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ACC

ANTI-CORRUPTION COMMISSION

Corruption Vulnerability Assessment of Public Services: A Scoping Study

**ANTI-CORRUPTION COMMISSION
THIMPHU: BHUTAN
December 2023**



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ANTI-CORRUPTION COMMISSION (ACC) BHUTAN

The Anti-Corruption Commission is a constitutional body mandated to prevent and fight corruption in Bhutan. Established on December 31, 2005, by Royal Decree, its mission is to tackle corruption through leading by example, achieving excellence in partnership, and mainstreaming anti-corruption measures in public or private organizations.

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1. BACKGROUND

1.1. Corruption

Corruption is a complex and multifaceted phenomenon, but it can generally be defined as the abuse of power or authority for personal gain, often involving dishonest or illegal activities (Brooks et al., 2013). This can include activities such as bribery, embezzlement, fraud, nepotism, cronyism, and other unethical or illegal practices. Corruption can occur in various sectors of society, including government, business, the judiciary, law enforcement, healthcare, education, and the cabinet (Bhandari, 2023).

Consequently, it is crucial to emphasize that the influence of corruption varies depending on its scope and the specific circumstances of a country. Corruption-fighting efforts frequently include a combination of legal and institutional reforms, enhanced transparency and accountability measures, and changes in societal attitudes toward corruption. Corruption must be addressed in order to promote good government, economic development, and social well-being (Ameen & Ahmad, 2012).

Various research reports and annual reports from law-enforcing agencies and financial agencies were referred to while preparing the report. The media reports were also referred to to further enhance the report.

1.2. Corruption in Bhutan

Bhutan, a small Himalayan kingdom sandwiched between India and China, has routinely ranked high in global corruption perception indices like Transparency International's Corruption Perceptions Index (CPI). As per Transparency International (TI) (2022a), Bhutan ranked 25 out of 180 nations with a CPI score of 68, and Bhutan has been scoring 68 since 2018 (TI, 2022b). Our CPI results must reflect our commitment to the "Bhutan Believe" national brand and the ideals of a Gross National Happiness (GNH) nation. In addition, the NIA 2022 highlights the national score as 8.01 out of 10, portraying a Good Level of integrity (ACC, 2023a). The report also highlights, "At the national level, the score indicates that the public agencies delivered their services transparently, responsibly, and with integrity. However, deeper analysis of each component for NIA provides room for improvement" (p. 1). According to ACC (2023a) and TI (2022b), among other things, a lack of accountability, transparency, and budget manipulation are the main causes of abuse of functions and conflicts of interest in Bhutan.

The Anti-Corruption Act of Bhutan (ACAB) 2011 lists the corruption offences and their penalties in Chapter 4. In total, there are 35 corruption offenses under ACAB 2011¹. Broadly, the offenses are bribery, embezzlement, trading in influence, abuse of functions, possession of unexplained wealth, false claims by public servants, failure to declare conflict of interest, false declarations with a view to concealment, abuse of privileged information, money laundering, concealment of corruption proceeds, offense relating to witnesses, and participation in an offense (Parliament of Bhutan, 2011).

While Bhutan's anti-corruption efforts have been commendable, it is critical to remain cautious and continue to strengthen anti-corruption policies. Corruption is a chronic problem, and even in countries with low levels of corruption, the risk can never be totally removed. Being the least corrupt nation is perhaps the best position to aim for as a nation that is frequently referred to as the happiest nation on earth or the last Shangri-La.

During the 114th National Day address on December 17, 2021, His Majesty the King raised deep concerns about the rise of corruption in the country due to a lack of accountability in the public service and highlighted:

We know our country best. We are a compassionate and close-knit society. We hesitate from giving our honest views or taking bold actions, which might risk offending or displeasing others. As a result, complacency has taken hold, discipline has waned, and corruption is on the rise. Our forefathers' courage and determination served as examples of the strength of our national character. This has unfortunately given rise to the popular perception that two laws coexist in the same country. If we allow such practices to proliferate, we will become more vulnerable to even greater risks and dangers.

From now on, all of us must boldly embrace accountability as a measure of our service, should we falter, deviate, and err in the service of our country. As King, I must first and foremost exemplify the ideal of accountability. I do not say these to trigger any alarm or anxiety. We are not too late in getting our priorities right, re-focusing our national goals, and re-aligning our national priorities and strategies. If the King, government, and people continue to work hand-in-hand with dedication, perseverance, and fortitude, we still have every opportunity to further strengthen our country and achieve greater prosperity for our people.

¹ Refer to the Anti-Corruption (Amendment) Act of Bhutan 2022

Accountability must go on to become the cornerstone of governance, as our proverb “the golden yoke of secular laws” suggests. We must correct those who deviate, be firm with those who do not deliver, replace those who are incompetent, and terminate those who underperform and have therefore become a liability to our system and nation. We must not hesitate to expose those who engage in corrupt practices, so that we send a strong signal to deter others from doing so (Kuensel, 2021).

Reducing corruption will not only help citizens have more faith in the government and its systems, but it will also help the country gain international recognition. Additionally, good governance, a crucial tenet of GNH, Bhutan’s guiding development ideology, is consistent with the anti-corruption concepts. Establishing the rule of law and having a transparent, responsible, effective, and efficient government are essential components of good governance and are also characteristics of a nation free from corruption. Corruption and governance are mutually reinforcing and have a two-way causal link (Berdiev et al., 2018; Daskalopoulou, 2018). Corruption can thrive in a nation where there is a weak foundation for good governance, and vice versa. Corruption makes it difficult to implement good governance standards. High levels of corruption are frequently attributed to poor governance systems and political instability (Mlambo et al., 2019).

1.3. Corruption Research

Corruption research is critical to understanding and tackling a persistent global and national phenomenon with serious consequences for society, governance, and the economy. Its significance stems from its ability to shed light on the origins, repercussions, and ways of eliminating corruption (Zimelis, 2020). Researchers investigate the extent of corruption in many areas, assisting policymakers and institutions in developing effective prevention and enforcement tactics. There are, however, some big problems with this field. For example, because corruption is usually done in secret, it is hard to really judge it (Myint, 2000). Also, getting access to private information can be unethical, and the way studies are done could be biased. Furthermore, corruption can be a complicated and varied phenomenon due to cultural and contextual variances. Despite these difficulties, the need for ongoing corruption studies remains critical (Manara et al., 2023).

1.4. The Scoping Exercise

The ACC of Bhutan conducted its first scoping study in 2015 in partnership with the Royal Institute of Management (RIM). The present one is the second in line, which the ACC has initiated independently. The initial reasoning behind this decision revolves around minimizing costs related to the job, taking into account factors such as time constraints, in-house capacity development, and financial prudence. In the second, the required documents, data, evidence, and all other necessary reports are readily available in-house adding feasibility to the study. In particular, the EAD under the DoPE spearheaded the study.

This scoping exercise's purpose is to provide a preliminary examination and assessment of a specific area of vulnerable sectors in the country in order to determine its viability and define its key parameters. This procedure clarifies the project's objectives, boundaries, potential challenges, and resource requirements. Organizations and researchers (both within ACC and outside) can gain a foundational understanding of the subject matter, allowing them to make informed decisions about whether to pursue a more in-depth investigation, project, or research study. It serves as an important first step in strategic planning, helping to streamline efforts, allocate resources effectively, and ensure that the project or study aligns with larger goals and objectives.

In short, the scoping study aims to:

- identify public services which are more prone to corruption based on research and analysis;
- enable well-informed decision-making regarding anti-corruption measures within the identified public services; and
- provide research areas for other independent researchers or agencies.

1.5. Research Time Frame

The work schedule for the scoping study commenced on August 31, 2023, with the initiation of groundwork. Following this, a comprehensive plan for capacity development and enrichment was executed to prepare for the scoping study. The Evaluation and Assessment Division then began the development of an outline for the study and explored the public service areas. The first draft of the study underwent a rigorous review within the Division, and on September 19, 2023, it was presented to the Department of Prevention and Education. Subsequently, a two-week desk review took place, during which comments and feedback were incorporated into the study.

Further data triangulation was carried out and incorporated accordingly. On October 2, 2023, the development of a framework for recording the scoping mission and the second draft were both presented to the Commissioner-in-Charge. The write-up of the scoping study took shape on October 5, 2023, and another presentation was made to the department on October 17, 2023. The fourth draft of the scoping study was then presented to the Commission on October 23, 2023, initiating discussions and reprioritizing study areas. Desk reviews continued from October 31 to November 9, 2023. The final draft was presented to the Commission on November 10, 2023, and after endorsement, necessary comments were subsequently incorporated. The report was further refined through peer reviews, which began on November 11, culminating in the furnishing of the scoping study document on November 29th. Copies were printed for necessary documentation and distribution to relevant stakeholders, with the official launch of the study, titled “Corruption Vulnerability Assessment of Public Services: A Scoping Study,” taking place on December 9, 2023, in commemoration of International Anti-Corruption Day.

2. RESEARCH PROPOSALS

In identifying public services that are more prone to corruption, several reports were referred to: National Integrity Assessment (NIA) 2022; National Corruption Barometer Survey (NCBS) 2020 and 2023; Youth Integrity Assessment (YIA) 2022; annual reports of the Anti-Corruption Commission (ACC); annual reports of the Royal Audit Authority (RAA); annual reports of the Royal Civil Service Commission (RCSC); National Forest Inventory Report of 2016 and 2023; Bhutan Trade Statistics 2022; Budget Report for Financial Year (FY) 2023-24; National Accounts Statistics 2023; complaints and investigation reports from ACC; and media reports, both national and international.

Nevertheless, as development progresses, the rapid integration of information and communication technologies (ICT) and artificial intelligence (AI) has given rise to a more intricate landscape of corruption. The evolving nature of corruption becomes increasingly complex as the nation embraces the latest advancements in ICT and AI. This complexity is particularly evident as the nation places a heightened emphasis on the implementation of the National Digital Identity (NDI) system. As we navigate through these technological advancements, new challenges emerge, presenting a dynamic interplay between technological innovation and the vulnerabilities it introduces, especially in the context of the evolving landscape of corruption.

The implementation of the NDI system introduces corruption vulnerabilities. Risks include data breaches leading to identity theft, enrollment fraud, and corrupt allocation of benefits within government services. Inadequate legal frameworks and technological weaknesses amplify these concerns, requiring a comprehensive approach with robust cybersecurity measures and strict anti-corruption enforcement. The emergence of cryptocurrencies adds complexity, as these digital assets can facilitate illicit financial activities, underscoring the need for enhanced regulatory measures and technological safeguards within the evolving landscape of corruption.

The introduction of Goods and Services Tax (GST) in Bhutan presents a scenario where vulnerabilities to corruption may manifest. Given the interdependence between India and Bhutan, the impact of GST in India necessitates a thorough examination of potential corrupt practices. This susceptibility to corruption may arise in the implementation and administration of the GST system, involving issues such as the collection, allocation, and utilization of tax revenue. It is imperative to scrutinize these aspects to mitigate the risks associated with corruption in the context of cross-border taxation systems.

