money was pocketed by corrupt powerful figures, and they run scams to repaint buildings so they appear new, roads supposedly rebuilt every year, and irregularities in the applications processes everywhere.

Of these various programmes and funds, senior officials estimate that as much as 60 to 90% of all funds are misused. And on a perplexing note, the UNDP and DFID argue that their program aid and funds have succeeded in their plans and these reports are merely anecdotal, and merely individual grievances. However, journalists and citizens claim that corruption has increased in the districts and the government, after the peace process. Even when the accounts have increased, they are still weakly structured.

The aid driven development has its share of criticisms, and questions on the developmental efficiency of donor activity. It is argued that aid has stifled domestic ability for resource formations and independent capitals, but the involvement of the donors have promoted institutional corruption, external control and limits on local enterprises, which has accentuated economic disparity. On the role of foreigners, the country's viewpoint has changed in the recent past. Cows are considered to be holy animals and also a national animal. It is considered a crime to kill a cow, so the cows are able to freely roam the city of Kathmandu. However, it is normal to order beef steaks in upscale hotels.¹⁷⁰ Further study could be conducted to study the extent development itself is causing Nepal's problems. The donor led development has yet to prove successful and has not generated mass wealth.

¹⁶⁹ Kantipur (2011). "Handful of Dollars."

¹⁷⁰ Sharma, S. (1996).

The print media has grown in the recent past. With the rise in technology, information about the problems associated with corruptions, and the public's rights against corruption is easily available. The print media and technology can spread the news immediately and more efficiently than ever before and also reach people all over the world. The media can now spread information about anti-corruption measures which would act as deterrence for future officials attempting to act in a corrupt manner. The nature of corruption makes it difficult to substantiate involvement in corruption charges.

3. Secondary literature

The secondary literature, like the print media, on the corruption in Nepal is based on the reported cases and surveys conducted on the subject. The secondary literature shows that corruption has not decreased in the recent past, and has been detrimental to the development and democracy of Nepal.¹⁷¹ Bhattarai et al. comment that encoring corruption and protecting corrupt politicians is detrimental to democracy. The corrupt politicians protect themselves, and this has created an atmosphere of corruption in Nepal. With such a system, and the media writing about the failure of the CIAA, the disenchanted public has lost faith in the governmental institutions and trust for the public officials.¹⁷²

Additionally, Bam Dev Gautam, leader of one faction of the CPN (UML) is being accused of corruption while he was in the government, by senior members of his party. Another senior communist leader, Chandra Prakash Mainali, who was the Minister for Supplies, confessed that "Corruption has been institutionalized in the post-democracy era and political parties are encouraging their own ministers to be corrupt... I was once a victim of party pressure. I was pressured by my party to take kickbacks and hand the money over to the party."¹⁷³

Corruption however is not limited only to politicians and political parties. As Bhattarai, Ghimire and Mainali (2005) observe:

What is clear is that the malaise of corruption in political circles also extends to the rest of the administration as well as security agencies... Corruption in the administration, the judiciary, the police and the military is something that has rarely received as much attention as has political corruption.¹⁷⁴

¹⁷¹ Sharma 1999; Thapa 2002; Bhattarai et al 2005.

¹⁷² Bhattarai et al (2005), p. v.

¹⁷³ ESP (2001), 187. Another CPN (UML) leader, Hari Prasad Pandey, too confessed that he had committed 'financial crime' while he was a minister and claimed that the District Administrative Office refused to register his self-confessed crime.

¹⁷⁴ Bhattarai et al, 2005, v.

Corruption is entrenched in all aspects of society, even the security forces and the implementing bodies. Furthermore, Thapa (2003) and others have argued that corruption is institutionalized, mainly due to the blessings and encouragement of politicians:

Some high level bureaucrats say that the system forces them to behave unscrupulously. One such person has asked: Will we be rewarded for *not* perpetuating corruption? Of course not, such posts are only given to those who do the leaders' bidding and who themselves have received bribes to be able to bribe their superiors.¹⁷⁵

The perception of corruption is perpetuated because of the belief that the system itself is reputed to be corruption. According to Khadka, who works with Pro-Public, a NGO that promotes good governance and anti-corruption programme, said,

When you have work in government offices..., you are encouraged to come through someone you know or you are directed to a lower level official. The official will linger over your work, and inform you that your work cannot be done legally. If you complain to the office head, he tells you that the official against whom you have lodged the complaint is the very person authorized to do your work. And he advises you to request the same official to fix your paperwork. When you approach the official, he tells you that he will fix your paperwork but there are some problems. Then you give such officials some money for doing your work. This money is then distributed among the officials at different levels.¹⁷⁶

These examples discuss the perceptions of local citizens faced with corruption, and tolerance and intolerance towards it. Because of reputed corruption, the individuals are more likely to tolerate corrupt actions. However, in the recent democratic changes, the recipient country has to become more accountable for their actions. By having continual reports and understanding, corruption can be controlled. The print media and the secondary literature showcase the need for more accountability for the politicians, bureaucrats, security and implementing bodies. But they also give a voice to understand the grievances. By having accountability and transparency, these officials are more responsible towards their constituents and the legitimacy of the state. And thereby decrease the perception of corruption in the recipient country and for the donors.

