



Lee Kuan Yew  
School of Public Policy



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# global-is-asian

The Newsletter of the Lee Kuan Yew School of Public Policy

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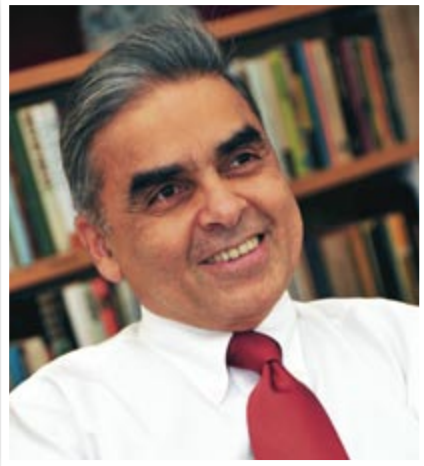
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Sustainability of Asian Growth



THE YEAR 2010 IS CONFUSING many global economists. The US economy is sputtering. So, too, are the European and Japanese economies. When the leading economies slow down, the rest of the world is expected to slow as well. Instead, China, India, Brazil and many emerging economies continue to surge ahead. Singapore's economy will grow by an unprecedented and astonishing rate of 15 percent.

Is such growth sustainable? This short question actually contains two big questions. The first big question is whether the Asian emerging economies can sustain their

economic growth when the Group of Seven (G7) leading economies slow. Only time will tell. But if they do continue to surge ahead, it will demonstrate that the Asian economic dynamic is developing an independent momentum. In time, this will have profound implications for the global order.

The second big question is whether this economic growth is environmentally sustainable. None of the major G7 economies paid much attention to environmental costs in the early phases of their growth. There is therefore a strong temptation for emerging Asian economies to do the same. This would be an enormous mistake. It is much cheaper to invest up front in reducing environmental damage than to clean up afterwards at enormous cost.

Nothing demonstrates this better than BP's experience with the Deepwater Horizon oil rig earlier this year. It paid \$20 billion to clean up. How much cheaper would it have been to strengthen safeguards in oil drilling? An even bigger mistake made by the major oil corporations was regulatory capture: by weakening the regulatory agencies, environmental vigilance was diminished.

The Asian economies need to learn powerful lessons from the environmental mistakes made by the G7 economies. Some are documented in this volume. GDP should not become "Gross Domestic Pollution." This is also why the Lee Kuan Yew School of Public Policy was happy to collaborate with the Bertelsmann Foundation and the Austrian government to organise a symposium in late June on "Asian Perspectives on Qualitative Growth." We hope that this newsletter will provide a glimpse of the insightful and thoughtful research done by the faculty of the school.

Asian economies continue to face many big questions as they surge ahead. As a school of public policy, we hope to make a small contribution in trying to find answers to these big questions.

Kishore Mahbubani  
Dean, Lee Kuan Yew School of Public Policy





# For Mature Economies, Growth May No Longer Be Enough



TEXT | JOHN BECK

A FEW YEARS AGO, I WROTE A proposal for a book challenging the long-held notion that economic growth should be the main determinant of business and governmental success. My premise was simple: We live in a finite world. Sooner or later we will run out of sources of growth.

Publishers were enthusiastically uninterested. That was in 2004: the world's economies were recovering from the dot-com bust, China was becoming a growth engine for the world and in developed nations, property prices were rising at unprecedented rates. Optimism abounded. The last thing readers or publishers wanted was pessimistic commentary about growth.

Growth is after all a natural metric. It is psychologically appealing. And there are clear, incontrovertible proofs that as economies grow, people's lives get better.

The scientific underpinning for this was provided by Keynesian economics, according to which good government policy means generating real economic growth. Two theories of this school that developed around 1960 – the Phillips Curve and Okun's Law – described relationships between employment, inflation and output. Both theories have since been called into question, yet we continue to measure economic success with economic growth data.

Japan's experience with growth and recession challenges this faith, however. During Japan's so-called "lost decade" of low-to-no economic growth in the 1990s and early 2000s, Japanese seemed to be thriving: they were working less, enjoying life more, with

better homes, better stores, shorter commutes and longer lives.

What this suggests is that economic growth may not be the only path to economic progress, which is important because Japan's predicament may someday soon be shared by other nations – even China – as their economies develop and their populations mature and stop growing.

The major constraint on growth in developing economies is access to supplies. In mature economies, however, it is demand. They generally have an oversupply of industrial capacity, capital, raw materials and labour. For growth, they rely on consumption.

Growth in consumption is dictated by what I call the Five Mores:

**More People.** We all enter this world as screaming balls of want: we want food, clothing, and to be taken care of. Put a human population and global economic growth chart side by side, and there is an almost perfect correlation between them.

**More Space.** More land, bigger houses, and even bigger waistlines all mean more room for consumption. The housing boom of the last ten years was the perfect antidote to slowing population growth. More, bigger homes meant more, bigger stuff to go in them.

**More Time.** Time is a particularly important driver of growth in developed countries. If we have extra time (because we've become so efficient that we don't need to work all the time), we usually want to fill those extra hours with entertainment, which costs money.

**More Technology.** Periods of high growth in any society have relied

on improvements in technology that raised efficiency and productivity, convenience or luxury. Horse-drawn carts gave way to cars, washboards to washing machines, etc. But eventually, technological improvements fall victim to the law of diminishing returns – the more money you invest in improving something, the lower the increase in value you get back.

**More Price.** Consumers are often willing to pay more for the same product if it is perceived to be better, whether because of better technology or just better marketing. A shopper may be willing to pay more for a bar of soap if it advertises a more luxurious scrub and a beautiful, high-brow odour. But it's still a bar of soap. It serves the same function. It just sells for a higher price.

In the wake of the current economic crisis, the Five Mores of consumption growth have to some extent broken down, particularly in developed economies.

More People? Judging from birth rates, Japan and the US have probably come to the end of their More People ropes. Developed economies have also run out of room to generate demand based on More Space. Growth from More Technology also appears to be threatened unless the green movement can drive a replacement of more than just energy sources. Substituting solar panels for oil is probably a good thing to do, but is potentially a net zero-sum gain for the global economy.

More Time seems to work in reverse during a downturn. The unemployed have time, but little money. The employed are too worried about their job prospects to pay for

better products, meaning less demand from More Price. Instead, consumers save their money and the economy suffers (what economists call the paradox of thrift).

What we may need, then, is something that breaks our growth habit by emphasising a sixth More, More Pleasure. Many of us, at some point in our lives, shift our emphasis away from more wealth to things like “fun” or “health” – we pay a lot of money for medical care; we take vacations from work; we quit high-paying jobs that are causing undue amounts of stress. We do something enjoyable instead. Why can’t we develop a metric of corporate – and especially national – economic success that is about “health,” or “pleasure,” or “happiness,” instead of purely about “wealth”?

My notion of challenging the goodness of economic growth, once

far-fetched, now enjoys many adherents. Publishers are overwhelmed with articles questioning the validity of growth. Companies are asking whether their stock price is the ultimate measure of corporate success. Toyota, which blamed part of its recent safety lapses on an overemphasis on profitability, has been refocusing instead on the longevity of the corporation.

Western companies may find Toyota’s route hard to explain to shareholders, but for governments the choice may be less complicated. Small nations like Bhutan and Costa Rica have already managed to shift their emphasis from economic growth to measures of overall well-being. Governments that achieve peace and stability have traditionally turned to providing growth. Perhaps they need to sharpen their focus on making citizens happier, not just richer. **gis**

*John Beck is a senior advisor to the LKY School. He is also president of North Star Leadership Group, Inc., a senior research fellow at the University of Southern California’s Annenberg Centre for the Digital Future, and a senior advisor at the Monitor Group. After earning his BA and PhD from Harvard, Beck was the director of international research at Accenture and served as a strategy advisor to Cambodia’s first democratically elected prime minister, Prince Norodom Ranariddh. He has written hundreds of articles; and six books which have been translated into 11 languages. He has served as dean at universities in both North America and Asia.*

## notable events

### India-China Media Dialogue Explores the Future of Superpower Relations

**JULY 5, 2010** – Propelled onto the world stage by rapid economic development, India and China increasingly find themselves strange bedfellows, separated by language, culture, political systems and, perhaps most importantly, different concepts of Asia. Reconciling how these two giants regard each other – and the region – is crucial to maintaining peace and stability in Asia

While many critics see China as a potential hegemon, India remains a reluctant power. “India is and will never be an aggressive power,” said journalist and author Sunanda K. Datta-Ray during a lecture that concluded a three-day symposium in early June entitled “India-China Dialogue; Image and Perceptions-The Role of the Media in India-China Relations.” “India,” Datta-Ray said, “is compared to the elephant, slow moving and bumpy.”

Relations between India and China have never been easy. The two nations fought a war over their contested Himalayan border in 1962, and on either side of those mountains are two deeply different nations whose greatest common features are their large populations and rapid economic growth.