2.1. Suggestive Objectives

The research intends to:

- examine the root causes and motivating factors behind corrupt practices within the specified areas of research, including issues related to policy, governance, and stakeholder interests;
- review and evaluate the effectiveness of current anti-corruption measures in mitigating corruption risks in the processes of the specified areas of research; and
- propose evidence-based recommendations for strengthening transparency, accountability, and integrity in procedures in the specified areas of research.

2.2. Suggestive Methodology

- Conduct interviews with key stakeholders, including government officials, service providers, community members, and non-governmental organizations, to grasp their perspectives on corruption within the services.
- Organize focus group discussions to encourage participants to share their experiences and insights into corruption within the service sector.
- Develop survey questionnaires to gather quantitative data on corruption perceptions, prevalence, and impact. Administer surveys to service users, employees, and local communities.
- Utilize statistical analysis, including descriptive and inferential models, to identify and assess the occurrence of corruption within the service sector.
- Scrutinize official reports, policies, and documents related to service management to identify gaps and weaknesses in existing anti-corruption measures.
- Conduct field visits to observe activities and interactions within the service sector, providing valuable insights into corrupt practices and their impact.
- Analyze specific cases of corruption within the services through illustrative case studies for an in-depth understanding of the context, actors, and mechanisms involved.
- Assess the protection and confidentiality measures for individuals reporting corruption, ensuring their cooperation and safety.

- Compare corruption experiences and anti-corruption measures in different regions or within different service areas to highlight best practices and areas for improvement.
- Involve various stakeholders in the research process, including government agencies, non-governmental organizations, local communities, and the private sector, to gather diverse insights.
- Evaluate existing anti-corruption policies and measures within the service sector, assessing their effectiveness and identifying areas for improvement.
- Collaborate with experts from various fields, such as political science, law, economics, and social sciences, to gain a holistic perspective on corruption within general services.
- Engage local communities in the research process, as their insights and cooperation are crucial for understanding the ground-level dynamics of corruption and formulating effective anti-corruption strategies.
- Consider conducting research over an extended period to capture changes and trends in corruption practices and their effects.
- Collaborate and coordinate efforts with relevant stakeholders where required to ensure a comprehensive and impactful research study on corruption.

2.3. Organization and Substance of Individual Research Reports

While there is no rigid template for structuring research reports, it's important to acknowledge the diversity in research topics, methodologies, data, and analyses. A one-size-fits-all structure may not serve the best interests of the research. However, specific requirements must be addressed in each report, including two essential sections. The research reports should include the following compulsory sections:

- An “Executive Summary” placed at the beginning of each report
- “Recommendations” section positioned at the end of each report

In every report, the following aspects should be carefully considered:

- Provide context for the issues under investigation.
- Clearly define and outline the problems that are the subject of the research.
- Assess the prevalence and seriousness of these problems.
- Identify the root causes contributing to the issues.

- Examine the consequences and impacts resulting from the identified problems.
- If feasible, attempt to quantify certain aspects of the issues under investigation, such as their economic costs or environmental losses.
- Propose potential solutions for addressing the problems under scrutiny.

Additional instructions regarding report presentation, including formatting and spelling conventions, shall be determined before researchers commence the report writing and submission process. This proactive approach can help streamline the editorial process.

2.4. Services Prone to Corruption

The areas identified are as follows, prioritized in the following sequence:

2.4.1. Corruption Risks in Forestry Services

2.4.1.1. Introduction

In the context of timber allocation, corruption is a destructive force that undermines the integrity of resource management, encourages unethical behavior, and compromises the long-term sustainability of forest resources (Jenkins, 2023). The illegal practices connected to this industry include covert transactions, theft, and regulatory evasion, all of which go against the values of accountability and transparency. In this context, corruption not only jeopardizes the ecological balance but also maintains economic inequalities and erodes the authority of governmental institutions (TI, 2010). When you look at timber allocation through the lens of corruption, you can see a complicated web of illegal activities, vested interests, and policy gaps (Tacconi & Williams, 2020). This web needs to be thoroughly investigated to understand its depths and come up with ways to stop this common threat.

According to the National Forest Inventory Report 2016 (Department of Forests and Park Services [DoFPS], 2016), the total growing stock of Bhutan's forests was estimated to be 1,001 million cubic meters (m³), with an average increasing stock per hectare of 261 m³. In spite of this, only five percent of the entire forest area was utilized for any kind of economic output. The report also highlights that Bhutan's forests have the potential to harvest 5.79 million m³ of timber annually in a manner that is environmentally sustainable. The National Forestry Inventory Report 2023 (DoFPS, 2023) shows that the country's total growing stock has decreased to 759 million m³, with an average of 283.65 m³ per hectare. If Bhutan is able to manufacture and export

wood and items made from wood, it will not only be able to reduce its reliance on imports but will also be able to generate funds. The export of wood and wood products from forest-abundant Bhutan aims to earn a revenue of Nu. 10 billion in the next five years (Zangpo, 2023b). According to Bhutan Trade Statistics, the country imported wood and wood-based products worth Nu. 4.28 billion in 2022, with wood charcoal imports being almost 80 percent of the total and amounting to Nu. 3.48 billion. This was an increase of Nu. 1.03 billion from 2021. In the same year, 2022, Bhutan also exported to India and other nations a total value of Nu 217.87 million worth of timber and wood-based products. When compared to the previous year's export total, it demonstrated a rise of Nu. 42.88 million (Department of Revenue and Customs [DRC], 2022).

The NIA 2022 points out that around 23% of the respondents have experienced paying bribes to get approval for firewood collection and rural timber (ACC, 2023a). Furthermore, the report highlights that five percent of the respondents had experienced paying bribes to obtain and renew environmental clearance. For instance, in 2022, Kuensel reported about illegal tree harvesting in Jarey Gewog, which led to concerns about corruption, the loss of champ trees, and damage to community forests (Wangdi, 2022b). In Wangdue, misuse of rural timber was on the rise (Gyelmo, 2015), and in Paro, illegal logging was common and threatened forest cover (Dorji, 2013). According to the Asset Declaration Management Division's (ACC) records, there have been 470 instances of disproportionate assets under the Ministry of Energy and Natural Resources for the asset declarations submitted for the year 2022. Forestry services, in particular, have 363 instances of disproportionate assets (Yangzom, 2023).

In three years (2017–2019), Bhutan has reported approximately 4,000 forest crimes, with illegal activities related to timber and wildlife poaching being the most prevalent. The number of reported crimes has been increasing annually, averaging 1,300 within 2017–2019. Timber-related offenses, particularly misuse of rural and surplus timber, accounted for the highest number of misdemeanors. Poaching and fishing cases were also reported. These crimes are a major challenge, posing threats to wildlife and forest resources (Wangmo, 2020).

2.4.1.2. Literature Review

Businesses and individuals in rural Bhutan often bribe to obtain timber collection licenses. Forestry officials or contractors may accept bribes to accelerate approval or avoid sustainable harvesting limits. Bribery weakens forestry transparency and accountability. These immoral activities make timber access dependent on bribes rather than ecological sustainability (Meehan & Tacconi, 2017). This undermines

public trust in the permit system, essential for forest management. Corrupt officials or intermediaries steal wood permit fees, depriving the government of essential funds for conservation, replanting, and community development (Smith et al., 2012). Giving some communities more permission than they need can cause overharvesting and forest resource depletion. Corruption-driven timber quota distortion violates Bhutan's forestry management principles of transparency, equity, and ecological sustainability. Instead of fair and based on evidence quota distribution, these dishonest methods make access to timber resources depend on personal ties, bribery, or other unethical means. Different challenges arise for communities wrongfully denied timber resources. Building timber may be scarce, compromising housing and infrastructure quality and safety. Fuelwood shortages are also problematic in locations with few backup energy supplies (Arts & Wiersum, 2010).

Illegal Cross-Border Timber Trade

Corruption facilitates the illegal sale of timber, which over time is detrimental to the country's forests, economy, and sustainability (Noor et al., 2020). In order to circumvent rules, avoid paying taxes, and conceal extraction, corrupt government officials and timber traffickers make use of regulatory loopholes to export timber to countries in close proximity. The government suffers direct financial losses as a result of this unlawful trade, which reduces the amount of money available for development and conservation efforts (Tacconi & Williams, 2020). Additionally, it endangers the country's biodiversity by destroying habitats and cutting down trees, which is a violation of responsible forestry standards. Bhutan's forests are also in danger as a result of this activity. In addition to this, it may lead to social and economic disparities, with certain people benefiting from it at the expense of local inhabitants whose livelihoods are dependent on timber resources. In order to address these concerns, Bhutan's forestry sector needs to be open to the public, accountable for its actions, and environmentally responsible. Several newspapers, from within Bhutan and outside Bhutan, have reported about the cross-border illegal trade in timber (Bhattacharyya & Marinaccio, 2021; Dorji et al., 2023; Rabten, 2023; The Bhutanese, 2012; The Sentinel, 2023; Wangchuk, 2012).

Illegal Cross-Border Trade in Threatened Wild Flora and Fauna

Corruption poses a significant challenge to Bhutan's commitment to conserving its unique and diverse wildlife, particularly in the context of international bodies like the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the International Union for Conservation of Nature (IUCN). Bhutan is known for its dedication to environmental preservation, but corruption can undermine these

efforts. Within the country, corrupt officials may issue fraudulent permits or turn a blind eye to the illegal wildlife trade, facilitating the illicit cross-border movement of threatened species. Also, corruption can affect how decisions are made in international groups like CITES and IUCN, which could make rules less strict or harder to follow (Heid & Márquez-Ramos, 2023) and have a direct effect on Bhutan's conservation goals.

Corrupt customs, border guards, and wildlife conservation authorities can be bribed to allow the illegal trade of endangered species. Traffickers bribe to avoid shipping checks or pass past checkpoints. Wildlife product smugglers can transit borders without detection due to this collaboration. Traffickers can counterfeit permits and other documentation to import or export endangered species from corrupt regulatory agencies. These fake credentials make it hard for police to distinguish legal from criminal trade, giving traffickers a false sense of legitimacy. Corrupt insiders may leak information about the whereabouts of endangered species or their habitats to traffickers. This insider knowledge helps traffickers locate and capture these animals, as they can exploit sensitive information to target specific populations (Van Uhm & Moreto, 2018).

Corrupt practices often involve money laundering, which can be used to legitimize the proceeds from the illegal wildlife trade. Corrupt individuals may invest the profits from wildlife trafficking in legal businesses, making it difficult to trace the illegal income. Corruption can help wildlife traffickers establish and expand international networks, sometimes connected to organized crime groups. These networks can use corrupt officials as intermediaries, facilitating the movement of wildlife products across borders (Stoett & Omrow, 2021). Corruption can lead to lenient penalties for wildlife trafficking offenses. Corrupt officials may ensure that traffickers receive minimal punishment, reducing the risk associated with the illegal trade.