¹⁷⁵ Thapa, pp. 142-3.

¹⁷⁶ Khadka in Thapa (2003), p. 79.

4. Exit Survey

The Enabling State Programme book of Nepal states that people “suffer from prolonged delays when dealing with government officials. With good reason they see public officials as tainted with corruption and a lack of inclination to serve the public. Existing legal and constitutional safeguards have failed to improve the quality of public administration.”¹⁷⁷ With the study of the exit survey, it has been found that not all are dissatisfied with the current condition in the state.

The exit survey conducted by the World Bank was to ascertain the perceptions of the government officials of the recipient country.¹⁷⁸ The exit survey was conducted on the Transportation Management Department (TMD) and Land Administration Office (LAO) to find out several issues that impact the proper implementation of anticorruption regulations. The issues that affect anticorruption measures are if middlemen were used to facilitate the work, if extra money was used for the services, and what improvements were needed. The findings of the survey showed that the results were not similar with the perceptions of the common man for the officials, that assume government offices and officials are slow and corrupt. Appendix 3 highlights the results of the study.

Instead of the exit survey, another possible survey would have been the household telephone survey. This type of survey interviews individual individuals in their house setting. Exit survey, on the other hand, interview respondents immediately after they have received service from the government organizations. The focus of the study is to ask only the concerned people their perception of the interactions immediately. If the information is accessed later then the subjective nature of the subject would diminish the factual data.

The main limitation of this exit poll survey is the way it samples the population regarding the service. The survey is based on the sample, rather than random sampling technique. And this survey is not general to the rest of the recipient public. Since the large population who seek the services of the government are not known- information of their age, race, sex, class, education level, and their ethnic backgrounds. The people who come to demand the services would be of a certain level of education and sex, and be willing to bear the opportunity costs of being at the office. So it is not possible to generalize from the

¹⁷⁷ ESP (2001), p. 210.

¹⁷⁸ Pradhan, R. (2008), p. 42.

subjective findings. But they do provide a method to find out about the perception of corruption in the recipient country.

In addition, these interviews were conducted at the office settings, so the questions and time were limited. This gives problems because of the sensitive nature of the subject. The offices could be overcrowded, and the citizens would be unwilling to open up to problems regarding any corruption in the offices. People know that taking and giving bribes is ‘bad’ and may be unwilling to admit bribing an official, and if the official had asked for extra money. This may be the reason for the little reports regarding the subject. The bribe could even be given unknowingly, if the people involved were not aware of the “wrong” dealings. And even more so, the staff could not have given the real cost of the service.

General findings

The findings showed that there was a positive perception of the services for the officials. It was found that the majority of the participants (75 percent) were satisfied with the services provided by the LAO and the TMD. The respondents even said they did not face any problems in the process of completing the work. And even more so, were satisfied with the expenses they had to pay for the services.

However, the differences in the popular opinion and the results of the study could be that the people are satisfied with the services because the officials are hardworking. And the perception of the officials could have changed in the recent past, but the media could not been up-to-date on their report. The study stated that 66 percent of the respondents said the time it had taken for the task to be completed was what was expected. And of the study, the upper classes were less pleased than the lower class. And these upper class citizens would demand their services to be delivered faster than the lower class.

Another reason for the results of the exit study could be that the results were given by middlemen, who would want to keep the current structure. These middlemen would have helped lessen the time in the government office, and even may have been money to the officials to get the work done on time. And even if the citizens interacted with the officials on an unethical manner, they would be less likely to report it given their age and educational background. The more educated would be less like to admit that they had taken aid from other intermediary agencies. These results show the problems faced with the study, and the limitations caused by the middlemen.

With the study, it is not to report that there were no experiences of corruption in these

governmental offices. The study showed that about 48 percent of respondents said they had paid money other than for official purposes- for middlemen, service providers and even directly to the government officials. The money was given as tips, bribes to accomplish the work more quickly and even more so to avoid opportunity costs of coming to the office again for another missed paperwork. And if the paperwork was correctly given to the officials on time, then the officials would less likely to demand extra payment. And vice versa, poor record management by the officials would hinder the work.

Analysis

This research paper has shown two contrasting representations and perceptions of corruption in the recipient country. The print media prints the recipient state as being corruption, lacking accountability and transparency to the public. And exit survey, conducted by the World Bank, depicts the recipient officials as being less corrupt and more accountable than previously thought in the media. This section seeks to analyze the contrasting views and conduct an ethnographic study to get a more encompassing picture.

The results of the Exit Survey depicted that the respondents to the interview after using the services of the Land Administrative Office and the Transport Management Department were satisfied with the services provided to them by the government. And these respondents did not face large problems while getting their work accomplished. The findings suggest that the previous held perceptions of corrupt offices (and thereby recipient country) need to be changed. The print media have many stories about the grand corruption, which creates an atmosphere of a corrupt government and corrupt country. The general perception of the government offices are that these offices and state officials are difficult on the public to attain more monetary persuasions to get the work done. And for the work to be done on time there would be further financial influences. However, little talk has been regarding the “petty” corruption and the viewpoints regarding the subject. And even more so, the anticorruption policy changes that the donors and the recipient government may have had some beneficial results.