Yet the rapid re-emergence of India and China is creating a new world order, accelerating a shift in power from West to East. As they assume a greater role in global affairs, how India and China’s respective media shape perceptions of their relationship is assuming increasing importance, said Wu Jianmin, a former Ambassador from China to India and now a member of China’s Advisory Board on Foreign Affairs. “The media cannot accentuate a blame-game between the two



super-powers,” said Wu.

Yet officials in both countries have felt compelled at times to intervene in an effort to tone down shrill media coverage of India-China disputes, said C.V.Ranganathan, India’s ambassador to China from 1987 to 1991. “It shows that, at the highest levels of leadership, leaders want to preserve the investment of efforts in bilateral relations,” he said.

Leaders should not blame the media for exaggerating tensions, said C. Raja Mohan, strategic affairs editor at The Indian Express. Often, he said, what the media depicts of bilateral ties is merely a reflection of perceptions in the Indian establishment. If anything, he said, the media are forcing leaders in both countries to be more honest about problems in their relationship.

Perhaps no region has more at stake in this evolving courtship than the one that rests between them – Southeast Asia – said Datta-Ray, a journalist with over 40 years of experience and author of *Looking East to Look West: Lee Kuan Yew’s Mission India*.

Singapore has in the past attempted to goad India into exerting a more assertive role abroad as a counterweight to China, he said. Singapore’s Minister Mentor, Lee Kuan Yew, travelled to India on several occasions to exhort it to serve as “the guardian of Asia.” To illustrate, Datta-Ray showed his audience an editorial cartoon depicting a tiny image of Minister Mentor Lee standing atop a sleeping figure of former Indian Prime Minister Jawaharlal Nehru. His message to India then: “Stand Up!”

# Growing Challenges to Asia's Growth

TEXT | JEAN-PIERRE LEHMANN

IT USED TO BE SAID THAT THE US invents, but Japan implements. Americans, for example, invented the transistor; Japanese companies perfected the transistor radio. The concept of GDP, similarly, was invented by the Nobel prize-winning American economist Simon Kuznets at the behest of the US government in the late 1930s and early 1940s. The object was to produce more accurate national economic data for policy solutions to the Great Depression.

It was the Japanese, however, who turned GDP into the equivalent of a state religion. From the late 19th century to the first half of the 20th century, Japan sought military and imperial glory. Encapsulated in the Meiji-era motto *fukukoku kyohei* (enrich the nation to strengthen the army) economic growth was a means to that end, not an end in itself.

Japan's defeat in 1945 shattered its imperial and military dreams and left its economy in ruins. Thanks to the Communist victory in China in 1949 and the outbreak of the Korean War in 1950, however, US policy quickly shifted from defeating Japan to rebuilding the Japanese economy as a bulwark against Communism.

Over the next two decades, the Japanese government succeeded in mobilising virtually all its forces for economic growth. In a famous meeting with trade union leaders, then-Prime Minister Hayato Ikeda said: "If you want a bigger slice of the cake, let's make a bigger cake." The nation began a frenzied effort to grow at any cost and by any means. In 1967 it celebrated the great achievement of having overtaken Germany as the world's second-largest economy – a position it held for 43 years until China overtook it in August.

There were a few dissenting voices. The late Japanese economist and humanist Shigeto Tsuru

derisively dubbed GDP "gross domestic pollution." Enforced industrialisation had devastating environmental, cultural and human effects in Japan, such as the fatal mercury poisoning of Minamata Bay. Tsuru stressed that GDP consisted exclusively of additions, without effort to account for the "quality" of the underlying transactions. He argued that calculating development should also include subtraction, which he termed a "social depletion index."

For example, Japan's Inland Sea was once an area of pristine beauty that inspired generations of poets. Japan's "economic miracle" ringed the sea with massive petrochemical plants, depriving future generations of poets of the chance to behold its beauty. Tsuru's point was not necessarily that the petrochemical plants should not have been built, but that measures of their contribution to the economy should include their cost as well as their benefit.

Tsuru was ignored. In the ensuing decades, as brilliantly described in Alex Kerr's 2001 book *Dogs and Demons: the Fall of Modern Japan*, the country continued to be devastated by multiple construction projects. The nation's traditional closeness to nature was lost.

Today the party is over. The Japanese economy has been in the doldrums for two decades and there are very few prospects that any kind of robust growth will ever return. Contemporary Japanese society suffers from quite numerous psychological disorders and youth in particular is disoriented. There is not much to look forward to.

Sadly, two of the Asia's other so-called tiger economies, Korea and Taiwan, by and large emulated Japan's example. Each pursued growth relentlessly – with considerable costs to the environment. Though there have been some recent improvements, Taipei and Seoul are by-and-large ugly and congested. So are other fast-growing Asian cities – Bangkok, for example. China's cities seem to be headed down the same path.

GDP growth has, of course, been positive in many respects for East Asian societies. Poverty has been greatly reduced. As growth was also driven by outward-looking policies, the cultural and social benefits of openness have been considerable. It should not be suggested that Asia jettison development in favour of the

North Korean philosophy of *juche* (self-reliance) or even Gandhi-type *swadeshi* (local production).

Three points nevertheless seem incontrovertible: First, that the social, cultural and environmental costs of growth have been high; second, that the model is unsustainable; and third, that a dramatically increasing number of people in Asia will be expecting to enjoy the benefits of growth. Announcing summarily that, because of resource constraints and environmental risks such as climate change, the growth engine will stop or even slow down would, understandably, cause widespread social discontent.

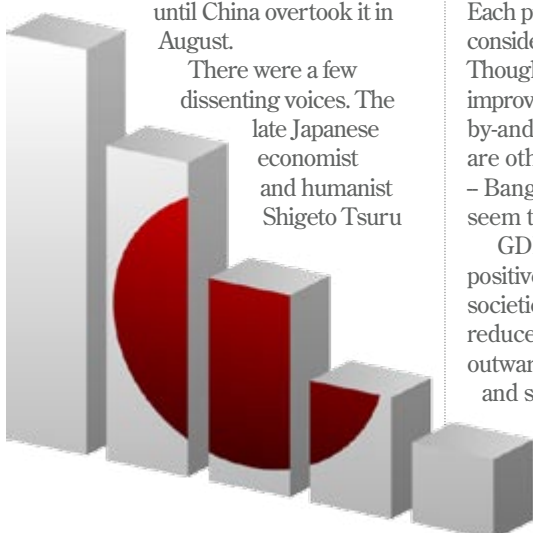
But the 20th century Asian growth model has reached its limits. Pursuing it into the 21st century will be a disaster. If alternative models are not found, the consequences will be catastrophic. Asia will witness over the next decade internal urban migration of at least a half billion people. If Asia's future cities develop in the way its current ones did, prospects are dim. Civilisation will end.

If, however, massive efforts are put into devising innovative social spaces, green forms of construction and public transport, with a priority placed on cultural activities and development with less emphasis on conspicuous consumption, the future will be enticing.

The great challenge now and for the future is to ensure sustainable and equitable economic growth and social development. Asian policy makers, business leaders, civil society, scientists and intellectuals need to focus their efforts on technological, scientific and social innovation.

A journey of a thousand miles, as Confucius said, begins with a single step. There is now a need to increase the pace dramatically. **gis**

Jean-Pierre Lehmann is Professor of International Political Economy at IMD in Lausanne, Switzerland, and founder of the Evian Group, an international coalition for enhancing global prosperity through a rules-based multilateral framework. He earned a Bachelor in Science in Foreign Service degree from Georgetown University and his D.Phil. on Japan's 19th-century industrial revolution from Oxford University. He has spent much of his professional life in Asia and is also actively involved in projects in Africa, the Middle East and Latin America. Prof. Lehmann advises governments and corporations, and is frequently quoted in the international media. The author of numerous articles and several books, his latest book is *Peace and Prosperity through World Trade: Meeting the 2019 Challenge*, which he co-edited with his son Fabrice.





# The Riddle of Measuring Qualitative Growth, Happiness and Well-Being

TEXT | CAROLINE BRASSARD

## BHUTAN'S FORMER KING JIGME SINGYE

Wangchucks famously introduced the concept of Gross National Happiness (GNH) in 1972 as a way to develop his Himalayan kingdom while maintaining its culture and spiritual values. It was not until 36 years later, though – in late-2008 – that an actual GNH index was introduced for Bhutan's leaders to gauge their policies.

The global economic crisis and the looming crisis of climate change have focused renewed attention on Bhutan's GNH index as a potential alternative to GDP in benchmarking development. The challenge now is how to use GNH to design evidence-based policies that deliver higher-quality development. This will require not only indicators of political, economic and social well-being, but finding ways to use them to develop policies that enhance well-being.

Up to now, GDP has – largely for lack of a better alternative – served as a proxy for developmental progress. But as we are only beginning to realise, the focus on quantitative measurements of development can create disincentives for qualitative progress and overall well-being.