Forestry Research Funding

It is possible for there to be a conflict of interest when individuals responsible for the management of research funds have financial interests in particular projects or suppliers. This can result in decisions being made in a biased manner, as well as favoritism in the distribution of funds. Corruption can occur during research budget distribution and disbursement. Funders in forestry research institutions or government agencies may select specific projects or researchers based on personal connections rather than merit. Corrupt practices can alter research grant applications. Officials considering grant applications may take bribes or kickbacks to fund specific individuals or groups. The purchase of essential services, materials, or equipment for forestry research might serve as a fertile environment for the development of corrupt

practices. In order to receive kickbacks, corrupt authorities may conspire with vendors in order to inflate prices or approve products that do not meet quality standards (Chr. Michelsen Institute, 2021; Layden et al., 2010).

Sometimes the researchers themselves will participate in unethical behavior by fabricating data or research findings in order to gain financial backing for their initiatives or to keep them going after they have already been established. This not only results in the waste of resources but also brings into question the honesty of scientific study. In order to grab funds, dishonest people could construct fake research projects about forestry and submit them for funding. These so-called “ghost projects” do not exist outside of corrupt officials’ imaginations; as a result, they are able to divert funds intended for legitimate scientific investigation (National Resource Council, 1990).

Even when funds for research are properly allotted, there is still the possibility that those funds will be misappropriated and utilized for anything other than the research that they were intended for. This could involve spending the money on personal expenses, going on vacation, or working on unrelated projects. In some instances, political interference can have an effect on the distribution of research funds. In these instances, politicians may direct funds to projects or researchers that align with their agendas rather than giving priority to the research that is most beneficial to the advancement of scientific knowledge (Adam, 2008).

Community Forest

Community forestry allows local people to manage forest resources sustainably and reduce poverty. When community leaders or members abuse their power for personal benefit, it exposes them to corruption. Illegal logging, misallocation of funds, bribery, conflicts of interest, and a lack of transparency and accountability are examples of corruption. Assessing the value of forest resources, whether timber or non-timber, is subjective and prone to corruption. Corruption might involve influencing resource evaluations or undervaluing assets to avoid taxes and fees. Corrupt government employees, assessors, and community leaders may exaggerate or underreport resource data, distorting valuations and tax payments. This deprives governments and communities of cash and fosters overexploitation, degrading the environment. Disputes over community forestry project benefits can lead to corruption, as some people use them to take a disproportionate share of the benefits. Community power and resource inequality can cause these disagreements. These tensions may allow corrupt leaders or prominent members to manipulate decision-making, divert finances, or use their influence to benefit themselves or their supporters (Coulibaly-Lingani et al., 2011; Gianella & Cárdenas, 2022).

Insufficient transparency in community forestry project decision-making, income collection, and resource distribution fosters corruption. When community members are excluded from these initiatives' governance, unethical behaviors can occur. Opaqueness can lead to bias and judgments that benefit a few over the community, facilitating corruption. Hidden revenue streams divert funding from communal development to private hands. Misallocation of resources can cause monopolies and community problems. Logging firms and government officials use corrupt methods to acquire access to valuable forest resources, putting community forestry at risk. This threat includes bribery, extortion, manipulation, false promises, and corrupt official collusion. These methods can undermine community forestry goals by depleting resources, distributing benefits unfairly, and degrading the environment (Basnyat et al., 2023; Magrath et al., 2013).

2.4.2. Agriculture and Livestock: Corruption Risk in Input Distribution

2.4.2.1. Introduction

Corruption affects many areas of a nation's economy, but in countries where agriculture and livestock are the backbone of the economy and people's livelihoods, it's especially harmful. Corruption in the agriculture and livestock sectors poses many obstacles and has negative effects. Corruption can lead to the wrong use of agricultural resources, unfair market conditions that benefit powerful groups, land disputes that make rural communities less stable, less money spent on agricultural development, weaker government systems, poverty in rural areas, and damage to the environment. To protect these essential industries and promote equitable economic growth, strong anti-corruption, transparency, and accountability measures are needed. This technique can assure fair resource allocation, sustainable agriculture, and rural community well-being (Drebee & Abdul-Razak, 2020).

The NIA 2022 points out that around 13% of agriculture and livestock service users have experienced making payments in cash and kind to avail of the services (ACC, 2023a). Furthermore, the report highlights that 29% of the respondents had experienced making payments in the form of entertainment or gratifications to get the services. For instance, ACC received five complaints related to livestock in FY 2021–2022, and four instances of budget misappropriation were reported in the RAA's 2021–2022 annual report (RAA, 2022). According to the Asset Declaration Management Division's (ACC) records, there have been 338 instances of disproportionate assets under the Ministry of Agriculture and Livestock for the asset declarations submitted for the year 2022.

Agriculture and livestock services, in particular, have 295 instances of disproportionate assets (Yangzom, 2023).

In FY 2023–24, a budget of Nu. 6,817.9 million is allocated to the Rural and Natural Resources (RNR) sector, with a focus on enhancing food security and promoting sustainable rural livelihoods while managing natural resources. The Ministry of Agriculture and Livestock has been given Nu. 877.6 million for a number of projects, such as the Million Fruit Trees initiative, the construction of the Phangyul irrigation scheme, the opening of warehouses in Bumthang and Wangduephodrang, the construction of an integrated cold store in Tingtibi, Zhemgang, and the improvement of animal health facilities at the Regional Veterinary Hospital in Gelephu. An additional Nu. 191.1 million is set aside for the Bhutan for Life Project, with Nu. 21.1 million allocated for plantation creation and maintenance, supporting sustainable land use and natural resource management. This budget reflects a commitment to improving food security and rural livelihoods while responsibly managing resources (Ministry of Finance [MoF], 2023).

2.4.2.2. Literature Review

The production of crops and the yields they produce depend heavily on the distribution and purchase of agricultural and livestock inputs. Seeds, fertilizers, and herbicides are three essential components of successful farming. Corruption in these systems can have a negative impact on both the quality of the inputs and the financial situation of the farmers. Corruption in the process of acquiring and distributing inputs can have detrimental consequences. One of the most direct and damaging implications is that farmers may get inputs that are of lower quality or that are polluted. This consists of pesticides and fertilizers that are ineffective, as well as seeds that do not meet the genetic standards. When farmers use inputs that are below industry standards, their crop performance, yields, and overall productivity suffer (Abdelhafidh et al., 2021; Sebhatu et al., 2020).

Additionally, corrupt activities can lead to an increase in the price of agricultural and livestock inputs, which places a strain on already financially strapped farmers. Taking bribes, kickbacks, or embezzling money during the procurement process can drive up the cost of inputs, which forces farmers to pay more for necessities. The additional financial burden placed on farmers can have a negative impact on their revenue and profitability, thereby exacerbating the problem of poverty in agriculture and livestock (Camacho, 2022; Peixoto et al., 2022). More people are negatively impacted when there is corruption in the process of purchasing inputs. Inadequate crop performance and yields lower food security by lowering the availability of essential food staples. This can have the effect of driving up food prices and limiting people's access to nutritious

food, making food insecurity and poverty more severe.

When influential people or corrupt individuals get preferential access to essential agricultural resources, corruption in the agricultural sector can help to maintain an unequal society. Due to this disadvantage, marginalized and vulnerable farmers are unable to gain access to grazing pastures, irrigation water, and forest resources. The effects of inequality on rural communities, the expansion of agriculture, and the alleviation of poverty are far-reaching and complicated. Access to influential or fraudulent persons on preferential terms can be harmful to the allocation of resources. These individuals typically have access to the best agricultural resources, while marginalized farmers are unable to obtain any of them. Because of this inequality, fewer financially successful farmers are unable to maximize the efficiency of their agricultural activities, which results in lower crop yields, animal production, and overall agricultural output (Villarreal, 2017).

This imbalance in resources has repercussions for society as a whole, not just for farmers. Poverty in rural areas worsens as a result of disadvantaged farmers having to compete on an uneven playing field. Poverty can become a cycle for individuals and can exacerbate inequality in rural regions when essential resources are lacking.

2.4.3. Understanding and Combating Corruption in Healthcare Systems

2.4.3.1. Introduction

Healthcare corruption is possible due to its complexity, the involvement of many parties, and its significant economic worth. Bribery, embezzlement, fraud, and nepotism in health services can harm patients, providers, and public health. Health service corruption prevention efforts usually push for openness, oversight, and strict enforcement of anti-corruption laws. This is done to make sure that healthcare resources are used effectively and patients get care without being unfairly influenced or discriminated against.

The NCBS 2023 points out that around 65.3% of the respondents feel that health services are prone to corruption, which topped the 20 public services (BTI, 2023). The NCBS 2020 also highlights that 46.7% of the respondents felt health services were one of the top three emerging challenges in Bhutan (BTI, 2020). The NIA 2022 points out that six percent of respondents have experienced making payments in cash or kind to avail of the services (ACC, 2023a). The Youth Integrity Assessment 2022 shows that

one in eight respondents has experienced corruption to get better medicine or medical attention, and their score for the perception of integrity in public health is 65.18, which falls on the Good Level (ACC, 2022). The newspaper has covered corruption in health, medical malpractice, and medical procurement (Lamsang, 2022; Pelden, 2023; Wangchuk, 2022; Wangdi, 2022a). According to the Asset Declaration Management Division's (ACC) records, there have been 484 instances of disproportionate assets under the Ministry of Health for the asset declarations submitted for the year 2022. Jigme Dorji Wangchuck National Referral Hospital (JDWNRH), in particular, has 417 instances of disproportionate assets (Yangzom, 2023).

In the FY 2023–2024 budget, the health sector is one of the top priorities, receiving Nu. 9,902.1 million, which is 11.6% of the total allocation. This budget is divided into recurrent expenses (Nu. 5,078.5 million) and capital expenditures (Nu. 4,823.6 million). The capital allocation includes Nu. 1,344.9 million for ongoing infrastructure projects and the initiation of a 60-bed hospital. Dzongkhags receive Nu. 257.1 million for hospital and health center completion. Nu. 158.4 million is set aside for Mobile Medical Vehicles to improve patient referrals. Nu. 1,433.4 million supports National Medical Services, with Nu. 1,057.5 million allocated for medical equipment. Additionally, Nu. 51.6 million is for continuing medical education and Nu. 11.6 million for long-term training, emphasizing healthcare professional development. This budget underscores the commitment to public health services and infrastructure, promoting a healthy and productive society (MoF, 2023).