The results of the study also showed that the middlemen play an important role in the perception of corruption. The concept of getting help from ‘*afno manche*’ (one’s own people) has a culture of working with recommended people, and be less likely to work directly with the officials. The middlemen also use their relations with the officials to get the work done in time, by paying the officials some “speed money.” The results of the study showed that

middlemen were used. But also showed that the recipient state completed the work on time and the citizens did not repeatedly have to go to the office. The respondents did not seem to be troubled by having to pay extra for the service, as long as the work was completed on time. And only 10 percent of the respondents thought it was wrong to pay extra for the work requested from the public. But the respondents could have paid more without realizing it.

The results could also mean that corruption has taken an escalating state in the interaction between the state and the public. And the tolerance of corruption has increased, rather than decrease in the recent past. The public want quick efficient officials, and better management services, and not having to rely on the middlemen. In conclusion, the respondents are relatively satisfied with the services provided by the government offices. The services provided could be better, but in short, the public seem generally happy with their experiences. The media itself is not the best source to ascertain the perception of corruption, as only grand corruption and faults are highlighted. The exit survey, even with its faults, show that citizens perceive corruption in the recipient country differently.

Furthermore, the reports on corruption are also based on the social context. Johnston points to corruption as a factor in the distribution of wealth and privilege amongst groups, and goes further in exploring the role of status in connection with differing benefits from corruption. Higher status individuals are more interested in “official theft” and the lower social status with perceived favoritism.¹⁷⁹ The benefits and harm that corruption can bring to these two different groups are different, yet corruption is still used as the best method of interaction. Furthermore, the perception of corruption by these groups is equally important as they influence people’s understanding of politics, legitimacy of regimes, and their own place in the society. The social norms and in result, the judgments are all developed through the perceived correct behaviors of the society. This is in itself a confirmation of their role and regulation of the recipient society.

Because perception of corruption is subjective in nature, another form of study could be to focus on actual number of complaints, crime statistics, and prosecutions for corruption. However, objective data for corruption is difficult to analyze for the recipient country with lack of prosecutions. Without access to the judicial courts or efficient database of complaints, hard evidence is difficult to process for prosecutions.¹⁸⁰ And another reason would be that

¹⁷⁹ Johnston in Wade (Corruption, Development and Inequality), 5.

¹⁸⁰ Carr, 9.

corruption is not associated with fraud and extortion, and would not be considered to be corrupt in the first place. In addition, physical force might be used to offer or bribe false testimony, and interfere with the due process. The level of corruption cannot be measured with only facts and figures. The perception of corruption index gives only a partial view, even though it is relied on for perceiving Nepal's corruption level.

Chapter VII: Conclusion

The donor aid has made some success stories in the recipient countries around the world. In the past 60 years, South Korea, Singapore, Taiwan, Malaysia, and China have had very rapid economic growth by the introduction of governance and anticorruption strategies. And donors have played a large role in helping these countries attain such goals.¹⁸¹ But even with international organizations' involvement, development and anti-corruption assistance programs have not succeeded in Nepal. Nepal is transitioning to a more democratic nation, but it still holds the centuries old belief systems. The implementation of purely "western" polices have not succeeded, and even after the donors' involvement in Nepal over the past 40 years, there have not been major anti-corruption changes. But this research has aimed to show that Nepal is not a simple case. It is not possible to cut and paste programs and policies from other countries into Nepal. Without access of information, accountability and transparency, corruption has sustained its hold in the recipient country.

Corruption for the donors is a problem that is adverse to the development program and the behavior itself is associated with human nature, where the temptation of corrupt actions is seen in nations all around the world and throughout history, with varying degrees of harmful consequences. There have thus been a plethora of corruption studies adding to the corruption discourse. However, these numerous additions show the elusive and widespread nature of corruption. Conceptualizing corruption leads to a moral dilemma when understanding its causes, along with the lasting consequences. And corruption means different things to different people and the context in which it is used. This is especially true when understanding corruption's long lasting impacts. Corruption is primarily seen to be political, where politicians have bribed the masses to gain mainly political power. This has been seen in India where votes are regularly bought, and the votes are swayed under the belief that no matter who is in power, the system remains the same.¹⁸² However, the other reason for corruption is mainly considered to be economical and private concerns, where the official gains private monetary gain with individual malfeasance.

Academics have sought to find out *why* the policies have not succeeded. Many argue of the need to tailor the anti-corruption programmes that fit the country. There are many ways

¹⁸¹ Cassen, 14.