The 2009 "Report by the Commission on the Measurement of Economic Performance and Social Progress," led by Nobel prize-winning economists Joseph Stiglitz and Amartya Sen with French economist Jean-Paul Fitoussi, aimed to identify the limits of GDP and assess alternatives.

The report's top two recommendations were, first, to measure income and consumption rather than production; and, second, to emphasise the household rather than the economy as a whole.

These recommendations were explored further in June at an expert hearing on "Asian Perspectives on Qualitative Growth," held by the school with cooperation and funding from the Bertelsmann Foundation and the Austrian Federal Ministry for European and International Affairs. The central questions in those discussions were which indicators would most appropriately measure progress beyond GDP and how could they be integrated into the policymaking process?

The consensus that emerged was that the biggest challenge, both locally and globally, is bridging the gap between conceptualising well-being and developing practical policies towards more qualitative growth.



At the international level, many indicators of qualitative growth have emerged, including the "sustainable measure of economic welfare," the "index of economic well-being," the "environmental sustainability index," and the "genuine progress indicator," just to name a few. And some nations in Asia (such as Thailand and Japan) have successfully designed their own measurements for qualitative growth, well-being and happiness and have begun to use them as powerful tools for policymaking.

But there are multiple obstacles ahead. Measurements of qualitative growth involve the integration of objective but also subjective measurements. Policymakers and researchers are still much more at ease with statistics based on physical output than on subjective outcomes. And while individual countries need to develop gauges of qualitative growth specific to their own circumstances, there is a growing international push to create a standardised indicator that could benchmark qualitative



growth from nation to nation.

This raises the question as to whether indicators necessarily ought to be comparable across countries to enable such rankings. While such rankings have proved an obsession in quantitative measurements of economic growth, ranking countries in terms of qualitative growth may be detrimental to the development of meaningful national indicators that align objective measures with subjective ones. Some measurements – education, health and employment, for example – lend themselves to objective measurement, whereas others – voice, experience and perception – are subject to values and emotions.

Bhutan's GNH tries to overcome these issues. And although it is too early to tell whether GNH will succeed, several factors in Bhutan tend to suggest it will. Bhutan's composite indicator, for example, encompasses nine dimensions, some of which are conceptually less challenging to measure, such as time use, health, education, living standards and ecological diversity. Others, however, incorporate more subjective qualities, such as psychological well-being (general, emotional and spiritual), community vitality (family, safety, trust and social support), cultural diversity (dialect use, traditional sports and artisanal skills), and governance (freedom, government performance and institutional trust).

The GNH index may also have the potential to achieve improvement by the very nature of the questions asked to compile it. One of the many innovative features of this indicator, for instance, is its focus on "knowledge," including health and education, as part of well-being. Yet the mere act of asking questions about people's knowledge tends to increase their awareness, which in turn can be manifested as knowledge in future surveys.

To be sure, policymakers in Bhutan have

an advantage in implementing GNH because the country's Buddhist philosophy discounts material wealth and puts considerable value instead on impermanence. So while most of the elements of the GNH are applicable and measurable in other countries, these cultural and religious aspects may be less relevant. This underscores the need for individual countries to develop their own indicators, rather than adopt some global index.

Many countries have already begun this journey, the most successful receiving strong backing from their leaders, as in the path-breaking case of Bhutan. In the Bhutanese view, happiness is a public good, since each individual values it. More importantly, the experience of Bhutan shows that the process of designing indicators, if done in a participatory way, can bring people together and raise awareness on the interdependency of the world. It also shows how indicators can drive societies towards goals that go beyond increasing production and consumption.

The message to the international community is that there is no need to demonstrate happiness through comparisons. Ultimately, it's the output of happiness that counts. **gisa**

*Caroline Brassard is an assistant professor of economics at the school. She has worked as an economist for the Government of Ontario in Canada, and as a consultant on poverty reduction for several organisations, including the UNDP, UNICEF in Madagascar, CARE in Bangladesh and Save the Children in Vietnam. She taught empirical analysis for economics and management at the University of London, where she earned her PhD. Her current research focuses on aid governance in Bhutan, Nepal, Indonesia and Vietnam, Bhutan's Gross National Happiness index and the lessons of post-tsunami Aceh in Indonesia.*

## notablelectures



### Reinvent or Be Tossed Aside, Warns UK's Mandelson

Companies, political parties and nations must all continuously reinvent themselves to stay relevant and responsive to their customers and constituents, said British politician Peter Mandelson at a lunch where he cited Singapore as inspiration for the centrist shift in 1997 that launched his Labour Party's 13 years in power.

"If you rest on your laurels, people will overtake you," said Mandelson, a member of Britain's House of Lords who served as secretary of state in former Prime Minister Gordon Brown's government until it was voted out of power earlier this year. "If you stop innovating, you'll stop growing. Lose touch with your customer base, as we did with our voters; they'll start looking around for an alternative."

Mandelson, who also served as the European Commissioner of Trade from 2004 to 2008, was in Singapore to promote his new autobiography, *The Third Man: Life at the Heart of New Labour*. The lunch was sponsored by the school together with the Singapore Press Club and the Foreign Correspondents' Association of Singapore.



# Applying Knowledge in the Real World: LKY School Internship Success Stories

The school's MPP students have the opportunity to pursue an internship between their first and second year. Internships offer them an invaluable way to expand their learning experience by letting them work inside organisations that are putting policies into practice – the UN, the World Bank, government ministries, and the private sector. The class of '11 has proved no exception, with some students landing coveted slots.



**Aditi Rao**  
**Singapore Institute of International Affairs (SIIA)**

Studying under Assoc. Prof. Simon Tay inspired Rao to apply for the Eric Teo internship at the think tank he heads, the SIIA. While there,

India-born Rao had the opportunity to help organise South Asia 2060, a panel discussion on the issues and challenges facing the subcontinent. She advises other students to apply for as many internships as they can. "It's crucial for networking and career prospects, your policy analysis exercise, as well as a good way to choose subjects for your second year."



**Fabian Suwanprateep**  
**United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok**

A double-degree candidate with SIPA in New York, Suwanprateep had to complete an internship as part of his course requirements. Luckily for him, UNESCAP's trade and investment division was interested in his policy

analysis exercise research on social enterprises like the Population and Community Development Association, a family planning NGO. Working at UNESCAP gave Suwanprateep, a German of Thai parentage, the chance to see first-hand how the Thai government functions, including the Prime Minister's Office and various ministries. "I realised how much the individual commitment of key actors can influence the policy process and the policy itself."



**Florence Mutesi**  
**International Budget Partnership, Washington, DC**

Mutesi plans to write her policy analysis exercise on budget transparency and poverty reduction, both critical issues in her native Rwanda. So she headed to the American capital to learn more and ended up helping to compile a six-month survey, demonstrating that internships are nothing if not hard work. The key to a good internship, she says, is finding one that fits in with your research at the school. "There is a lot to learn from internships as long as you know what you want," she says.



**Naila Shofia**  
**Asia-Pacific Economic Cooperation (APEC) Secretariat, Singapore**

Internships are valuable not only because they give students a chance to see how organisations apply policies in the field, but also because they provide a glimpse into the way organisations actually operate. At the APEC Secretariat, Shofia says she gained insights into both the byzantine world of international trade and the maze of office politics. "I learn about do's and don'ts in conversations over lunch," she says. "And I learned from office gossip what is appropriate and what isn't."



**Seher Abbas**  
**Asian Development Bank, Manila**

Abbas' interest in microfinance helped her land an internship in the capital markets and financial sector division of the ADB's private sector operations department, where she worked with experts on micro-lending in China, Pakistan and Tajikistan. Working at the ADB, Abbas says, provided her with lots of valuable data for her policy analysis exercise. Best of all, she says, "I got the opportunity to network with investment specialists and make some really good friends."



**Arshad Mirza**  
**UN Habitat, Vientiane, Laos**

Mirza's internship with UN Habitat, the UN's agency for human settlement, took him to the rugged mountains of north-western Laos, where he worked with the state water company and local villagers to improve access to clean water. The opportunity to see how policies he had only discussed in the classroom were put into practice, the Indian teacher and filmmaker says, was unforgettable. "Even the most practical discussions in a policy classroom can become theoretical," says Mirza, a double-degree candidate with SIPA. "This realisation is going to change forever the way I read any policy documents."



## NUS Alumni Converge for Bukit Timah Campus Homecoming

July 8, 2010 – In conjunction with the National University of Singapore Class of 1960's 50th reunion, the Faculty of Law and the LKY School joined the NUS Alumni Office in hosting a special Bukit Timah Campus Homecoming. Roughly 500 people attended, including 50 LKY School alumni.