2.4.3.2. Literature Review

Patients or their families bribing for faster or preferred healthcare access violates the healthcare system's ideals of equity and fairness. This permits wealthy people to skip waiting lines and enjoy better care, while others must wait. Thus, healthcare access is severely divided, worsening social inequality. Delays in diagnosis, ineffective treatment, and poor health outcomes for those unable to pay bribes perpetuate a cycle of illness and unequal access to care. Bribery also undermines public trust in healthcare institutions, weakening the integrity and effectiveness of the healthcare system and contributing to social unrest (Banerjee, 2020; US AID, 2020; Williams et al., 2016).

Misappropriation of Healthcare Funds

Corruption in healthcare finance can take many forms and harm healthcare quality and access. Corruption can flourish in the distribution and management of funding for healthcare infrastructure development, medical equipment, pharmaceuticals, and facility upkeep. Infrastructure development for hospitals, clinics, and other medical facilities may be misappropriated, causing delays, inadequate construction, or project abandonment. This hinders healthcare infrastructure expansion and compromises healthcare facility structural integrity, endangering public safety. Facility maintenance is another critical area susceptible to corruption. Funds meant for the upkeep of healthcare facilities may be diverted for personal gain, leading to deteriorating infrastructure, unsanitary conditions, and a general decline in the quality of healthcare settings. This not only poses risks to patients but also undermines the morale of healthcare workers, who must operate in substandard conditions (Mittal et al., 2020). Corruption in the procurement of medical equipment and medicines is equally concerning. When funds allocated for the purchase of state-of-the-art medical devices or pharmaceuticals are embezzled, it can result in the acquisition of subpar or outdated equipment and medications. This, in turn, negatively impacts patient care by limiting the diagnostic and treatment options available to healthcare providers (Gadanya, 2022; Rose-Ackerman & Tan, 2014).

Selling of information

The sale of personal data, particularly sensitive health information like blood type and allergies, raises significant ethical and legal concerns. Countries, including the United States with its Health Insurance Portability and Accountability Act (HIPAA), have stringent regulations to protect the privacy of health-related information (Edemekong et al., 2022). Unauthorized selling of such data not only violates legal norms but also breaches the fundamental trust individuals place in organizations handling their personal information. Beyond legal repercussions, the unethical exploitation of health data can lead to identity theft, discrimination, and other adverse consequences. Maintaining data privacy in the health sector is imperative, requiring secure storage, limited access, and strict controls on data sharing. Corruption further exacerbates these issues, potentially compromising the security of health data and eroding public trust in healthcare institutions.

Kickbacks and Procurement Corruption

Healthcare procurement corruption threatens healthcare systems, public money, and patient health. Contract-awarding officials accepting kickbacks or bribes is one of the most insidious kinds of corruption. This unethical exchange has many drawbacks: First, it typically selects suppliers based on unethical financial incentives rather than product or service quality. This means that the biggest bribe-offers get contracts, not the best or cheapest. Therefore, healthcare systems may buy poor or counterfeit medical supplies, equipment, and drugs. These low-grade items may not meet quality requirements or be effective enough to treat patients. Second, this misallocation diverts funding from healthcare access, service expansion, and key infrastructure (Hinrichs-Krapels et al., 2022; Kolher & Wright, 2020). A potential conflict of interest arises in the prescription of medical equipment or medications when favoring a particular vendor, supplier, or manufacturer.

The susceptibility to corruption arises in the context of different flagship programs due to variations in funding mechanisms, necessitating a close scrutiny of the processes and the allocation of funds. The potential for corruption lies in the discretion exercised in managing these funds, making it essential to address transparency and accountability measures to mitigate the risk of malfeasance.

Ghost Workers and Absenteeism

Healthcare ghost workers and absenteeism drain financial resources and undermine healthcare services. It undermines the foundation of a well-functioning healthcare system, which requires skilled and motivated workers. This corruption puts real healthcare personnel under great strain, causing burnout and lowering care quality. In understaffed hospitals, long wait times, delayed diagnoses, and medical blunders are common. Patients and their families often suffer from corruption, frustration, discontent, and decreased health outcomes (De Hert, 2020; Hall et al., 2016). Healthcare is an essential service that requires constant attention and care. To ensure this, healthcare workers are often required to work in shifts. However, a flawed or corrupt system, coupled with a corrupt supervisor, may encourage the practice of ghost work or increase the frequency of absenteeism, ultimately hindering the delivery of healthcare services.

Unqualified Healthcare Providers

Corruption can hinder healthcare recruiting and promotion. When people are appointed to key healthcare roles based on connections, bribery, or nepotism rather than talent, it threatens healthcare quality and safety. Corrupt practices have far-reaching effects. Bribing healthcare workers undermines meritocracy and fair competition, which are necessary to hire the best and brightest to care for patients. This can place people without the necessary abilities in roles that require precision, compassion, and critical decision-making, endangering patient safety and well-being (Glynn, 2022; Kirya, 2020).

Patient Referral

Rich people are more likely to be given preferential treatment in the process of patient referrals, which results in faster access to specialized medical care and services. This technique can make healthcare inequalities worse, resulting in longer wait times for people without large financial means and diminishing trust in the system's ability to be fair. To fix this issue, healthcare systems should prioritize meeting patients' medical needs over their ability to pay. They should also pass laws that make sure patients are referred fairly based on how urgent their medical conditions are. This will improve equal access to healthcare (Kruk et al., 2018; Nejad et al., 2019).

Medical Appointment

In nations where visa applicants must undergo medical exams, visa appointment corruption can be a major issue. Corruption might include paying bribes to expedite appointments, falsifying medical certificates, or healthcare professionals providing medical clearance for a fee. Corruption can compromise immigration systems and allow people with public health risks to enter a country. To stop corruption and protect the integrity of visa-related medical exams, appointment scheduling must be clear, medical exam providers must be carefully managed, and rules must be strictly enforced.

2.4.4. Unraveling the Web of Electoral Corruption

2.4.4.1. Introduction

Elections are a cornerstone of democracy, providing citizens with the opportunity to choose their leaders and shape the course of their nation (Adams, 2004). In Bhutan, where democratic institutions have gained prominence in recent years, the electoral process is essential for ensuring the voice of the people is heard (Kuensel, 2023). However, the electoral system is not immune to corruption challenges. This section explores how corruption can affect elections in Bhutan, shedding light on specific issues and consequences related to corrupt practices in this critical democratic process. Many developing countries have democratic or semi-democratic systems that elect national and local leaders through elections. These elections are regularly criticized for deceptive and dishonest techniques that compromise their integrity. These challenges erode democratic principles, making many elections undemocratic. This lack of democratic ideals is important since free and fair elections are the foundation of democracy (International IDEA, n.d.). This section is concerned with the identification and analysis of such practices and relationships with the objective of cleaning up the electoral processes in parliamentary elections.

During FY 2021–2022, the ACC has received three complaints related to the election. Similarly, the NIA 2022 highlights a high perception of corruption, such as the payment of cash or kind to gain voter support during the election (a score of 2.40 out of 10). Despite the fact that 94% of respondents said they had not witnessed or heard of parliamentarians misusing privileged information for personal gain, six percent of respondents said they did. Additionally, according to three percent of respondents, there have been instances of parliamentarians operating private businesses (for example, the operation of private businesses such as mines and quarries in collusion with private parties or enterprises). Furthermore, five percent of respondents thought that parliamentarians were being used for favors or extortion while carrying out their duties. This also indicates instances of extortion or favoritism in carrying out parliamentarians' duties. Furthermore, in the Global State of Democracy (GSOD), the state of democracy is eroding, and more so, democracy is receding in Asia and the Pacific (International IDEA, 2022).

In a similar vein, the NCBS 2020 (BTI, 2020) recorded at least five percent of the respondents having experienced being paid in cash, kind, or favor to vote for a certain candidate or party in the 2018 election. Additionally, the report also states that 36.6% of its respondents believed that corruption is common in elections. Furthermore, the NCBS 2023 (BTI, 2023) also assessed the perceptions of political parties toward

preventing corruption and promoting good governance. It is encouraging to note that more than 54% of the respondents feel that the political parties are effective in preventing corruption. However, there are still 16% who believe that the political parties are ineffective. One of the reasons shared for their ineffectiveness was their involvement in corruption and false plays during election campaigns.

2.4.4.2. Literature Review

Door-to-door Campaigning and Party Workers

In particular, door-to-door campaigning has prompted concerns about election compliance. Questions have arisen about whether candidates and their supporters are following the rules or engaging in unethical practices. Offering tangible incentives to voters, applying undue pressure, accessing private residences without approval, and campaigning outside of designated hours are problems. The number of door-to-door campaigns makes it practically impossible for election monitors to oversee every candidate and team visit. Party worker concerns overlap with door-to-door campaigning concerns. Party workers are crucial to campaigning for their candidates or parties. Concerns that candidates and political parties may hire too many party workers add to the idea that this method is being used to give voters illegal reasons to support certain candidates (Moura & Michelson, 2017; Mukhtarov, 2022).

Postal Voting

Postal voting is another important issue that needs further study. These worries originate from system vulnerabilities that could threaten electoral integrity. Postal voting systems must be reviewed and improved to ensure electoral fairness and openness. Illiterate voters, dependents, and public officials are vulnerable to postal voting manipulation or coercion. It is crucial to determine whether these groups are induced to vote for certain candidates, undermining free and fair elections. Postal vote security is another concern. Votes being missing or mishandled during collection and transportation have cast doubt on this system. Such breaches can damage the electoral system and must be investigated for systemic flaws. Including and excluding people from postal voting requires investigation. It is crucial to determine if there are real concerns about qualified voters being excluded or inappropriate inclusion that could damage the postal voting system (Rallings et al., 2010).

Ferrying Voters

Political parties and politicians “ferrying” voters to their polling locations should also be investigated. The frequency, extent, and impact of this practice on elections should be studied. Understanding if “ferrying” manipulates voters is crucial to understanding its impact on election fairness and integrity (Reuter & Szakonyi, 2021).

Vote Buying

Vote buying is a pervasive kind of election corruption that undermines democracy. Vote buying happens when candidates or parties offer voters incentives to win elections. These inducements, which can be money, products, services, or other valuables, threaten electoral integrity. Vote-buying fundamentally undermines free and fair elections (Kramon, 2013). Voting for leaders based on their values, convictions, and merits is a cornerstone of civic involvement in democratic countries. However, financial gain or material rewards undermine decision-making. They may vote for a candidate for personal gain rather than because they support their pledges or vision. Vote-buying can also compel voters, especially vulnerable or economically challenged ones, to accept proposals to improve their immediate situation. This coercion breaches the premise that voting should be a free expression of political will without undue influence or pressure (Lindberg et al., 2022).

Media Manipulation

Insidious electoral corruption can affect media manipulation during election campaigns. Candidates and political parties do this by buying journalists or media outlets to get favorable publicity and spreading disinformation and false narratives to characterize and assassinate their opponents. Media manipulation can skew public perception, making it difficult for voters to make sensible decisions. Candidates and parties using financial incentives to influence media outlets undermine the press’s independence and impartiality, diminishing its position as a vital source of information for democratic citizens. Furthermore, character assassination through disinformation campaigns can tarnish the reputations of opponents and create a climate of mistrust and confusion among the electorate. False narratives and misleading information, disseminated through various media channels, can lead to a polarized and disoriented electorate, making it difficult for voters to discern fact from fiction (Verdoliva, 2020).