¹⁸² Oldenburg, 518.

to act in a corrupt manner, and similarly a plethora of anti-corruption strategies, and methods of implementations. However, the success stories of a country (as seen in Singapore) cannot be replicated to another. And the UN Convention cannot be simply implemented into Nepal. The donor driven anti-corruption strategies have failed to work primarily due to failure of the strategies to conform to the recipient country's cultural, social, historical and political background. Without the indigenous citizens, businessmen, governmental workers, and politicians taking active effort in overcoming corruption, these anti-corruption strategies cannot be sustained. When the donors leave, the recipient nation still has to rely on itself for the changes to occur.

Furthermore, Nepal is usually described as potentially becoming a 'failed state,' but nowadays there are more vehicles on the roads, new houses, introduction of apartment buildings, department stores, and many movements of people to the cities from villages. This dichotomy and complexity in the recipient economy is perplexing. Water is only pumped to different parts of the city three times a week. There are enough water resources, but power cuts 16 hours every day. And even through all the hardships, the Nepalese people are tolerant. But the recent changes have also given public more voice with competing newspapers, television channels, and internet access, opening the country to the outside world, and vice versa. However, basing economic reforms as the primarily method of depicting downfall of corruption is faulty in thinking. Without adequate enforcement mechanisms installed for the tax reforms and other structural changes, there is incentive for illegal misappropriation of the funds. The problem might be in the case of poor implementation of the policies and infrastructures; however, there needs to political and public sector reforms for these anticorruption policies to be effective without rent-seeking behaviors.

And as the economic and political transitions appear in Nepal, the government is still instable due to the frequent Prime Minister replacements. Without executive direction, there is lack of broad policy aspirations, and focus on anticorruption strategies. The legislative have created many anticorruption policies, but it is suggested that they also use their positions for personal gain. This creates the notion that parliamentary committees and the government in general are corrupt. The judicial system is also considered inefficient. Court cases against corruption or anti-governance take years to conclude, with low conviction rate. The courts have yet to deliver a major successful corruption prosecution. This may be caused due to the weak and ineffective judicial system, but also because the institutions as the CIAA are not

effective enough to collect the necessary data. Nonetheless, lack of prosecutions gives the recipient country the perception of tolerance of corruption.

Additionally, access to legal services is a major problem for the poor and disadvantaged. Information about the formal justice system is lacking, along with crude court management. It is believed that judges and courts are heavily involved with corruption. The judicial system operates at district level through 75 district courts. With over 60 ethnic groups and 20 major languages, the language and education have limited the poor from accessing the courts through lack of knowledge, costs, and opportunity costs.¹⁸³ Despite constitutional aid through Legal Aid Act in 1997, less than 5% of litigants at district level receive legal aid, and less than 3% receive legal representation in district court hearings. Reports of corruption, backlogs, and protracted court cases in the judicial system deter people from using the formal system.¹⁸⁴

The fight against corruption is limited by the bureaucracy of the recipient government, caution of the politicians, and the inability of the new government to make it a priority. The problems that stop the anticorruption measures also cause trouble for the other programmes. These symptoms of bad governance include: policies that do not address the needs of the poor, weak links between policy and implementation, weak civil society without much ability to pressure the government, poor public sector management, widespread corruption, underpaid, over-staffed lower level officials, patronage, favoritism, bribes, weak oversight mechanisms, inefficient bureaucratic systems, and inappropriate political involvement in administration policies and institutions.¹⁸⁵ These issues also inflict the anticorruption strategies.

In addition, without the proper implementation of the governance policies, there is inadequate provision of services, a waste of scarce resources, insufficient protection of marginalized groups, and low trust and low expectations of the government.¹⁸⁶ The Nepalese government is responsible for the problems and the solutions, but the development partnerships also share the responsibility. Donor support so far has focused on the executive and institution-building, and has failed due to imposed institutional changes, overestimation of Nepalese need for ownership, no focus on the cause of corruption, and transfer of policies

¹⁸³ There are three important divisions: between hill and plains people; between high caste Hindu groups and ethnic/tribal groups; and between high caste and low caste Hindu groups.

¹⁸⁴ Pro-Choice, 12.

¹⁸⁵ ESP, 8.

¹⁸⁶ ESP, 8.

from other nations.¹⁸⁷ These problems with the partnership show the misunderstandings to address the problems facing the country. With greater responsibility and desire for change, the recipient country can improve the process and relationship with the donor bodies. And thus these local experts can be supplemented by the external expertise.

Despite the plethora of problems, governance can be improved in Nepal with commitment and accountability of the politicians. The political parties are dominated by leaders who spend more time battling with each other and each other's beliefs than creating clear programmes for change. The recent changes in the government and political restructuring, has increased the perception that all politicians are corrupt and lack clear commitment for change. They need internal management and growth of capability, capacity and local voice for the civil society. The government, in the past, has been threatened by the role of the civil society. And the media has recently increased its control and influence to governance reforms in Nepal. Another key factor for the changes in development and anticorruption strategies is the absence of civic responsibility and commitment to their home country, which is mandatory for changing the perception of corruption.