# Hydropower Consultations: Inclusive Development or Just Talk?

TEXT | TESS CRUZ DEL-ROSARIO



**SISAPHONG WAS UNDERSTANDABLY** anxious about having to move to make way for the dam. A resident of the Nakai Plateau in central Laos, he was one of hundreds of villagers who met with experts, activists, project developers, and financiers in Vientiane to discuss how and where to relocate Nakai's residents before their homes were inundated by the giant Nam Theun 2 hydroelectric project.

Almost as frustrating as losing his home, however, was the feeling that he had become part of a lengthy, painstaking process that stretched back a decade. "My father had attended these talks. He's passed away now, and I am taking his place," said Sisaphong, whose real name have been withheld to spare him any repercussions from his criticisms. "They should just decide. We will move, if we are told to. I will try to get a job as a security guard or as a construction labourer."

The World Bank and its partners at the Asian Development Bank and the European Investment Bank have promised to involve affected communities in the decision-making process for dam projects they fund,

giving poor, rural villagers a voice in a process to which they were once mere bystanders. But opponents of hydropower question whether such negotiations represent genuine consultations or whether they are charades designed to legitimise predetermined outcomes.

The debate over dam consultations is an important one to policymakers striving to make development more environmentally and socially sustainable. While including communities in talks on infrastructure projects that affect them and their way of life is seemingly fair, many wonder to what extent such communities – most rural and poor – are equipped to argue in their best interest. And if they cannot, who is in a position to define what their best interests are? Are they better off as they are or do they stand to benefit more in the long term from projects that would generate cash for national development?

In the case of Nam Theun 2 and the residents of the Nakai Plateau, there are no clear answers. Easily the largest and most ambitious project in Southeast Asia, Nam Theun 2 will sell

95 percent of the 1089 MW it generates to neighbouring Thailand, earning an estimated US\$2 billion over 25 years for Laos – an amount equivalent to 9 percent of the impoverished, landlocked country's GDP.

Dams fell largely out of favour 20 years ago thanks to a global outcry against resettling indigenous communities. Many such communities are uprooted from traditional hunting or fishing grounds and forced to live instead on marginal agricultural land in what critics say is "cultural genocide."

The revival of dam projects in Southeast Asia came only after an agreement by the World Bank and its partners to meet new criteria laid out in 2002 by the World Commission on Dams. Those criteria included mitigation measures for negative environmental and social consequences, a study of alternatives, and, most importantly, public acceptance.

On the face of it, Nam Theun 2 sets a new standard for dam construction and the empowerment of affected communities. Despite consultations that started as early as 1994, the World Bank



postponed its decision, waiting instead for the recommendations of the WCD report. The project finally proceeded in 2005 after extensive consultations in four cities, reams of documents recommending everything from social safeguards to compensation, as well as a multi-layered monitoring and evaluation system and the creation of an independent panel of experts to ensure compliance with global standards.

Part of Nam Theun 2 revenues will also be earmarked for a special poverty reduction fund that will finance projects selected and supervised by village-level communities. Villagers can also apply to receive funding for environmental conservation projects. Both types of project stand to become an important form of capacity-building for the rural communities of the Nakai.

Opponents of hydroelectric's comeback, such as the California-based International Rivers Network, still say consultations do not give communities real options. After all, how can anyone register and assess the veracity of thoughts and feelings among villagers

who are participating within highly-constricted political systems?

But there is a certain amount of cynicism and condescension in this view – an assumption that rural villagers are not sophisticated enough to understand the issues at stake and negotiate in their best interests.

What must not be discounted is the ability of villagers to gradually chart their own direction in this new and more consultative landscape. Sociologists call it “discursive formation” through participation in the construction of normative ideals. Simply put, participation opens up spaces for villagers to exert a voice where previously they had none. This enables them to raise questions, negotiate the terms of their own participation, and even secure immediate material benefits. They learn to understand and manoeuvre. In the process, they acquire “stakeholder-ship” and appreciate its meaning and value. These are gains that cannot be dismissed.

Multi-stakeholder processes, thus, ought to remain a feature of

big development projects, whether dams, roads, or transport. These are solid occasions for building and strengthening the development “software” of the people affected.

As for Sisaphong, he eventually found a job as a construction worker at the Nam Theun 2 project. His days of traditional village life are over, but so hopefully are his days of abject poverty. For him, Nam Theun 2 may represent an uncomfortable future, but it is, he hopes, a better one. **gisa**

*Teresita Cruz-del Rosario is a Visiting Associate Professor at the school, where she heads the research programme on Energy Governance Innovations funded by the MacArthur Foundation. She was formerly Acting Dean at the Asian Institute of Technology and Secretary-General of the Greater Mekong Subregion Academic Research Network which provided her with opportunities to work in Laos. She attended several consultations on the Nam Theun 2 hydropower project in Thailand and Laos. She can be reached at [tdelrosario@nus.edu.sg](mailto:tdelrosario@nus.edu.sg).*

## City Planners Tackle Urbanisation Issues in Newly Designed Course

**RAPID URBANISATION IS GAINING** increased global attention – for good reason. Cities already account for more than half the world's population and provide 70 percent of world GDP. Asia, which is home to 60 percent of the world's population and two-thirds of the world's poor, also has the world's most densely populated cities.

To address this critical issue in Asia's development, the school joined hands in late June with the World Bank Institute (WBI) and the Singapore Ministry of Foreign Affairs to conduct a 12-day urban leadership course for 30 city officials entitled DARE, for “decisions, action, results: leadership in local government.” The programme coincided with the World Cities Summit in Singapore, and participants were able to take part in those events, including a banquet with Singapore's Minister Mentor Lee Kuan Yew.

As its name suggests, DARE marked a departure from conventional executive education programmes. Millions of dollars are spent annually on programmes in which little or no effort is made to track whether participants derive any benefit. DARE's organisers, by contrast, plan to check up on participants over the next ten months and assess what worked and what did not.

Taking part in the programme were six, five-member teams of mayors and other key city officials from a range of Asian cities: Phnom Penh; Palembang, Indonesia; Ulaanbaatar; Naga City, Philippines; Quezon City, Philippines; and Danang, Vietnam. They were led by the former mayor of La Paz, Bolivia, Ronald MacLean-Abaroa, and by Astrid Tuminez, the school's Assistant Dean and Head of Research.

The programme was developed

after numerous discussions between the faculty and other stakeholders, including a “leadership for development impact” roundtable convened by the WBI for experts and senior practitioners. In the end, the programme included modules on leadership, results-based management, anti-corruption, communication skills, project management, finance, and change management.

Teams had to compete to take part in DARE – another departure from conventional training programmes – submitting project descriptions from their cities and highlighting their capabilities. That gave them a stake in the project's success, one intended to keep them attentive for the programme's duration. Senior WBI faculty also worked with participants throughout the programme, providing critical synthesis and cohesion.

In the coming year, DARE's organisers plan to re-connect with participants to see how their projects are progressing. Organisers also hopes to facilitate the addition of a “learning and lending” component, under which participants could get funding for their projects from the World Bank. **gisa**

# Public Policy and Law: A Promising Career Ahead

Singaporean Terence Tan was valedictorian of the Master of Public Policy Class of '10, and a Bachelor of Laws degree with first class honours concurrently from the NUS Faculty of Law. Still just 26 years old, he has gone on to join the select ranks of top law graduates recruited by the Singapore Legal Service from NUS and other top universities to serve in its prestigious, 18-month Justices' Law Clerk (JLC) Programme.

## What does being a JLC entail?

The requirements for entry into this programme are extremely stringent. Not only must one obtain a minimum of first-class honours in his or her law degree from a leading university, but he must also go through an interview with a panel of Supreme Court judges and other public service luminaries.

As a JLC, my primary function is to assist the judges of the Supreme Court (consisting of the Court of Appeal and the High Court) in their judicial work. My main job is to prepare a bench memorandum of the issues of law, facts in dispute, and set out my views on the merits of each issue and the appeal as a whole after conducting extensive research on the case law and relevant legislation. During my term as a JLC, I will also have the opportunity to undertake judicial work as an assistant registrar of the Supreme Court, hearing and determining disputes between litigants in certain civil cases in chambers.

It is an immense privilege and honour to be a JLC at the Supreme Court and I look forward to learning as much as possible from some of the brightest minds in Singapore's legal profession.

## Why did you decide to pursue a concurrent degree?

The concurrent degree is particularly attractive to law students like me who



**“The interaction with some of the brightest minds worldwide who come from various professional and cultural backgrounds, and a world class faculty equipped with a wealth of experience, have broadened my horizons.”**

are interested in a career in public service. By combining the strengths of the LKY School with the Faculty of Law, the concurrent degree programme provided me with a unique opportunity to gain an understanding of the legal, policy, and practical dimensions of governance and national, regional, and international policymaking. My personal experience at the Supreme Court is that being proficient in both law and public policy is a quality the judges very much appreciate and hold in high regard.