Campaign Financing Irregularities

Corrupt campaign finance methods, such as non-disclosure of funding sources or accepting large financial contributions from entities aiming to influence election outcomes, threaten electoral integrity. Campaign financing without transparency makes it difficult to hold candidates and political parties accountable for their financial backing, fostering disproportionate political influence. Candidates and parties who don't reveal their financial sponsors or campaign contributors make it harder for the public to understand potential conflicts of interest and political intentions. This lack of openness undermines public faith in politics and leaves voters in the dark about who finances their candidates. Campaign contributions can compromise election fairness by giving wealthy people or groups excessive influence. These contributors may bind candidates and parties, putting their interests ahead of the electorate.

Candidate Disqualification

Politically motivated efforts to disqualify eligible candidates through legal or administrative procedures are corrupt election practices. Disqualifications limit voters' options and threaten democracy by limiting political perspectives. Corruption to disqualify candidates undermines a competitive and pluralistic democratic society. Exploiting legal loopholes, initiating frivolous litigation, or manipulating administrative processes to question candidate eligibility are examples. The ultimate purpose is frequently to destroy opponents or disrupt elections in favor of certain interests or political factions. Additionally, disqualifications can foster public skepticism and undermine democratic faith. When voters see legitimate candidates wrongfully banned from running, they may lose faith in the electoral system. This can lower civic engagement and involvement, hurting democracy (Donaldson et al., 2021; Rowbottom, 2012).

Post-Election Corruption

Corruption after elections can continue when elected officials engage in corrupt behavior. These post-election corrupt actions may include embezzlement, kickbacks, nepotism, and bribery. Such actions prolong crooked governance, harm democratic systems, and weaken public faith in elected officials. Post-election corruption is worse when public funds are embezzled. When elected officials steal public funds for personal benefit, they deprive taxpayers of crucial services and infrastructure and undermine voters' trust in them to act in their best interests. Accepting kickbacks, bribes, or other types of bribery while in office can lead to choices and policies that

favor special interests or financial incentives over the public. This distorts policy outcomes and undermines democracy. Nepotism, favoring family or close allies in appointments or contract awards, can foster prejudice and undermine meritocracy and fair competition. It can lead to unqualified people in leadership, reducing government effectiveness and legitimacy. Post-election corruption has far-reaching effects. They undermine democracy and worsen socioeconomic inequality. They can damage public faith in elected officials and the political system, which can hinder civic engagement and participation.

2.4.5. Corruption Risks in Public Procurement

2.4.5.1. Introduction

Corrupt practices often lurk in public procurement as governments spend public funds to buy products and services. This narrative jeopardizes the integrity of resource distribution by undermining accountability, transparency, and fairness. Public procurement corruption includes bribery, bid manipulation, favoritism, and embezzlement. Corruption can cause significant financial losses, efficiency losses, and public distrust. The effects are widespread, from infrastructural damage to an economic slowdown.

The ACC had received 39 complaints related to Administrative and Finance Division (AFD) services and 74 complaints related to contracts in FY 2021–2022. The NIA 2022 also highlights that around 10% of the service users have experienced making payments in cash or kind to avail of the services (ACC, 2023a). The report also highlights that more than Nu. 200,000 has been manipulated for personal gain as well as to favor family or friends. The Annual Report for 2021-2022 by the RAA, underscores 17 occurrences of contractual manipulation and two instances of manipulation in AFD services (RAA, 2022).

2.4.5.2. Literature Review

Bribery-fueled corruption taints government services and principles. Bribing procurement officials to speed up administrative processes creates an unfair system that makes government services dependent on income. This immorality affects individuals and society. The most direct and destructive result of government bribery is a two-tiered society where the wealthy enjoy preferential treatment. Companies and individuals with limited resources cannot compete with those who can afford faster services. Bribery has the potential to disrupt economic activity, investment, and

entrepreneurship (Graycar, 2019).

Financial losses and inefficiencies from government procurement misconduct can affect the whole public sector. Kickbacks, bid-rigging, and inflated contract prices are immoral. Thus, government projects, programs, and initiatives may cost more, perform badly, and fail to reach national development goals. Contract pricing manipulation is one of the worst effects of government procurement misbehavior. Corrupt bidders or collaborators rig contract awards, raising public project costs. High costs drain state funds from healthcare, education, and infrastructure (Pattanayak & Verdugo-Yepes, 2020).

Favoritism and nepotism harm public employment justice, openness, and equality. These corrupt practices favor individuals with influential connections or within the organization in recruiting, promotion, and contracting above those with skills, experience, and qualifications. This undermines public trust in the government's impartiality and fairness in providing vital services. Moreover, nepotism and favoritism may undermine employees. When they put personal relationships before work, skilled and driven professionals may lose motivation. This can lower public officials' morale, job satisfaction, and motivation (Dastidar & Jain, 2023).

Furthermore, corruption in procurement can conceal theft or misallocation by manipulating financial records and reporting. Financial record fraud may involve misrepresenting revenue, expenses, or asset values. This deceit highlights the government's true financial situation and undermines transparency and accountability. Resource allocation and government spending decisions are based on precise financial data. Financial record manipulation leads to erroneous or incomplete budgetary and resource allocation decisions. Poor resource allocation also harms vital programs and services. Programs that are underfunded may not meet public needs or offer services efficiently. This may limit the government's education, healthcare, and infrastructure services (Organisation for Economic Co-operation and Development [OECD], 2016).

2.4.6. Corruption Risks in Human Resource Management

2.4.6.1. Introduction

The management and quality of an organization's personnel have garnered increasing recognition as fundamental factors in its effective performance. This new way of thinking has made human resource management (HRM) more important, especially in public-sector organizations that want to be more responsive, efficient, and effective (Kutieshat & Farmanesh, 2022). In the context of developing countries, promises of HRM reform have been frequent, and plans have been crafted, but often these intentions have not translated into substantial action. But more and more people, including politicians, citizens, the private sector, non-governmental organizations (NGOs), and foreign donors, want better services. This has put HRM reform at the top of policy agendas in many developing nations. HRM is now widely regarded as a strategic tool capable of playing a pivotal role in elevating organizational performance to meet the evolving demands of society and stakeholders. HRM serves as the cornerstone of effective organizational functioning, encompassing a spectrum of responsibilities ranging from recruiting and hiring to workforce management and development. Its primary objective is to uphold principles of fairness, equity, and adherence to labor laws, fostering an environment of professionalism and compliance. However, even within this critical function, the seeds of corruption and unethical behavior can find fertile ground. Therefore, HRM, particularly recruitment and selection, can be prone to corruption (Saputra & Mahaputra, 2022).

As Bhutan has seized the path of transformation, major reforms are already taking place, specifically in the civil service. Generally, the transformation has triggered a major shift in human resource management across all sectors. The fever of Australia-Rush (or other developed countries) in general fuels this even more. For instance, 4822 civil servants have exited the civil service during FY 2022–2023, of which 3413 have voluntarily resigned (Dolkar, 2023; RCSC, 2023). The flip side marks the upward trajectory with the recruitment of 3244 civil servants in the same fiscal year. The presence of rigid recruitment processes in the civil service does not necessarily abandon the associated risks of corruption in any form. Instead, the research reveals that corruption in the form of favoritism is rampant regarding HRM processes in the civil service (ACC, 2016).

The sparks of empty chairs prompted managers to call for an immediate fill-in. With the dire need for uninterrupted service, various agencies longed for vacancies in numerous fields. For example, RCSC recruited 3244 in FY 2022-2023 (RCSC, 2023), and the Royal Monetary Authority (RMA) announced 37 vacancies on November 18,

2022. Similarly, the Bank of Bhutan Limited (BOBL) floated 32 vacancies on August 17, 2023. Furthermore, to name a few, the Royal Insurance Corporation of Bhutan Limited (RICBL), Bhutan Telecom Limited, Druk Air Corporation Limited, and Bhutan National Bank Limited (BNBL) shared 59, 32, 25, and 19 vacancies, respectively, in early 2023. In general, there is rigorous recruitment of employees in the civil service as well as other corporate and private entities to fill in the gaps. This calls for an immediate intervention, as the risks of corruption are exhortingly high. In FY 2021–2022, the ACC received 37 complaints pertaining to human resources. Similarly, the NIA states that one in 487 and one in 438 had to make payments in cash or kind, as well as payments in the form of entertainment and other forms of gratification, to get HR services. Moreover, 33.95 percent of the payments were made to obtain undue advantage. Additionally, one in 10 has received unreasonable work instructions from their supervisors in FY 2021–2022 (ACC, 2023a). The RAA’s annual report 2021-2022 also highlights seven incidences of manipulation (RAA, 2022).

2.4.6.2. Literature Review

Nepotism occurs when HR or hiring managers prefer people they know. Hiring less-qualified candidates over more-qualified ones can jeopardize meritocracy and justice in recruitment. Favoritism occurs when HR or hiring managers favor qualified candidates over others. These actions erode organizational trust and talent diversity. Candidates or third parties may provide HR or hiring managers with cash or non-financial incentives to recruit. Unfairly, candidates may be chosen based on their ability to bribe or mislead the recruitment process.

Recruitment and Hiring

Nepotism and favoritism are ethical issues in HRM. Nepotism happens when HR or hiring managers favor friends, relatives, or acquaintances. This can compromise meritocracy and fairness in recruitment by hiring less-qualified candidates over more-qualified ones. Favoritism is another issue where HR or hiring managers favor certain candidates over others based on their qualifications. These behaviors damage company trust and reduce talent and diversity (Safina, 2015). However, bribery corrupts HRM. Candidates or third parties may offer HR or hiring managers cash or non-financial incentives to influence recruitment. This unethical activity may lead to candidates being chosen based on their capacity to bribe or otherwise defraud the recruitment process. Bribes damage HRM experts’ neutrality and can lead to poor hiring decisions.

Employee Selection and Promotion

Cronyism is a corrupt practice in which personal relationships are used to get promotions, career advancements, or special treatment in an institution. Cronyism occurs when friends, family, or allies of key company people obtain promotions or chances. This might demoralize employees because they believe job advancement depends on personal ties rather than performance or skills. Cronyism can also damage trust in the company and make it harder to hire and retain top personnel since competent people may leave to escape a perceived bias (Chaudhuri et al., 2022).

Payoffs involve employees or candidates giving HR personnel or decision-makers money for promotions, pay increases, or other employment advantages. This corrupt technique bribes HRM processes, undermining personnel decisions. Promotions and incentives may be dependent on financial inducements rather than credentials or performance if employees feel forced to give kickbacks. Payoffs violate meritocracy and have major legal and ethical consequences for people and the company (Chaudhuri et al., 2022).