Furthermore, the general view of Nepal as conservative and unwilling to change has impacted the donors and the recipient society. This creates a self-fulfilling prophecy of having little trust for the recipient country, and thereby lack of better development. The donors' interactions with English speaking elites may distort the picture of Nepal, and spread these beliefs to future donors. Because of this preconceived beliefs of the few politicians and elites, these donors may fail to encourage change and increase the role of the external forces. The marginally disadvantaged and the poor are excluded in their opinions and contact with the donors due to language, education, and bars from the elites.

Additionally, understanding the changes in the development and governance strategies is a continuous process. These plans overlap with the anticorruption strategies. The plans range from ten to twenty year macro-economic policies. These long term plans are appropriate for governance problems in Nepal; therefore, immediate changes are not feasible. An important lesson for the donors and the various actors in the recipient country is the role of the younger generations, who have better education, desire for change, and cultural understandings to advocate better policies. But without job opportunities, they are more likely

¹⁸⁷ ESP, 9.

to study and relocate abroad. The civil service in Nepal is not very large, but they have broad range of responsibilities in the society and the economy. The role can be re-assessed and given to satellite private sector parties or local parties for better accountability. These problems are caused by the pay scale, which is lower than is expected in the private sector. The domestic revenue needs to increase for there to be higher pay for these civil servants. And with greater and clear political will and leadership, reforms will be easier to follow without political intervention on the civil service. This will increase the morale of the government and the public for better management and clear agendas for the country to move forward.

Eradicating Corruption

The institutional reforms and introduction of donor and recipient institutions and policies have not brought about drastic long-term socio-economic changes. The general perception of corruption is that by eradicating petty corruption at lower level bureaucrats, corruption will also cease to exist. But these anti-corruption strategies by far have not been successful. Other than finding out the causes of corruption, the research has shown tremendous differences in the perceptions between donors and the recipient nations. Rather than the developed nation's understanding of corruption, this transitioning nation is reliant on corruption as a means to function or a means to an end. With this understanding, the analysis of the various donor policies shows bias towards its democratic ideals. And this research provides literature on the importance in understanding the perspectives of corruption. The initial studies of corruption focused on the harms of corruption. But there are also valuable functions of corruption to economic development. Then corruption was studied in terms of the political and moral choice. However, with these theories, there is still a lack of agreement amongst these theorists. And this research has hoped to offer guidance in showcasing the juxtaposing corruption perceptions, for the recipient and donors, media and also the middlemen involved.

Furthermore, the popular perceptions expedited by the media, is that Nepalese politicians and bureaucrats are difficult to work with, slow, and corrupt. However, this research has shown very distinct perceptions, based on the print media (recipient viewpoints) and the secondary literature and research by donor on the recipient country with the exit survey. The exit survey (conducted by the World Bank) reveals that the perceptions of citizens are not unfavorable when dealing with bureaucrats as the popular discourse is regarding the subject. The differences in perceptions perhaps have to do with the mass media focusing their

attention on the senior bureaucrats and politicians, grand corruption, and the lack of transparency and accountability. This furthers the international perception that corruption is rampant in the country. On the other hand, the ordinary citizens care only about their immediate service and direct contact with the local level officials. It is at this level that most of the work is delivered, and the services are critiqued on efficiency and accountability of the paperwork.

The exit survey revealed that most of the citizens were satisfied with the services offered and did not face major problems in getting their work finished. Although, it must be noted that half admitted to giving money to officials and middlemen, but it did not seem to bother them, as they received quicker service. And the rest were also able to get their jobs done without having to pay the extra money. The middlemen may be partly to blame for creating the perception that dealing with the government would require their assistance, but these actions also benefit them. For the donors, the aid and anticorruption strategies have been partly successful. Having this discussion, it is arguable to consider that all forms of payments to officials are corrupt actions. Since middlemen are used, would these actions of 'bribery' be considered corrupt? And some officials also consider extra money as tips for completing the work efficiently.

The role of perception for donors and recipient is constrained by political and social pressures, from both aid agencies and domestic policies. Without full support from the recipient country to fight corruption, even the best efforts of these donors would be pointless. Furthermore, the aid effectiveness to combat corruption is limited by donor's uncertainty in handling the citizen participation. Despite these challenges, donor aid has provided a means for discussion and awareness to the civil society, political institutions and other foundations of anti-corruption agencies. This analysis from scholars suggests a number of conclusions on improving the anti-corruption strategies.

1. Perception, itself is a very subjective, moral, and psychological topic. Donors and recipient perceptions have differed on the use of corruption, and they must be aligned for proper anticorruption strategies' implementation.
2. Most donors attempt to tackle corruption through other governance and development projects- transparency, rule of law, welfare programs, etc. They could examine the impacts of their previous research and coordinate amongst themselves for a better method. The cooperation of the recipient is also essential, but they could also pursue other methods which

have a more cohesive focus on corruption. Collective action from the civil society, the watchdog, media, *Transparency International* and other organizations must rise to power the anticorruption policies to work.