## In what way has your education at the school benefitted your career and personal life?

The interaction with some of the brightest minds worldwide who come from various professional and cultural backgrounds, and a world class faculty equipped with a wealth of experience, have broadened my horizons and provided me with better skills to take on whatever challenges which present themselves in my career and personal life. I am also delighted to be part of the growing international network of LKY School alumni, many of whom I can count on not only as my colleagues but also as my friends.

## What part of your experience at the school made the biggest impression on you?

I was greatly impressed by the quality of the numerous events, courses and lecturers at the school. The event which made the greatest impression on me was the commencement ceremony in 2010, where I was honoured to be nominated valedictorian. The faculty and my peers were extremely supportive throughout the whole process of rehearsals and refinements of my valedictory speech, and that gave me the necessary encouragement and motivation to deliver a great speech and do our school proud on that momentous occasion.

I was also very impressed by Prof. Ten Chin Liew in his course “Ethics and the Public Official.” I remembered being worried for fellow classmates who did not possess backgrounds in philosophy or jurisprudence, as this course would straddle both areas. To Prof. Ten's immense credit, however, he was able to teach the course in such a way that he not only satisfied the intellectual demands of students with a background in that area, he ensured that students without such a background were brought up to speed in no time. This can only be attributed to his patience, understanding, and his dedication to ensuring that each of us would take away something useful from the class that we would be able to apply to our careers and personal lives. **gisa**



## New Careers Advisory Service Arms Students for Job Hunt

This academic year sees the launch of a dedicated Careers Advisory Services department at the school and a programme of career workshops, led by Sue Adams. Adams is a career coach and facilitator whose experience includes 20 years in the non-profit sector, law and media.



### What do the workshops cover and when are they being held?

We've already had the first two workshops. The first was about self-reflection, the purpose of which was to get people really thinking about their skills, interests and values. The second was a workshop on writing a *curriculum vitae* for those who wish to include their CV in the book of CVs the school sends out to potential employers. In October, the third workshop will be on job search and networking skills. Next semester we will have a workshop on interview skills and negotiation.

### Who can attend these workshops?

Job-seekers! The workshops are open to MPP and MPA students and we encourage those looking for internships or jobs in this academic year to come. Those who are definitely returning to employers need not attend and first-year MPP students who are not applying for anything this year may prefer to wait until next year, when the workshops will be offered again.

We ask that students sign up for all the workshops as they are sequential and we don't have time to re-trace our steps.

### What will students who attend get out of the workshops?

Hopefully some practical tools for job-hunting. During the CV workshop, students worked directly on their CVs and left with new drafts. In the upcoming job search and networking workshop, they'll learn how to create an effective "elevator pitch," a job-search databank and a network. In the workshop on interview skills and negotiating we'll be talking about how to prepare for interviews and discussing some common interview questions, as well as how to negotiate job offers.

All the workshops are interactive and practical. Students should walk away with some concrete ideas to use in their job search, whether a list of core skills to include in their marketing message, an impressive CV, a great elevator pitch or the best answers for their interview questions! **gisa**

*Sue Adams is a certified coach and facilitator whose professional experience includes 20 years in the non-profit sector, professional services (law) and media. Sue specializes in career coaching and skills-development workshops.*

*Sue Adams has a BA in Philosophy, Politics and Economics from Oxford University and an MBA from INSEAD. She is also a Solicitor of the Supreme Court of England and Wales and an Associate Mediator of the Singapore Mediation Centre.*

## notableevents

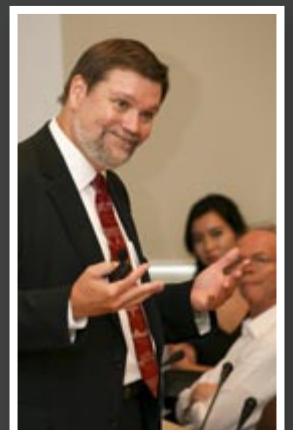
### Leadership Key to Averting Looming Threats, Harvard Dean Says

Though they may seem insoluble, looming problems such as climate change can be solved by motivated leaders willing to risk their popularity to generate the urgency needed to tackle them, the Dean of Harvard's school of public policy said in a lecture at the school in mid-September.

"In the end, what really matters is wise, effective, powerful and inspired leadership," said David Ellwood, a professor of political economy who has been Dean of the Harvard Kennedy School since 2004. "If you don't have leaders willing to stand up and take some serious heat you're going to be in trouble."

Ellwood was addressing the question of why governments and societies often seem unable or unwilling to confront threats with potentially massive consequences even though those threats are clearly inevitable. At Harvard, Ellwood leads the "Acting in Time" project, a joint effort by Harvard faculty to answer this riddle.

Leaders can overcome policy inertia, he said, by using the power of markets to create incentives for businesses and investors to act. Governments should also seek alliances with erstwhile rivals – strange bedfellows, as Ellwood called them – to lend problems an urgency and immediacy that galvanises public support.



## Global Shifts Challenging Role of CEO, Says McKinsey Chief

TEXT | SARAH BAILEY



### THE SHIFTING GLOBAL ECONOMY

and the explosion of information have made it impossible for a single individual to lead an organisation effectively, Dominic Barton, global managing director of consulting firm McKinsey & Co. told students at a career talk in mid-July. In the future, leaders will need to adopt a more collaborative approach, he said.

Barton identified five global trends in leadership:

- The Great Rebalancing – a shift in the world's economic power from West to East, not only to Asia but also to Africa and South America;
- The Productivity Evolution – a rapidly aging population in developed countries as well as in China and South Korea that will require changes in productivity to enable future growth;
- The Global Grid – the flow of the information by 2014 is projected to be equal to the entire stock of information the human race has so far accumulated;
- The Re-pricing of the Planet – given the huge rebalancing of the world, there will be 900 million new middle class consumers with disposable income, primarily in Asia. That will place greater demands on the world's energy and materials. Water is a prime

example: McKinsey estimates that demand for water will by 2030 exceed supply by 40 percent;

- The Rise of the Market State – the state will play a more intensive role in regulating the economy, not just the financial sector. Governments are likely to regulate things like the salt and sugar content of food, for example, to help slow rising healthcare costs.

At least half of roughly 260 chief executives McKinsey has surveyed believe that their businesses will undergo a major transformation in the next five years. "People believe that there is going to be more technology enablement – using the technology we have today to change how we do our business," Barton said.

CEOs are increasingly overwhelmed and suffer from feelings of loneliness and of overwork, he said. Most have little real familiarity, as a result, with their top talent. But they need to have a cross-sector perspective and to understand the risks facing organisations in transition.

Indeed, the entire concept of leadership is evolving, he said. "This idea of a hero-leader-CEO is the past," he said. "There is no way, with the complexity of what is happening in the world, that one person could possibly

have an integrated view of everything. You have to have multiple leaders to get something done."

Barton suggested that the CEO of the future would be a "connector-in-chief," someone able to draw on the broader perspectives and leadership of an organisation to get things done. Organisations will also need a chief accelerator, who can help them adapt more quickly to the world's rapid changes. And because, in an increasingly inter-related world, organisations have to be actively involved in their own ecosystem, they need to have what Barton called a system shaper.

It is important for leaders to recognise the "wisdom of crowds," Barton said – that there is a lot of brainpower inside and outside their organisation. They need to understand ambiguity – that there is never a right answer. They must have internal resilience, energy and a strong network. And they must strive to keep physically fit, too. "You have to make time to keep your body alive," Barton said. "There is no way you can keep up the pace if you don't do that."

Turning to his own organisation, Barton said, "McKinsey is a leadership factory which creates CEOs. The best way to measure the health of McKinsey is what number of CEOs we have out in the world, in different countries and industries."

Mentoring is the most important and fundamental part of what McKinsey does, he said. "You can learn a lot about leadership by watching," he said. "Having exposure to senior people in whatever way you can is a very important thing to do."

Last of all, it is extremely important, Barton said, for leaders to have dreams and to take risks. They must be willing to learn from those around them. And they must give without expecting to get back. "Persistence and resilience. Life is not fair. Bad luck occurs. Things don't work in a straight line," Barton said. "Look at a failure as one of the biggest growth opportunities you can have. Successful people experience more bad luck than less successful people." **gisa**





## **Darryl David MPA '11, Singapore**

Long-time Singapore residents may recognise David from his days as a sportscaster on local TV and on ESPN. He left the small screen to earn a business degree and then became a media consultant, teaching a course on media at a local polytechnic. David says he loves the passion his fellow students bring to the classroom – and their diversity. “I like the fact that no nationality forms more than 20 percent of my MPA cohort,” he says. “Unlike many other policy schools, no one ideology or culture dominates in the classroom.”