Employee Benefits and Compensation

Human resources managers can manipulate or approve fraudulent claims for health insurance, overtime, and travel expenditures. This may involve employees or HR staff submitting bogus claims to HR, who either approve them or ignore inconsistencies. Employees who inflate expenses or hours worked might cost the company money as it disburses funding. Honest employees may think dishonesty is allowed, which damages the company's financial integrity and employee trust (Othman & Ameer, 2022).

Conflict of Interest

Corruption in HRM can happen when HR workers work for outside companies or offer consulting services while using their job to give company resources like contracts, projects, or benefits to these outside companies. HR staff put their personal or external business interests over the organization's best interests, which compromises their impartiality and ethics. HR professionals may use their inside information, connections, or decision-making power to unfairly benefit their external firms or consulting services. This mismanagement of firm resources harms the company's finances and affects fair competition, vendor neutrality, and unbiased decision-making.

Whistleblower Retaliation

In HRM, corrupt practices might include HR staff covering up harassment, discrimination, and other workplace wrongdoing to protect the company's reputation. This unethical activity often retaliates against whistleblowers—courageous personnel who reveal wrongdoing. HR workers may suppress whistleblower misbehavior complaints rather than investigate them. This can involve downplaying the claims, deterring employees from filing complaints, or not punishing wrongdoers. In such instances, HR may emphasize the organization's image and legal or reputational risks over workplace safety and ethics. Whistleblower retribution promotes silence and weakens organizational accountability and openness. Witnesses of misconduct may fear reprisal or HR support and not report it. This fosters unethical behavior and puts the company at risk of legal and reputational harm (Nayir et al., 2018).

2.4.7. Unearthing the Roots of Land-related Corruption in Bhutan

2.4.7.1. Introduction

Rural Bhutan relies on land for livelihoods, respect, security, and emotional attachment. Land supplies nourishment and significant cultural and societal values in this unique Himalayan nation. While Bhutan modernizes its economy, urban land values, especially in the capital, have reached record highs, making it one of its most valuable assets. Bhutan believes every home should have land for citizen well-being. This commitment includes giving households at least 5 acres of land for subsistence and traditional lifestyles. Land access is crucial to Bhutan's socio-economic fabric, integrating tradition and modernization while preserving culture. Bhutanese land represents agrarian traditions and investment capital in a fast-changing economy. The national change is raising urban land values, notably in the capital. As Bhutan adapts to industrialization and globalization, its land reflects its rich heritage and dreams for a prosperous future.

In Bhutan, there are two types of land ownership: government-owned and private. The King has the special power to give government land to individuals as a generous act called "kidu." Land management happens at the local level, with various local governments following the guidance of the National Land Commission (NLC) and its Secretariat. The NLC is the top authority in charge of land policies and practices, established by the Land Act of 2007, replacing the older Land Act of 1997.

The NIA 2022 highlights that nine percent of the land sector service users have

experienced making payments in cash or kind to avail of the services (ACC, 2023a). ACC also received 78 complaints related to land in FY 2021-2022.

2.4.7.2. Literature Review

Decision-making powers

In many cases, land registration staff, zoning officers, and surveyors have discretionary authority over land transactions and property management. In land administration, these officials control land records, permit approvals, and land use designations. However, decision-making authority in land management systems creates a weakness that corrupt people can take advantage of (Maria & Howai, 2021; Mathiba, 2021). Land record manipulation requires judgment. Land registry personnel can change or fabricate information in land records. Changes to property boundaries, ownership information, or land titles can have major effects on property ownership and legal rights. These changes can benefit certain parties at the expense of lawful property owners (Junaid et al., 2023). Zoning officers have discretion in land use planning and development. They can accept or deny construction and development permits, affect land use classifications, and determine whether a property is residential, commercial, or industrial. When making decisions about land development and property value, officials may be susceptible to corruption (Reese & Li, 2019; Zheng & Xiao, 2020). Surveyors, who precisely mark land borders and conduct property surveys, influence property management. Corrupt surveyors may delineate boundaries, provide erroneous survey data, or collude with illegal land grabbers. Land disputes, property encroachments, and legal challenges can complicate land transfers (Abraham, 2023).

Complex Regulations

The land and property sector, vital to a nation's prosperity and property rights, is typically regulated carefully. Zoning rules carefully regulate land use, from residential to commercial to industrial. Officials with intimate knowledge of zoning laws may demand bribes or provide shortcuts to those trying to negotiate these complex processes. These officials may seek financial gain through favorable zoning, variances, or expedited permit approvals. They may also offer faster ways to avoid regulatory hurdles, risking safety and the environment (Adeyinka, 2020; Vries et al., 2020). Land-use planning considers infrastructure development, environmental conservation, and community well-being when allocating land. Land allocation and reclassification may require official authorization, making corruption possible. Officials may ask for payments to speed up operations, rezone land for personal gain, or ignore regulations.

These acts can cause land distribution discrepancies, weakening equity and fair access to land resources (Djurfeldt, 2020; Kalfas et al., 2023). Property registration, a critical step in land purchases, often requires lengthy bureaucratic procedures. These intricate processes can lead to corruption as officials accept bribes from property purchasers and sellers. In exchange, they speed up property transfers or circumvent legal requirements, eroding property rights and potentially causing fraud and legal issues (Chiodelli & Moroni, 2015). In a complex web of administrative procedures, paperwork, and permissions, land transactions can become bureaucratic quagmires that waste time and resources. In such cases, bribery to speed up processes becomes more enticing. Corruption may take advantage of this desperation by offering shortcuts, quicker approvals, or preferential treatment to those who give cash incentives (Djurfeldt, 2020).

Land Disputes

Land disputes are unfortunately widespread and can be exploited for corruption. Corrupt officials may use unethical methods to add to land conflicts, enriching themselves at the expense of others (Levien, 2021; Shafi et al., 2022). Bribery by officials to favor one party over another is a common corrupt practice in land disputes. Financial incentives can influence land dispute officials to prefer the party providing the greatest bribe. This weakens the impartiality of the dispute settlement process and reduces trust in the legal system (Moreda, 2022). Another corrupt tactic is altering land dispute records. Corrupt officials may alter or misrepresent property ownership records or survey reports to favor bribe-payers in a dispute. This dishonest manipulation can cause land rights misappropriation and unsolved disputes (Chiweshe, 2021). Corruption may also delay resolution to extract money from both parties in the land dispute. Prolonging the proceedings or adding bureaucratic impediments makes the contesting parties feel desperate and inclined to pay bribes to resolve the issue. This technique prolongs the dispute's victims' suffering and fosters land administration corruption (Chen & Kung, 2018).

High Economic Value

Corruption targets land and property transactions because they often involve large sums. The lure of large personal gain can motivate officials and individuals to commit corruption in this area. The financial stakes in land and property transactions are often high, especially in urban areas. These assets have high market values; therefore, land sales, development, and taxation can be costly. The large financial repercussions of these deals make corruption more appealing. Corrupt practices can take many forms.

Property valuation and tax officials may falsify values or tax assessments to take bribes or favor specific parties. Real estate brokers may assist with under-the-table agreements, falsify property valuations, or commit fraud to increase commissions. Land administration officers may use their positions to give lucrative land parcels or development licenses to bribe-payers (Akdemir & Yeşilyurt, 2023).

Social and Cultural Factors

Some land service regions have a culture of corruption or a tacit acceptance of corruption. This cultural factor can perpetuate land and property corruption. Corruption frequently involves deeply rooted norms, values, and behaviors that accept or even encourage dishonesty and bribes. Corrupt activities may be part of daily life in some areas. When people have seen or experienced corruption over time, they may accept it as a normal part of government or administrative operations. Passive acceptance of corruption might worsen it. In such situations, people may not report corruption and may actively engage in it to speed up transactions or protect their interests. Corruption may make corrupt people complicit in supporting the status quo, creating a cycle. The land and property sector's culture of corruption and implicit acceptance has serious effects. It perpetuates injustice, undermines the rule of law, and damages government trust. Corruption affects property markets, misallocates land resources, and discourages legal investment, hindering economic development (Rose-Ackerman, 2010).

2.4.8. Banking Sector: Corruption Risks in Loan Services

2.4.8.1. Introduction

Non-performing loans (NPLs) pose a considerable challenge to financial systems worldwide, and their management frequently intersects with corruption-related concerns. On a global scale, countries are confronted with the intricate and multifaceted nature of NPLs, which essentially represent loans that borrowers have failed to repay according to the agreed-upon terms. Effectively managing NPLs is of paramount importance, not only for the stability of financial institutions but also for the broader health of national economies (Gjeçi & Marinč, 2022).

Numerous countries have developed and implemented strong regulatory frameworks and best practices to address NPLs systematically and equitably. Even under these frameworks, corruption can threaten NPL management. NPL corruption can include

bank officials accepting bribes or payments to write-off or restructure loans for specific borrowers. Corruption may also involve financial institutions intentionally leaving defaulted loans on their balance sheets without proper provisioning (Goyal et al., 2023). Beyond these internal dynamics, corruption may involve external pressures, such as important individuals manipulating NPLs for personal or business gain. Powerful figures and financial institutions may align interests, skewing decision-making and compromising openness, justice, and economic stability.

There have been 10 instances of misappropriation of loans reflected in the RAA's Annual Report 2021-2022 (RAA, 2022). The total combined NPL of six banks as of March 23, 2023, stood at Nu. 8.056 billion (ACC, 2023b). As of September 2023, the total combined NPL of the financial institution is Nu. 17.26 billion (Zangpo, 2023a). The NPL case, investigated by ACC and widely revealed the flaws and gaps in the banking industry and other agencies, according to media outlets. The accused in the case was able to secure 88 loans amounting to Nu. 818 million (ACC, 2023b). Furthermore, the NIA 2022 also mentions that few individuals had to make payment either in cash, kind, or entertainment to avail of the services (ACC, 2023a), and NCBS 2023 also highlights that banking services were the top fifth service (among 20 services) that was more susceptible to corruption (BTI, 2023).

2.4.8.2. Literature Review

NPLs sometimes include borrowers bribing or using illicit incentives to influence loan acceptance. This unethical action can affect the loan ecosystem. Borrowers may pay off bank officials or decision-makers to get loans they might not qualify for based on their creditworthiness. Bribery and influence-peddling have many effects. It first alters the lending process, compromising objectivity and fairness in loan approvals. Bribery or illegal incentives may not subject loans to thorough risk assessments. This makes it more likely that loans will be given to people or businesses that are not financially stable or creditworthy. When these loans are given to borrowers who cannot afford to repay them, the danger of NPLs increases. Non-performing loans impact financial institutions' asset quality, liquidity, and health. This might threaten financial stability and the economy.