3. Corruption in the recipient country is a means to an end. Changing the perception of corruption is not an easy task. New measures would include payment protection, wage reconsiderations, bonuses, and other budgetary support to reward the individuals who follow the anti-corruption measures. And since corruption is perceived to be beneficial and ‘social etiquette’, the solution could also be focused on social punishments to condition social behaviors. Rather than focusing on stern penalties or rewards for their acts, a suggested solution is to focus on the role of societal reputations. Using this social method shows that corruption can be targeted in such a community based country. Corruption will not end instantly, as there needs to be a consistent implementation of the established laws. Character development and conditioning of the general public are conditioned behaviors to act against corrupt activities. Corruption seems to be so widespread and even thought to be accepted in daily actions, as part of Nepal’s normal, political, cultural ‘customary laws.’ And for civil participation, the donor should make clear their intentions of helping the poor.

4. Corruption is also a social interaction, and challenging these actions would create further reliance on the black market, or the middlemen. By teaching the damages of corruption that directly and indirectly impacts early, it would be possible for these strategies to spread more quickly and for the long term. This would entail teaching ‘morality’ and the perception of corruption to students, possibly as required classes. Also, many students are sent to international schools for education. By providing better opportunities for these educated young people, the society will be better able to change.

5. A large problem of corruption is its interaction with poverty, economic growth, and other development issues. The donors perceive corruption as a problem, but are it overlooked due to these other issues? This constraint along with monetary and time limitations from donors, impinge on the goals of these anti-corruption strategies. The elites play a role in the perception and passing of these anti-corruption strategies. It would also help to know where the money is being spent, since there have been issues of elite control of the budget.

6. Corruption control depends on stability of the entire political, economic and social systems. Corruption has not decreased because of political instability and inadequate agendas. Without timely justice, there will be lack of order and lawlessness, and frustration against the system.

The government needs to have strategic vision of development and coordination of private and public actors. By formalization of rules and creating strong property, education, and healthcare rights, there will be less strikes and more stability. And with more liberalized markets, this will open the social regulation systems. These more democratic ideals would create economic competition, social mobility and awareness of civil liberties. And the resulting strengthening of democracy would also aid on the control of corruption.

7. With the recent political instability in Nepal, a strong leader who stands against corruption would be an ideal candidate. Stable government will also aid the focus on eradicating corruption in the country. Currently the positions of CIAA Chief of Commissioner, Auditor, and Judges for commercial banks are still vacated. There is a vacuum in the society, and this has made it difficult to impart justice in the society.

8. Another important topic is the idea of tolerance and intolerance. Nepalese people are resilient and adaptive, and have strong bonds with religion, culture and other people. The tolerance of corruption is based on their awareness of corruption, knowledge of rights and proper functioning of the justice system. There are *opportunity costs* in dealing with corrupt activities. As economic growth increases, the people seek to decrease opportunity costs. For example, bribing a traffic officer would have less opportunity costs than going to court for a traffic ticket. And Nepal has increased economic wealth but not all the basic amenities. Nepali public have tolerated many inconveniences. Even now, the country faces infrastructure adversaries. There is allocated time for electricity and water, running for only six hours per day. And this has only created a new market for *substitute* items as generators for electricity and tank reserves for retaining water.

These strategies are not fruitful without civil society cooperation. There are many elements in the strategies of these donors, but the real long term difference can be only seen through a thorough understanding of the perception of corruption and its role in the recipient country. The success story of Singapore motivates donors into establishing similar institutions in developing nations like Nepal. And some countries like China and Vietnam fight corruption by holding special tribunals that when found guilty would be subjected to death penalty. Another set of examples are seen in neighboring nations. India is similar to Nepal with its establishment of various anti-corruption institutions. However, the country is still fighting the cause. Similar to India, the root of the problem has not been addressed, and corruption still

pervades all levels of the government and society. These nations are examples of success stories and continued search for controlling corruption. Further research could be to find out the effects of institutional reforms, as compared to long-term socio-economic reforms. And the research would also need to show the effects of replicating these reforms to other developing nations. Research on this field would provide evidence on the limitations of making these institutional reforms universal. Another research could be to discuss the role of colonial history in the country, and how that would impact the current understanding of corruption and the implementation of the anti-corruption strategies.

The generalized elements of anti-corruption strategies by far, have not been successful. Other than finding out the causes of corruption, the research has shown tremendous differences in the perceptions between donors and the recipient nations. Rather than the developed nation's understanding of corruption, this transitioning nation is reliant on corruption as a means to function and also as a social tolerance. With this understanding, the analysis of the various donor policies shows reliance to democratic ideals. This research has been useful in providing further evidence on the literature about the importance of understanding the perspectives of corruption.

In conclusion, this paper has sought to explain the recipient and donor perceptions, reliance and resilience of corruption, and the role of the media on perpetuating the perception of corruption in the recipient country. As well as the role these donors play in the recipient country to formulate and implement the anticorruption strategies. This paper calls on the recipient government to focus on tackling corruption, and work alongside the anti-corruption local and international donor agencies for direct and long term impacts. For short term, corruption has aided businesses. And corrupt activities are thought to be *efficiency cost* to development. Corruption has been tolerated so far because of the economic growth of 4%. Since Nepal's new government, there have been dynamic changes in the economic growth, and drastic increases in the redistribution of wealth. However, it is important to note that corruption is not simply a transaction cost. People only ask for change when there are inconveniences. The current level of corruption has allowed for growth and instilling anti-corruption policies have been difficult. This leads to the question, why eradicate corruption at all?