## **Vineeta Hariharan MPA '11, India**

Hariharan comes to the school with more than 10 years of experience in city planning. After earning a master’s degree in urban planning, she worked in Chennai, New Delhi and Mumbai before returning to her native Kerala to join a public-private partnership as head of urban infrastructure. “After a decade in development management in India, I found myself grappling with issues and bottlenecks that seemed to have no solution,” she says. “I decided to look globally for answers and found the LKY School, where I hope to learn global best practices and solutions to developmental issues.”

## **Fika Fawzia MPP '12, Indonesia**

“I’m the green lawyer from Indonesia,” says Fawzia, one of the few lawyers in her class. Fawzia interned at the local affiliate of giant global law firm Baker & McKenzie after earning her law degree from the University of Indonesia, and then worked with a joint forestry programme between the Association of Southeast Asian Nations and Germany. The experience left her with not only a basic command of German, but also a desire to return home after earning her degree at the school to start a think tank tackling environmental issues.



## **Yvette Ingabire MPP '12, Rwanda**

Ingabire has worked in Kenya as well as Rwanda and so has seen first-hand what kind of development policies work and which do not. But she came to the school not only to learn from its professors, but to study the lessons Singapore has to teach. “The success story of Singapore is one that is frequently told in my country,” she says. “The challenges that Singapore dealt with and overcame serve to encourage all Rwandans that we too can become a prosperous nation.” She plans to return home after graduating to apply what she learns to building Rwanda.



## **Germaine He Yishan MPP '12, Singapore**

He is pursuing a concurrent double degree – an MPP at the school and a Bachelor of Business Administration from NUS. “While the business school equips me with intriguing financial concepts,” she says, “the LKY School challenges me to employ the tools of public policy, economics and business management to analyse issues. Having already interned at Citibank and HSBC, it’s perhaps no surprise that He hopes to use her financial acumen and public policy training to become one of the Singapore Government’s economic and financial planners.

## **Alexander Pforte MPP '12, Germany**

German-born Pforte spent most of his youth outside his homeland in Africa and Southeast Asia. “I pride myself on having been to every continent except Antarctica and South America,” he says. After graduating from high school in Malaysia, he returned to Germany to earn his bachelor’s degree from the University of Konstanz. Then he was back on the road, working first as an intern in Beijing and at the UN in Geneva. He hopes to return to public service after earning his MPP. “My ultimate dream would be to work for the UN.”



## **Muhammad Joni Yulianto MPA '11, Indonesia**

Yulianto is a leading activist for disability rights in his home country, Indonesia. After graduating from the University of Yogyakarta in 2003, he set up a non-governmental organisation called SIGAB, an Indonesian acronym for the “Institute for Inclusion and Advocacy of the Disabled.” “Coming from my experience as a disabled person, I better understand the social, cultural and structural barriers that the disabled confront,” he says. Yulianto is planning to apply his MPP to push for greater equality for the disabled in Indonesia.



# Key to Water Security May Be in Pipe, Faucet, Kitchen Sink

THERE ARE SOME COMMON ELEMENTS IN the debate over how to cope with the looming global water shortage: pollution, conservation, irrigation, desalination, diversion, and competition from biofuels and animal feed.

Seldom mentioned, however, is housing. Yet it is housing – specifically modern indoor plumbing – that may hold the key to improving the quality and availability of drinking water to the millions who do not have it, according to new findings by the school’s Institute of Water Policy (IWP).

“You need to work for a totally new global objective called housing the nation,” said Bhanoji Rao, a visiting professor of economics who, with IWP Director Seetharam

Kallidaikurichi, earlier this year compiled a new “index of drinking water adequacy,” or IDWA.

The IDWA is one of two new gauges of water policy developed recently at the institute as part of its work to better understand the water issue and develop solutions. Established in 2008, IWP conducts research and provides training and advice to policymakers.

Access to clean drinking water is one of the many challenges to achieving sustainable growth. Rapid economic development has left Asia and the rest of the world with what some say is a water crisis. In Indonesia, for example, as many as 100 million people have no access to safe water.

The problem is not the amount of water; experts say there is plenty. The problem is that mismanagement of water threatens to leave many more people, mostly poor, without access to it. “We need to share our water resources more fairly,” said Gidon Bromberg, director of Friends of the Earth Middle East, during a televised BBC World Debate that the IWP hosted in June.

Clouding discussions on water is the fact that every country faces different water conditions and most have only a rough idea how many of their citizens have truly reliable access to safe drinking water.

Kallidaikurichi and Rao stumbled over this gap in 2007 as they were trying to write on Asia’s water development. Many international organisations were using an index compiled from more than 20 different indicators, which Rao said rendered it useless. “Averaging three to at most five indicators may be okay, but averaging 15 to 30 indicators will blur the communicating capability of the average,” said Rao.

Worse, the definition of “access” and of “safe” seemed to depend on where it was applied. Access could mean water from a faucet, or from a source 15 minutes away. And “safe” water was defined as any water that had been treated, whether on par with filtered drinking water or not.

Over six weeks, Rao re-compiled the statistics and create a simpler, more consistent index. The IDWA covers 144 countries, Indian states and provinces in China and Vietnam. Iceland tops the rankings, not only because it has so much freshwater that it has announced plans to sell some to Saudi Arabia, but because its citizens can access it from taps in their homes. At the bottom, conversely, is Niger, the landlocked and impoverished nation in Africa’s Sahara desert.

Malaysia is the top-ranked Asian nation, not only because the tropical country has access to



Index of drinking water adequacy (IDWA): the higher the better



so much fresh water, but because the quality of water it delivers to its citizens is so high. And despite its vaunted water management and progress in achieving self-sufficiency in water, Singapore ranks much lower. It has to spend part of its wealth treating seawater and importing food – agriculture being one of water’s principal by-products.

Singapore comes out on top of another of the IWP’s indexes, though: the new Asian Water Governance Index, or AWGI. Compiled by Assistant Professor and IWP Associate Fellow Eduardo Araral with Research Assistant David Yu, the AWGI tracks the legal, policy and administrative quality of water governance around Asia. “The Asia Water Governance Index aims to help water policymakers in Asia learn from one another in terms of water laws, policies and administration,” said Araral, who is also an assistant dean at the school.

One area where Singapore stands out is in pricing its water – the extent to which it uses tariffs to recover the full cost of delivering clean water to citizens. Experts say pricing is one of the most important elements of the water problem: people still consider water free until it is bottled. But water should, the argument goes, be accepted as a commodity subject to the rules of supply and demand like oil and corn. “If you price the water right,” said Asit Biswas, founder of the Third World Centre for Water Management, “the demand for water will go down.”

The IDWA research suggests that turning water from an asset into a service could promote better health in addition to conservation. Kallidaikurichi and Rao found a strong inverse relationship between home plumbing and diarrheal deaths – the more taps there are in a house, the less likely its inhabitants are to die from water-borne diseases.

Even populations with access to clean wells or other sources outside could not compare to those with clean running water at home. One possible explanation, Rao said, is that those who have to carry water into their own homes have to store it, resulting in waste and introducing a greater potential for contamination.

Kallidaikurichi and Rao’s findings appear to create a new priority in the quest for sustainable water usage. “There’s no point in the 21st century people thinking about 15th century sanitation,” said Rao. “With our numbers we cannot afford that.” **gisa**

## notable events

### Free Market or State? Nobel Economist Ostrom Says Answer Can Be Both

Free-market fundamentalism may be in retreat as the state’s guiding hand regains post-crisis favour, but neither extreme necessarily offers the most efficient way to manage economic resources, said Elinor Ostrom, the Nobel prize-winning economist in a lecture in late August. Often, the neatest solution comes from a messy combination of both.

“I’m urging us to go beyond either the market or the state,” said Ostrom, who is also a professor of political science at Indiana University. In 2009, Ostrom became the first woman to receive the Nobel Memorial Prize in Economic Sciences, winning along with fellow American economist Oliver Williamson.

Ostrom outlined her prize-winning work on what she calls “polycentric governance of complex economic systems:” coastal fisheries, agricultural irrigation, management of forests and even metropolitan police departments. Her theories challenge classical economic models by arguing that they ignore the complexity by which resources are governed in the real world. Just as behavioural economists shattered the assumption that individuals are rational actors, so Ostrom provided an explanation for how seemingly irrational governance of markets can produce the best outcome.



# Corruption May be Doomed, but Won't Go Without a Fight

TEXT | ROBERT KLITGAARD

AT THE END OF HIS BOOK *BIBES*, American law professor and Judge John T. Noonan made a remarkable prediction: “As slavery was once a way of life and now...has become obsolete and is incomprehensible, so the practice of bribery in the central form of the exchange of payment for official action will become obsolete.”

Noonan demonstrated that bribery is not culturally relative. Anywhere one goes, bribery is considered shameful, a sell-out to the rich, and a betrayal of the trust that he called “a precious necessity of every social enterprise.” Bribery, he concluded, violates a divine paradigm. These moral forces, coupled with increased information, communication, and competition, will result in the demise of systemic corruption, he said.