Personal Connections and Influence

In countries where personal connections and influence dominate industry and government, nepotism or favoritism can haunt financial institutions. This means that loans may be issued to individuals or businesses with personal links to bank staff or powerful figures, even if their financial conditions do not meet the standards. These tactics add subjectivity to the loan process, violating impartiality and fairness. Nepotism in loan approvals has long-term effects. First, they undercut equality and financial efficiency in lending decisions. When loans are based on personal relationships rather than financial sustainability, default risk rises. This generates NPLs, which plague financial institutions and the economy. NPLs reduce banks' reserves and asset quality, weakening their financial stability. They also damage public trust in the financial system's fairness and integrity (Gjeçi & Marinč, 2022).

Lack of Regulatory Oversight

Insufficient regulatory body staffing, training, or authority can cause financial industry domino effects. First, understaffed or undertrained regulators may struggle to evaluate financial firms' loan portfolios. This may reduce inspections of non-performing loans. Second, when regulatory bodies lack the resources or mandate to enforce lending rules, financial firms may perceive a lesser risk of misclassifying loans. This reduced oversight may encourage institutions to postpone or avoid declaring loans non-performing, even while borrowers are in distress. Without early intervention, non-performing loans can erode the financial health of institutions and the financial system. If NPLs are not recognized right away, it might be harder to take steps to fix and protect these troubled assets, which could leave the whole system open to attacks.

Political Interference

Political figures and government officials can influence financial institutions for economic and political reasons. This can affect NPL assessment and classification. Influential persons or businesses may conceal or delay loan defaults. Political intervention has many negative repercussions for the financial system. First, it lowers loan quality assessment and categorization accuracy. Despite objective financial indications, political forces may keep non-performing loans on the books. This categorization hides the financial institution's NPLs, distorting its risk and health. Second, hiding or delaying recognized NPLs connected to powerful persons or entities can compromise lending integrity. A sense of favoritism and inequality undermines public trust in the financial system's fairness and transparency (Ahmad, 2013). This

technique can also promote impunity and encourage financial institutions to prioritize politics above credit. NPLs are more likely to accumulate without identification and intervention, posing systemic hazards to the financial industry.

Collusion Between Borrowers and Bank Employees

Borrower-bank staff collusion can contaminate loan origination and paperwork. Bank employees and borrowers often collude to produce fake documents or distort financial facts during application and approval. Such wrongdoing can have serious ramifications, especially when it comes to loan approvals for borrowers who don't meet credit requirements. This corruption not only damages the lending process but also increases NPLs risk. Loans accepted using misleading information or dishonest documentation may become non-performing because borrowers may struggle to repay. Beyond individual loans, it can lower a financial institution's asset quality. A portfolio of corrupt loans can reduce the institution's financial stability and liquidity, limiting its ability to support economic growth (Lamsang, 2023).

Accounting Manipulation

Corrupt financial institutions are capable of falsifying their financial health by manipulating accounting standards and financial reporting. This illegal activity typically conceals or delays the recognition of NPLs, giving the institution a false sense of stability. Accounting manipulation is done to attract investors or depositors, even when the institution has serious NPL issues. The effects of this corruption go beyond the institution. First, it misleads investors, depositors, and stakeholders who need precise financial data to make judgments. Financial misrepresentation might put investors at risk since they think the institution is safe and solvent. Secondly, the manipulation of accounting standards erodes the transparency and trust that underpin financial markets. It undermines the integrity of financial reporting, and the perception of corruption can deter both domestic and foreign investments, impeding economic growth. Corruption also delays asset resolution, worsening the NPL situation. Financial institutions miss chances to execute risk management techniques and recover assets by misidentifying NPLs.

2.4.9. Exploring Corruption in Export and Import Activities

2.4.9.1. Introduction

Corruption in the export and import processes is a multifaceted problem that can take various forms. Corruption can be seen in a lot of different areas, such as changing the measurements on weighing bridges, bribery of customs officials, issues with trade licenses, tax evasion, letter of credit fraud, bribery of customs officials, and the illegal trade of high-value or tax-free goods. These unethical business activities undercut fair competition, which in turn hurts government revenue, and they may also put the public's health and safety at risk. Governments can take action to prevent corruption in these areas by improving regulatory organization oversight and accountability, increasing the transparency and digitization of customs procedures, enforcing objective licensing requirements, and so on. It is vital to combat corruption in the import and export industry through a mix of legal reforms, technological developments, awareness campaigns, and international cooperation (Narayan & Bui, 2021). When examining trade scenarios, paying attention to revenue leakage not only exposes vulnerabilities but also signals the potential for corruption to seep into the system, emphasizing the importance of vigilant oversight to mitigate such risks.

The Bhutan Trade Statistics 2022 report (DRC, 2022) reflected that Bhutan imported goods and services worth Nu. 118,792 million and exported goods and services worth Nu. 56,871 million (the export value includes trade in electricity). However, if we exclude the export of electricity from the exported items, the exported goods amounted to Nu. 34,396 million, which indicates that the export of electricity amounted to Nu. 22,475 million in 2022.

In 2022, Bhutan's top ten imported commodities encompassed a diverse range of goods. Processing units had the highest import value (Nu. 11.90 billion), other light oils and preparations (HSD) came in second at Nu. 8.73 billion, and coke and semi-coke came in third at Nu. 4.09 billion. Notably, motor spirit (gasoline), including aviation spirit (petrol), was imported for Nu. 2.63 billion, while semi-milled or wholly milled rice amounted to Nu. 2.60 billion. Bhutan also imported ferrous products derived from the direct reduction of iron ore, smartphones, and a variety of miscellaneous goods. The total value of these top ten imports reached Nu. 118.79 billion, reflecting the country's reliance on a mix of industrial, energy, and consumer goods to meet its domestic demands and development needs (DRC, 2022).

Bhutan's top ten exported commodities in 2022 included products like silicon, ferro-silico-manganese, dolomite, boulders, and various types of stone aggregates. The highest export value was attributed to commodities containing more than 55% of silicon, totaling Nu. 16.21 billion, followed by ferro-silico-manganese at Nu. 3.03 billion. Other exports included dolomite, boulders, and various stone products, such as pebbles and crushed stone, which are commonly used in construction and infrastructure development. Additionally, Bhutan exported gypsum, cement (both ordinary portland and portland pozzolana), and various miscellaneous goods. The total export value of these top ten commodities amounted to Nu. 34.39 billion, underscoring Bhutan's contribution to regional construction and infrastructure sectors (DRC, 2022).

2.4.9.2. Literature Review

There are many different components of trade and customs operations that are susceptible to corruption; addressing these concerns is essential for guaranteeing transparency, fair trade, and the protection of government revenue. Cases of bribery involving customs officials are a prevalent type of corruption that can be found in customs agencies. When customs agents ask importers and exporters for bribes, it can make the customs process opaquer, which gives those who are prepared to pay an unfair advantage while also resulting in a considerable loss of income for the government. An important way to fight this issue is to make customs procedures clear, use technology to cut down on face-to-face interactions, and give customs officials a lot of training to encourage honesty (Dutt & Traca, 2010; Narayan & Bui, 2021).

Corruption in international trade can also manifest itself in the form of fines, licenses, and other administrative procedures. Bribes can lead to preferential treatment for particular enterprises, which undermines competition when there is corruption in the trade licensing process. This can distort the market and make it less fair. The government should set clear and transparent standards for getting licenses, perform frequent audits to detect inconsistencies, and put in place measures to protect whistleblowers in order to encourage more people to disclose instances of corrupt activity (Ministry of Foreign Affairs et al., 2022).

Tax evasion is a prevalent issue, often involving underreporting or undervaluation of goods, resulting in government revenue losses. Advanced customs valuation methods, rigorous audits, and risk assessment programs are crucial tools to curb tax evasion and ensure businesses comply with their tax obligations (Nagy & LeDrew, 2022). Corruption in the context of letters of credit can have financial repercussions for banks and traders. Banks that do their due diligence better and follow international trade rules can cut down on fraud and protect everyone's financial interests in trade deals (Sarigul, 2013).

Underreporting of perishable goods is another corrupt practice that poses not only economic but also health risks to consumers. Strengthening monitoring and inspection of perishable products and imposing stricter penalties for violations can deter this form of corruption and ensure the safety of consumers (King et al., 2017). Immigration-related corruption can undermine labor market integrity and legal immigration processes, affecting the rights of foreign workers. Streamlining immigration procedures, conducting stringent background checks, and safeguarding the rights of foreign workers are vital steps to reduce corruption in this area and protect the interests of all parties involved (Bologna Pavlik et al., 2019).

Corruption within regulatory authorities, such as the Bhutan Agriculture and Food Regulatory Authority (BAFRA), can lead to non-compliance with food safety and agricultural regulations. To address this issue, enhancing oversight, ensuring accountability, and conducting regular audits of regulatory bodies can help ensure adherence to food safety standards, safeguarding public health and market fairness.

Manipulation of weighing bridge readings is a corrupt practice that distorts trade quantities and fosters tax evasion. Upgrading weighing systems and incorporating electronic records can reduce opportunities for manipulation and fraud, ensuring accurate trade measurements and tax collections (Wheat et al., 2019). High-value products and tax-free items are often targeted for smuggling and tax evasion. Stronger border security, more surveillance, and harsh punishments for illegal trade can stop people from being dishonest in this area, protecting government money and the market's integrity (Mathias & Wardzynski, 2023).

2.4.10. Unveiling Corruption in Tourism Industry

2.4.10.1. Introduction

The tourism sector is particularly susceptible to corruption due to its economic significance, the discretionary power of officials, and the range of services provided. Corruption can take various forms, including bribery of immigration and customs officials for easier entry, extortion of tourists by local authorities, embezzlement of tourism funds, exploitation of cultural heritage sites, and fraudulent business practices (Maria et al., 2022). In destinations reliant on tourism, the manipulation of visitor statistics, tax evasion by hospitality businesses, and environmental degradation to attract tourists are also common. To combat these issues, governments and industry stakeholders must prioritize transparent and accountable practices, enforce regulations, and promote sustainable tourism that respects local communities and environments. Public awareness and anti-corruption measures play a crucial role in preserving the integrity of the tourism industry (Schroeder, 2015).

The Bhutanese government recognizes the significance of the tourism sector and aims to position Bhutan as a high-end tourism destination. To achieve this, the Department of Tourism (DoT) is allocated Nu. 144.7 million for promoting Bhutan in both regional and international markets. This budget includes Nu. 52.1 million for events and platforms that promote tourism, Nu. 27 million for improving tourist facilities at certain sites, and Nu. 30.7 million for creating an ecotourism master plan, an ecotourism concession framework, and a long-term way to pay for it all. These efforts are geared towards creating a conducive environment for a thriving tourism industry in Bhutan (MoF, 2023).