This said, it is important to repeat that direct involvement of recipient government, coordination amongst donors, and civil participation is necessary for changing the perception

and reliance on corruption. Recipient perception and donor perception of corruption in Nepal have not always been synchronized. These anti-corruption strategies have been limited by time and aid budgets. Without coordination, these strategies would remain to show little results. The task now is to understand not only the corrupt behavior, but also its perceptions, and whether it can be changed in the broader social context.

Furthermore, the morality of corruption brings out the challenges for the World Bank and other aid agencies. These challenges are political, economic, and administrative. Aside from the difficulties with defining and overcoming corruption, it also signifies the other pervasive difficulties that are embedded in the country. This work shows corruption has its perceived benefits. And it is difficult for these anti-corruption strategies to function because the causes, mechanisms and the effects of corruption are still elusive. Therefore it becomes important to prosecute corrupt behavior itself, and understand the broader setting to which it arises and develops. For donors, the difficulties not only lie in creating the anti-corruption programs, its relative success, but also its association with the country's development. This sentiment shows that corruption is not a simple problem with a clear solution, but facing corruption means facing a Pandora's box. Each country has had some difficulty in their politics or bureaucratic run-ins with corruption, but Nepal has entrenched corruption that is pervasive and commonplace throughout the whole country. However, this is not to say that corruption is so commonplace that normal citizens would come across it every day, but rather they are thought to be most seen in government and elite levels of politics and private businesses through grand corruption.

The complexity of corruption is based on the dynamics between an authority's power and the various agencies. Long term and sustained success of anti-corruption strategies would involve complete understanding of such relationships and 'connections.' Large amount of time is invested in sustaining or creating such relations, rather than developing skills for the job. However, such relations also would bring about chances for these anti-corruption strategies to be passed through the public offices with enough support. And it could be further argued that the corruption seen in countries is a simple variation due to the changing political and economic factors. By transitioning away from entrenched corruption, reliance of middlemen would weaken relationships within the political and bureaucratic spheres. With these changing factors, there will be new and more enforceable regulations that acknowledge the historical

and cultural contexts to curb corruption.¹⁸⁸ However, these approaches have failed to take into consideration the interaction with the international actors.

Additionally, the basic premises of these donor anti-corruption strategies have been to encourage leaders to reduce corruption, weaken clients' acceptance of it, and strengthen the social forces supporting such changes. However, the corrupt act itself is organized and facilitates the internal procedures, protecting the main agents involved. This organized corruption has its benefits, but also comes at the price of protecting these corrupt actions. Without strong implementation of bureaucratic checks and balances, these corrupt acts would have little vulnerability. The anti-corruption strategies proposed by the donors are an important step to providing solution to the corruption problem through legal regulations. These legal regulations are not sufficient for achieving the goal of reducing corruption in the country. There must be civil society cooperation. There are many elements in the strategies of these donors, but the real long term difference will be seen only through understanding the perception of corruption and its role in the recipient country. Still, understanding corruption and its sustainability provide information as to converting anti-corruption strategies with a mixture of incentives and sanctions tailored to the country's society and corruption reliance.

This research paper has attempted to showcase the regional and international anti-corruption strategies, and the importance of perception of corruption for donors and recipient country in the case of Nepal. With a unified approach from the donor and the recipient country, there is a higher chance of the success of anti-corruption strategies' implementation. This research paper has reviewed the literature on corruption, anti-corruption efforts, and the perception of corruption in relation to the donor agencies and recipient nations. This paper has also analyzed the role of middlemen and the importance of reputations and tolerance. Without proper implementation of the strategies, there is distrust between the citizens and the government, and between the recipient government and the donors. The paper has also focused on the importance of corruption for economic and social development, by considering the different forms of corruption and the manner to which they are critical for governance. And corruption can only be properly addressed with realizing its complexity and motivations for corrupt behavior. Hence, the perception of corruption is needed to be analyzed for a better adoption of a country specific remedial strategy. This can be realized with persistent effort to

¹⁸⁸ Robinson, 6.

involve the civil societies, and citizens to showcase the detrimental impacts of corruption. Corruption can be better controlled by accounting for human nature, than only economic reasons. Finally, the paper has reviewed print media and empirical work that has been undertaken in this field by donors. It is striking how little work has been done on this field, especially at the county specific level. Therefore, this research paper seeks to identify through case-study analysis of corruption and anticorruption methods- which could tie all the complementing studies, and provide a basis for those seeking to design policy in Nepal. And maybe there is hope for the anticorruption strategies after all.

Appendix A

Map of Nepal



The above map by the United Nations under the Department of Peacekeeping Operations Section showcases the terrain of Nepal. It is a landlocked country between the large India and China. Aside from Kathmandu, the districts are mostly agrarian societies.