Noonan’s book was published 25 years ago. And while his prediction came true for Singapore and a few other countries, the trend for the world as a whole – judging from Transparency International’s Corruption Perceptions Index – is flat. Rising incomes, noted American economist John Malcolm Dowling, have not necessarily yielded lower corruption. Instead, he wrote in a 2008, “a large group of poor countries are caught in a low level corruption trap at the same time that others at high levels of income are becoming more and more honest.”

Yet even developed countries exhibit worrying signs. A government review of police corruption in New South Wales revealed a correlation between the availability of illegal



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drugs and corrupt activities such as protecting vice and taking payoffs. Cost overruns – often a telltale sign of corruption – have risen sharply over the past half century in American public works projects. And private-sector fraud and conflict of interest can be found everywhere from Enron to Goldman Sachs.

True, success stories in reducing systemic corruption abound, from Mozambique to Colombia. But there are also examples of “re-corruption,” where the successful relapse. The cleaned-up Philippine Bureau of Internal Revenue, for example, became a success studied all over the world. But during a trip to Manila a few years ago, the head of the bureau confided to me that it was once again rife with corruption.

## **Was Noonan simply wrong, then? Is fighting corruption a lost cause?**

Many would like us to think so. It is remarkable how quickly we slide from outrage to cynicism. Remarkable, too, how reluctant we are to consider corruption with the same cool, analytical powers we apply to other cases of policy and management.

Where cynicism reigns, apathy follows. It is easier for us to accept that nothing can be done about an issue once we convince ourselves it does not matter. Corruption? So what? It's just

grease in the wheels of commerce and glue in fractured polities. Corruption has its functions, even its benefits, especially where neither states nor markets work well.

But corruption does matter. Case studies and econometric analyses show that corruption slows growth, cripples social services, and defrauds justice. Corruption discourages investment and reduces the impact of that investment on economic growth. Countries with poorer governance have higher infant mortality and illiteracy rates. Corruption, therefore, hurts the poor the most.

What can be done to reduce it? Moralising is of little use. If John Noonan’s prediction is to come true, we need more than preaching. Based on my own international experience, here are five ingredients for winning the battle against systemic corruption.

## **I. Improve Structure, Leadership, and Incentives**

We need government reforms that emphasise structures, leadership, and incentives. Don't target corrupt individuals. Target corrupt structures.

Corruption can be understood through the following stylized formula:

$$\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability.}$$

Corruption flourishes where someone who is largely unaccountable has a monopoly over a good or service and has the discretion to decide how much of it citizens get. Successful anti-corruption efforts, therefore, reduce monopolies, limit and clarify discretion, and raise accountability.

Leadership is vital. Even when leaders are corrupt, it is possible to reduce opportunities for bribery and fraud. But Noonan's prediction will not come true until we demand leaders who are brilliant in prevention, ruthless in prosecution, and exemplary in their morals.

Incentives lie at the heart of this fight. As the saying goes, "If you pay peanuts, you get monkeys." Salaries of government executives should, as a rule, be at least 80 percent of those their counterparts in the corporate world earn. Once salaries are attractive, we need incentives for good performance and stiff penalties for corruption.

## 2. Take a Whole-Government Approach

Cleaning up one agency or ministry may not work if the national environment remains corrupt. Malaysia's anti-corruption agency, for example, files cases that are often simply ignored by public prosecutors. Creating a national corruption watchdog is useless if it cannot coordinate with the other ministries and agencies vital to prevent, prosecute, and punish corruption.

## 3. Involve Business and the People

The fight against corruption must go beyond government. On public

tenders of more than a certain sum, bidders should sign an "integrity pact," promising not to pay bribes and not to cheat on costs and change orders. If any firm signing the integrity pact suspects the winning firm of bribery or of inflating costs, the accused company promises to throw open its books. Not least, integrity pacts give firms a way to resist extortion by the government.

Businesspeople, lawyers, and accountants also need to know how corrupt systems work. This kind of participatory diagnosis gives them a safe way to share their knowledge. Here is an illustration of how to achieve this, drawn from a rural road project:

About 15 companies involved in road tenders are interviewed confidentially. The object is not to identify individuals involved in bribery, they are assured, but rather to document how bribery affects procurement – who is eligible to bid, the bid's specifications, picking the winner, making post-award change orders, and paying the contractor. By the end of the interview process, a useful picture emerges of how corrupt tenders works. This description can then be shared with contractors and the government for suggesting improvements and to serve as a benchmark for future diagnoses.

## 4. Subvert Corruption

If corruption is systemic, the remedies must go beyond prevention to what might be called subversion. The goal is to analyse how the corrupt systems work, identify their weaknesses, and attack. Techniques used to fight organised crime are useful here as

well, such as stings, undercover agents, and efforts to "turn" insiders into witnesses. Often, a weak point in corrupt systems is how to hide the ill-gotten funds. Lifestyle checks can uncover officials living beyond their official means. In some countries, citizens have taken steps to document and share this sort of information, which has in some cases toppled corrupt politicians and systems.

## 5. Emphasise Morality

Finally, let us return to Noonan's emphasis on morality. Noonan is right that corruption is universally regarded as immoral. Even in places where corruption is said to be "a way of life," citizens abhor it. Careful anthropological studies belie some earlier claims that peasants (and perhaps people in most developing countries) cannot distinguish between gifts and bribes.

Noonan concluded that our collective repulsion would eventually change practice and render corruption extinct. How that would happen Noonan left to the machinery of history.

But Noonan's prediction won't come true without determined effort. To eliminate corruption, we need to weed out monopolies and increase accountability, create coordinated government approaches, enlist the cooperation of businesses and civil society, and empower the public to expose corrupt practices. And, yes, we can join Noonan in reminding ourselves and our leaders, through our voices and our choices, that corruption is not only wrong, but that we will no longer allow it. **gisa**

## notableevents

### Indian Minister Urges Integration as Asia Regains Pre-Colonial Stature

Asia's economic resurgence is part of a longer-term return to the balance of global power that prevailed before the Industrial Revolution, and global organisations need to reflect this return to the historical norm, said Anand Sharma, India's minister of commerce and industry, in a lecture in early July.

Sharma also called for greater integration among Asian nations, through regional and bilateral trade agreements. "Today we see the countries of Asia realising their potential," he said. The future is in integration. "If there was ever time to take steps toward a larger economic integration of Asia, this is it."





## Newly Tenured, Wu Xun Says Thailand Debunks Asian Healthcare Orthodoxy

**WHATEVER ONE MIGHT SAY ABOUT** Thailand's deposed former Prime Minister Thaksin Shinawatra, one thing he did achieve was a landmark system of universal healthcare, notes Assoc. Prof. Wu Xun, a specialist in policy reform who recently won tenure from the National University of Singapore (NUS). China should take note, he says.

Of all the things that Thailand's deposed former Prime Minister Thaksin Shinawatra will be remembered for – the allegations of corruption and of instigating violent protests in Bangkok earlier this year – one thing that should not be overlooked is his contribution to Thailand's healthcare system.

One of Thaksin's achievements before his 2006 ouster in a bloodless coup, according to Wu, was instituting a universal healthcare system under which all Thais can visit a government-funded clinic for just 30 baht (slightly less than US\$1).

In doing so, Thaksin not only improved the welfare of millions of poor people in a country where the average annual income is still below US\$4,000, but demonstrated what Wu says is the need to challenge Asia's faith in privatised healthcare.

"The idea of privatising healthcare has been one of the main developments in Asia over the past 20 years. But there aren't a lot of success stories," said Wu, who has conducted extensive research

on the subject with M. Ramesh, a professor at the University of Hong Kong. "Our argument is that maybe we should take a look at whether the idea itself is as good as people think."

A native of China's Zhejiang province, Wu came to NUS from the World Bank in 2001, becoming one of the original faculty in the university's public policy programme, which would in 2004 go on to become the LKY School. Wu earned his PhD at the University of North Carolina at Chapel Hill and in the course of his career has consulted not only to the World Bank, but the United Nations Environment Programme, and the International Vaccine Institute.

At the school, Wu offers courses in both English and Chinese on research methods for policy analysis and natural resource management. His own research focuses on water, the environment, power, corruption, healthcare and sustainable development. "I study regulations and how to implement them," he said. "Typically, different areas of regulation suffer from similar problems, like water and healthcare. There's a lack of capacity in developing countries to tackle either."

This has become an urgent challenge for Asian governments. Rapid development, while helping to lift millions out of poverty, has also created growing disparities in



wealth and welfare. Governments are therefore shifting from building basic infrastructure to creating "soft" infrastructure – healthcare, education and social safety nets.

Many lack the capacity to do so easily, Wu says. In China, for example, economic reforms largely eliminated the health coverage many employees enjoyed at state-owned enterprises. Now few can afford private health coverage and even state-owned hospitals have to charge high fees to cover their costs, making China more similar to the United States when it comes to healthcare.

At the other end of the spectrum, Wu says, are countries like Singapore and, thanks to Thaksin, Thailand. "People say poor countries can't afford universal healthcare," he said. But his research with Ramesh proves otherwise, he says. "We've challenged the gospel of privatised healthcare." **gis**

## Nuclear Agency Chief Says Iran Ready to Talk on Turkish Fuel Plan

International Atomic Energy Agency (IAEA) Director-General Yukiya Amano called for greater authority for his agency's inspectors to combat the increasing risk of nuclear proliferation as more and more nations adopt nuclear energy as a cleaner alternative to burning oil. More than 60 countries, he said in a lecture in early August, were considering or planning to build nuclear power plants. The agency expects as many as 25 countries, most of them in Asia, to bring new nuclear power plants into production by 2030, he said.

"The increasing number of countries with nuclear power programmes will mean increasing workload for the IAEA in the coming decades. This represents a growing challenge to the agency and to me."

# CAG Examines Shifts in Development Policy in New Research

TEXT | **TOBY CARROLL**

FOR OVER 20 YEARS, MULTILATERAL lenders like the World Bank, the IMF, ADB and OECD devoted their developmental funding to promoting basic free market policies, such as liberalisation and privatisation. Faced with widespread criticism of the social costs of such efforts, though, the world's leading development agencies have had to re-tool, devote new efforts to mitigate risk, improve regulation and promote greater stakeholder participation.

Earlier this year, the Centre on Asia and Globalisation launched a new research project to examine the novel ways in which citizens, states and the private sector are both influencing and influenced by this retooling process in Asia. Entitled "New Approaches to Building Markets in Asia," the project's goal is to bring together established and early-career researchers to produce a body of insights into the current push to build market-based societies in Asia. Its outcomes, to be published in a three volume mini-series and several special journal issues, will detail the successes and failures of policies designed to improve livelihoods – but which all too often end up doing the reverse.

The project has three streams, each focused on the key stakeholders in market-oriented development: citizens, public organisations and private organisations. In addition to involving LKY School researchers Darryl Jarvis, Mika Purra and Rita Padawangi, the project is organising a series of workshops that will include scholars from around the globe. A recent call for papers for the project's first workshop (on public organisations) has attracted high-quality submissions from the Asia Research Centre, Harvard, the Massachusetts Institute of Technology, Japan's Ritsumeikan University, Sydney University and the University of South Australia, just to name a few.

Efforts to promote market-based societies in the underdeveloped world began with the World Bank and International Monetary Fund's structural adjustment programmes, which – in the name of fostering development – demanded fiscal austerity, liberalisation and privatisation of often reluctant states.

Despite the social difficulties caused



by these structural adjustments, the effort to establish market societies promoted by multilateral institutions was given new impetus by the fall of the Soviet bloc in 1989 and the Asian financial crisis of 1997 and 1998.

But the push to create market societies – a push that attracts the lion's share of international development funds – has undergone important changes as a result of widespread criticism. Protests from civil society have erupted over privatisation and fiscal austerity, problems with implementation and the outcomes of development.

As a result, new forms of stakeholder participation and consultation are being incorporated into the efforts of multilateral organisations and those that receive their funds. Novel partnerships for mitigating risk by securitising investments, for example, have been formed between the likes of export-credit agencies and the International Finance Corporation (IFC), its members and its private-sector clients. The World Bank and the ADB, furthermore, now promote specific regulatory institutions to govern public-private partnerships in water and energy.

In all of this, non-governmental organisations and expert consultants retain prominent roles. Contemporary development policy practice is to build market societies that include these policies, processes and actors.

Despite these changes, however, numerous obstacles and problems

remain. Independent regulators are difficult to establish and maintain, good governance is hard to realise and growth often feeds corruption and widens the gap between the rich and poor. New sources of investment from China and the Middle East, moreover, are reducing the leverage that organisations like the World Bank have over cash-hungry nations.

The New Approaches research project asks crucial questions of this evolving approach to building market societies. For example, what new roles are being played by multilateral organisations such as the IFC and the Multilateral Investment Guarantee Agency in Asia and what impact are they having? What new relationships are being created and what do they mean for citizens, private interests and policymakers? What challenges exist for initiatives to build market societies and can these be resolved?

In addition to providing a collaborative platform for researchers in the field, the project will hopefully produce recommendations policymakers can follow as to how development might be better formulated to improve people's lives. **gisa**

*More information on the New Approaches to Building Markets in Asia research project and seminar series can be found at <http://www.caglkyschool.com/content/public-organisations-and-new-approaches-building-markets-asia> and on the school's website. Alternatively, interested parties can contact Toby Carroll at [tc Carroll@nus.edu.sg](mailto:tc Carroll@nus.edu.sg).*

# Faculty Publications

## Books, Monographs and Articles

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**Blane**, David L. (2010) A Performance Grant for Indonesia. *Paper prepared for World Bank and Decentralisation Support Facility*, Jakarta, August, 2010.

**Huang**, Jing (2010) Time for Asian Group 2. *Business Standard*, July 23, 2010.

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**Mahbubani**, Kishore (2010) Interview in *Al Ahram* newspaper, Egypt, June 29, 2010.

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## Other News

Seetharam **Kallidaikurichi**, director of the school's Institute of Water Policy, was named a fellow by the University of Tokyo in a ceremony held June 30 at the Japanese embassy in Singapore. The university cited Kallidaikurichi's role in establishing the Asian Development Bank-University of Tokyo internship programme and his "continuous and intensive collaborations in the field of water resources management."



Teresita **Cruz-del Rosario** rejoined the school as visiting associate professor. A PhD in Sociology from Boston College, Cruz-del Rosario undertakes research in energy governance innovations in Southeast Asia. Previously, she was visiting associate professor and acting dean at the Asian Institute of Technology where she was concurrently the Secretary-General of the Greater Mekong Subregion Academic and Research Network.

**Heng Yee Kuang** was named visiting senior fellow. A PhD in international relations from the London School of Economics and Political Science, Heng is assistant professor at the School of International Relations, University of St Andrews, where he is usually based. His current research focuses on risk and globalisation, in particular global regulatory frameworks to manage global risks.

**Tan Boon Seng** was appointed instructor. A PhD in Business Management from the National University of Singapore, Tan was previously at the Hong Kong Polytechnic University, where he taught as lecturer and assistant professor in a range of business administration degree programmes. He also served as a lecturer at Singapore's University of Chicago campus.

**Shreekant Gupta** was named adjunct associate professor. A PhD in economics from the University of Maryland, Gupta has worked as a researcher, policymaker and consultant on environment, natural resources, energy and urban issues. He has taught at the universities of Delhi, Maryland and at Jawaharlal Nehru University and NUS. In addition, he has been Fulbright Fellow at the Massachusetts Institute of Technology and Shastri Fellow at Queens University, Canada.

## African Philanthropist Outlines Steps for Africa's Continued Recovery



**MO IBRAHIM**, ONE OF Africa's top businessmen and philanthropists called for greater African economic integration, investment in agriculture and for action against climate change to accelerate the continent's recovery from ruinous divisions imposed during the Cold War in a lecture at the LKY School's anniversary gala dinner.

Ibrahim, a Sudan-born telecommunications billionaire, is best known for creating the

Mo Ibrahim Foundation, which in 2007 introduced the world's most lucrative award, the Ibrahim Prize. The Prize awards US\$5 million over 10 years, followed by US\$200,000 yearly stipend for life, to selected democratically elected former African heads of state who leave office after serving out their term in office.

Ibrahim blamed failures in governance for Africa's chronic poverty and said that Cold War rivalries were largely to blame for creating the culture of official corruption that left Africa mired in overseas debt. He saluted African leaders who work for peace and help to deliver prosperity to their citizens, and singled out for criticism Sudan's president, Omar al-Bashir, for failing to seek peace in southern Sudan. **gisa**

**"We really must work towards the freedom of movement of people, capital and goods across borders. Otherwise some of our countries will not be viable."**

## Naím Warns of Diffuse Power, Concentrated Policy Focus

**THERE ARE FOUR MAJOR** gaps in global politics, according to Moisés Naím, a senior associate at the Carnegie Endowment for International Peace.

At a lecture in late September, Naím said the first major gap was that between policymakers and policy academics. "The lack of alignment between what academics talk about in world politics and what policymakers do is huge," said Naím, who was editor-in-chief of *Foreign Policy* magazine from 1996 until earlier this year. The second is between globalisation and the dominance of the United States in the debate about globalisation. "The lack of other voices in the conversation leads to very important mistakes," he said, "very important distortions in the conversation, to very important errors."

The third and most dangerous gap is that, even as transnational problems multiply – from global warming to terrorism, the ability and willingness of the world to devise transnational solutions is diminishing. The final gap, he said, is in terms of global power: power is becoming increasingly diffuse and diluted. **gisa**



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