Appendix 2: Transparency International 2010 -- Corruption Perception Index

<i>Transparency International 2010 Corruption Perception Index (CPI)</i>				
Country Rank¹⁸⁹	<i>Country</i>	<i>CPI Score</i>	<i>Surveys Used</i>	<i>Standard Deviation</i>
1	Denmark	9.3	6	0.2
1	Singapore	9.3	6	0.2
10	Norway	8.6	6	0.7
15	Germany	7.9	6	0.6
17	Japan	7.8	8	0.6
20	United Kingdom	7.6	6	0.5
22	United States	7.1	8	1.1
25	France	6.8	6	0.6
36	Bhutan	5.7	4	0.7
54	South Africa	4.5	8	0.6
56	Turkey	4.4	7	0.7
62	Ghana	4.1	7	1.0
69	Brazil	3.7	7	0.9
78	China	3.5	9	0.9
87	India	3.3	10	0.4
91	Sri Lanka	3.2	7	0.6
143	Pakistan	2.3	7	0.5
146	Nepal	2.2	6	0.5
154	Russia	2.1	8	0.4
164	Venezuela	2.0	7	0.2
178	Somalia	1.1	3	0.3

“Corruption Perceptions Index 2010” This 2010 CPI measured the extent to which public sector corruption had been perceived to exist in 178 countries. It scores countries on a scale from 10 (very clean) to 0 (highly corrupt). The selected list of countries was selected to show a general idea of the layout of corruption presence. The 2010 results are drawn from 13 surveys and assessments published between January 2009 and September 2010. For information on methodology and additional information on the Corruption Perceptions Index 2010, please see www.transparency.org/cpi.

The CPI 2010 is calculated using data from 13 different surveys or assessments produced by the following 10 independent organizations:

1. Africa Development Bank- Country Policy and Institutional Assessments 2009.
2. Asian Development Bank -Country Performance Assessment Ratings 2009.
3. Bertelsmann Foundation- Bertelsmann Transformation Index.
4. Economist Intelligence Unit -Country Risk Service and Country Forecast 2009.
5. Freedom House -Nations in Transit 2009.
6. Global Insights, formerly World Markets Research Centre- Country Risk Ratings 2009.
7. Institute for Management Development - World Competitiveness Report 2009 and 2010.
8. Political and Economic Risk Consultancy, Hong Kong -Asian Intelligence 2009 and 2010.
9. World Economic Forum - Global Competitiveness Report 2009 and 2010.
10. World Bank - Country Policy and Institutional Assessments for IDA Countries 2009.

Appendix 3

Main Findings by the World Bank's Exit Survey of Transport Management Department And Land Administration Office¹⁹⁰

	Question	Percentage
1	Satisfaction	
	Very satisfied	29
	Satisfied	46
	Somewhat dissatisfied	12
	Very dissatisfied	13
2	Help taken from someone to complete work	70
3	From whom help taken	
	Staff of this office	3
	Someone who helps with the work	84
	Afno manche	5
	A person from the driving center	6
4	Had to face problems in completing work	24
5	Types of problems faced	
	The work not completed on time	39
	The staffs do not listen to us	36
	Compulsion of having to work through lekhandas/middlemen	30
	The record system of the office is poorly managed	27
	Having to pay unofficial fees	27
6	Knowledge of how much money is for official purpose and how much for others (yes)	72
7	If paid for others than official purpose, to whom paid	
	Subba	2
	Peon	3
	Khardar	4
	Agent/middleman	6
	Other related service provider	29
	Lekhandas (writer)	62
8	Reasons for paying extra money	
	to expedite work	51
	the officials do not work without extra payment	46
	to 'fix' paperwork	16
	to avoid hard time from officials	9
9	Was it all right to pay extra	
	ok – work was expedited	54
	ok – better than having to come frequently	12
	OK even if it entailed arranging paper work	8
	did not want to pay but had no choice	15
	wrong because the money did not go to the government	10
10	Compared to total expenses service was satisfactory	78

¹⁹⁰ Work as seen in Pradhan, R. (2008) "Accountability and Corruption in Service Delivery: Mapping accountability gaps in land administration and urban transport service in Nepal" Social Science BAHA- World Bank Research Report. Pp. 22-24. For more information regarding the study, please see the report.

11	Positive aspects of the office	
	The work has been completed on time	44
	Helpful attitude of the staffs	18
	Do not have to go to many places to complete work	14
	The staffs have listened to us	9
	There are no positive aspects	27
12	Negative aspects of the office	
	The record system of the office is not good	27
	The work takes a lot of time to complete	24
	Middlemen/agents giving us a lot of problems	23
	Staffs or others ask for a lot of money	17
	Have to go to many places to complete work	16
	There are no negative aspects	24
13	What offices should do to provide better services	
	Enable work to be completed on time	67
	No extra amount to be incurred by citizens	40
	Staff should show helpful attitude	24
	Work to be done in one place	21
	Clean toilet facilities	43
	Availability of safe drinking water	42
	Reception or waiting room	28

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