2.4.10.2. Literature Review

Corruption within the tourism industry can manifest in various ways, posing significant challenges to the integrity and sustainability of this vital sector (Das & Dirienzo, 2010). At the visa application and entry points, individuals eager to explore Bhutan's unique culture and landscapes may resort to bribing immigration officials to facilitate their entry, bypass regulations, or gain preferential treatment. Such practices not only compromise the integrity of the entry process but also disrupt the carefully managed flow of tourists into Bhutan, potentially overwhelming the country's resources and infrastructure (Brown, 2011).

Local tour operators are primarily in charge of managing the Bhutanese tourism industry. While many uphold high standards, some engage in corrupt practices,

including inflating tour package prices, delivering substandard services, or misallocating revenue intended for the development and preservation of tourism infrastructure and cultural heritage sites. These unethical operators can compromise the overall tourist experience and deter potential visitors, harming Bhutan's reputation as a responsible and ethically managed tourist destination (Poprawe, 2015).

Bhutan's unique "daily tariff" system requires tourists to pay a fixed fee per day, with the funds designated for investment in tourism infrastructure and conservation efforts. But because there is not enough openness, accountability, or oversight in how these funds are managed, they could be stolen or used in the wrong way, which would keep Bhutan from making the investments its tourism industry needs to stay strong. Corruption can also lead to cultural exploitation, as some individuals or entities prioritize personal gain over the preservation of Bhutan's rich cultural heritage. This can involve excessive fees for visiting sacred places, inadequate preservation efforts, or the commercialization of cultural events, compromising the authenticity and sanctity of Bhutan's traditions.

Moreover, the pursuit of attracting more tourists may lead to environmental degradation in some areas within Bhutan. Unregulated construction, deforestation, waste mismanagement, and a disregard for environmental preservation can occur, with corruption playing a role in permitting these harmful activities, undermining Bhutan's reputation as an eco-friendly destination.

Fraudulent business practices, such as overcharging tourists, providing subpar services, or avoiding taxes (Nguyen et al., 2015), can tarnish Bhutan's reputation and lead to financial losses for visitors. Additionally, manipulation of visitor statistics can distort the true impact of tourism on Bhutan's economy and culture, potentially misinforming government policies and resource allocations.

2.4.11. Others

The scoping study identifies those services that are prone to corruption, and the major services that are prone to corruption are discussed in the above section. However, we cannot outrule corruption in foreign direct investments, the entertainment industry, the judiciary, and sports. This section briefly talks about how these services are prone to corrupt practices.

2.4.11.1. Foreign Direct Investments

Foreign direct investment (FDI) is a type of investment in which a company or individual invests in a business located in another country. Perceived corruption is one of the factors that can affect FDI flows. The empirical studies assessing the impact of corruption on FDI are inconclusive as to whether corruption hinders or enhances FDI. However, there is a fair amount of theoretical research looking at the relationship between FDI and perceived corruption. From a theoretical perspective, perceived corruption may act either as a “grabbing hand” or as a “helping hand” for FDI inflows (Moustafa, 2021). Some studies have shown that high corruption is a disincentive for FDI inflows because bribery increases the risk and uncertainty faced by investors and is a deterrent to FDI (Guha et al., 2020). Other studies have found that corruption decreases the likelihood of FDI taking place and increases the likelihood of a foreign investor teaming up with a cleaner country (Belgibayeva & Plekhanov, 2019). Corruption may also have an indirect impact on FDI by deterring domestic investment (Moustafa, 2021). Pervasive corruption is found to be more of a deterrent to FDI due to extensive and well-documented knowledge about it and its effect on increasing costs to the producing firm (Guha et al., 2020).

In 2022, Bhutan approved eight FDI projects with a total value of Nu. 356.3 million, showing a decline of Nu. 357 million compared to the previous year. By the end of 2022, the country had a total of 101 FDI projects valued at Nu 4,362 million. The hospitality sector accounted for 36% of these projects, while information technology/information technology enabled services (IT/ITES) made up 22%. India contributed the most investments (51%) from Asia, while Singapore (15%) and Thailand (10%) were the next-largest contributors. These FDI projects employed 4,601 Bhutanese workers as of December 2022, with 65% working in the service sector and 35% in manufacturing. Tax contributions from FDI companies increased significantly by 63% in the 2021 income year, reaching Nu. 1,304 million compared to Nu. 760 million in 2020. However, these tax contributions have not yet returned to pre-pandemic levels (MoF, 2023). Among the Key Performance Indicators (KPI) of the Economic Cluster, the government plans to increase FDI from 43.3 billion to 100 billion in the 13th Five-Year Plan (Dorji, 2023).

2.4.11.2. Hydropower

Hydropower is prone to corruption due to the massive investment volumes and highly complex, customized engineering projects involved in the design, tendering, and execution of large-scale dam projects around the world (Elliott, 2019). Corruption in the hydropower sector inflates the cost of dams and related projects, making re-settlement more challenging by preying on compensation funds and initiatives meant to aid displaced people (TI, 2008). The risk of corruption is also high for large projects, and the impact of corruption is not confined to inflated project costs. Large resettlement funds and compensation programs that accompany dam projects have been found to be very vulnerable to corruption, adding to the corruption risks in the sector. Countries relying on hydropower have seen their poverty, corruption, and debt levels rise and their economies slow at significantly greater rates than nations that use other energy resources (Elliott, 2019). Small-scale fraud in reading and billing meters, bad management, and theft of funds for irrigation and hydropower projects are some of the ways that corruption can show up in the energy sector (Jennett, 2007).

2.4.11.3. Sports

Sports is a multi-billion-dollar business, making it a lucrative industry that is prone to corruption (Kyprianou, 2020). The high financial stakes involved in sports can create tremendous societal and economic burdens, leading to inappropriate behavior from athletes, teams, and coaches (Salmon, 2015). Corruption in sports arises from four trends, including de-amateurization, medicalization, politicization, and commercialization. For instance, doping arises from de-amateurization and medicalization, where athletes look for ways to enhance their performance to win a medal in the Olympics or a trophy in a competition (Kyprianou, 2020). Corruption in sports can also manifest in various ways, such as fixing matches, bribing officials, and manipulating competitions (Dimant & Deutscher, 2015). For example, match-fixing in football and cricket is one of the allegations of corruption throughout sports systems (Salmon, 2015). Existing research is still relatively thin on many issues with respect to sport's problems with corruption in general and doping in particular. Consequently, the institutions in charge have trouble implementing the right mix of rules and leeway to allow for clean and competitive sports (Dimant & Deutscher, 2015). Public funding directed toward sports in the developed and developing worlds is also susceptible to corruption. Where the necessary independent oversight is lacking, public funds remain highly vulnerable to misuse.

For the development, promotion, and protection of the Olympic Movement in Bhutan, a budget of Nu. 15.2 million is allocated to the Bhutan Olympic Committee in the

fiscal year 2023–2024. The major activities covered within this allocation comprise Nu. 4.4 million for scholarships to support students participating in national-level sports and Nu. 4.5 million for the construction of an Indigenous Museum Pavilion and the restructuring of the archery ground at Changlimithang. These initiatives aim to foster sports excellence and heritage preservation while promoting the Olympic Movement in the country (MoF, 2023).

2.4.11.4. Entertainment Industry

There is a dark underbelly of corruption that lurks throughout the entertainment business, posing a threat to the integrity of the sector and eroding public trust in the process. The complicated financial structure of live entertainment, the practice of ticket scalping, bribes and favor trading, tax evasion, and insufficient oversight are just a few factors that contribute to corruption in the entertainment industry. To prevent this, it is essential to promote ethical standards, encourage people to blow the whistle, increase transparency, strengthen regulatory frameworks, and improve law enforcement activities. If these steps are taken, the entertainment business will be able to win back the trust of the public and once again serve as a wellspring of happiness and cultural enrichment, free from the shackles of corruption.

2.4.11.5. Judiciary

Corruption in the judiciary can have severe consequences for the administration of justice and the protection of human rights (García-Sayán, 2017). In a corrupt judicial system, money and influence may decide which cases are prioritized or dismissed, and perpetrators may get away unpunished while victims are left with no justice (TI, n.d.). Judges can be bribed or subject to political pressure and interference from above, breaking the basic principle of equality before the law (Jennett, 2014). Corruption in the judicial system can also decrease public trust in justice and weaken the capacity of judicial systems to guarantee the protection of human rights (García-Sayán, 2017). Simple reforms, such as strengthening independent judiciaries through higher salaries and better legal protections, can prevent corruption. Additionally, an independent body and public oversight can guarantee that appointments in the judiciary are based on merit rather than favoritism, and judicial personnel should be adequately trained and receive fair salaries and pensions to make them less vulnerable to bribery (TI, n.d.).

3. CONCLUSION

To conclude, corruption remains a complex and persistent challenge in Bhutan, affecting diverse sectors of society. Bhutan has been ranked 25th out of 180 countries for the past five years in Transparency International's Corruption Perception Index. While the fight against corruption has seen commendable progress, His Majesty the King emphasized the need for ongoing vigilance in his 114th National Day address. Concerns about corruption primarily arise from a perceived lack of accountability within the public service, prompting a renewed emphasis on transparency, responsibility, and integrity.

The interplay between corruption and governance is evident in Bhutan, where anti-corruption efforts align with the guiding principles of Gross National Happiness (GNH). His Majesty the King's emphasis on accountability underscores the necessity for corrective actions and a dedication to unveiling and deterring corrupt practices. This alignment between anti-corruption initiatives and broader national objectives is essential for building public trust, attaining international recognition, and preserving Bhutan's image as a beacon of happiness.

ACC's launch of a scoping exercise serves to further highlight its proactive approach. This strategic and resource-efficient endeavor, building upon prior assessments and utilizing in-house expertise, reflects ACC's commitment to addressing corruption. By aiming to deepen the understanding of anti-corruption issues and identify opportunities for future research and systemic improvements, the ACC aligns its strategies with the overarching goals of good governance and sustained development. The scoping study serves as a foundational step, ensuring that future research initiatives are well-informed and in harmony with Bhutan's dedication to integrity and transparency.

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During the 114th National Day address on December 17, 2021, His Majesty the King raised deep concerns about the rise of corruption in the country due to a lack of accountability in the public service and highlighted:

We know our country best. We are a compassionate and close-knit society. We hesitate from giving our honest views or taking bold actions, which might risk offending or displeasing others. As a result, complacency has taken hold, discipline has waned, and corruption is on the rise. Our forefathers' courage and determination served as examples of the strength of our national character. This has unfortunately given rise to the popular perception that two laws coexist in the same country. If we allow such practices to proliferate, we will become more vulnerable to even greater risks and dangers.

From now on, all of us must boldly embrace accountability as a measure of our service, should we falter, deviate, and err in the service of our country. As King, I must first and foremost exemplify the ideal of accountability. I do not say these to trigger any alarm or anxiety. We are not too late in getting our priorities right, re-focusing our national goals, and re-aligning our national priorities and strategies. If the King, government, and people continue to work hand-in-hand with dedication, perseverance, and fortitude, we still have every opportunity to further strengthen our country and achieve greater prosperity for our people.

Accountability must go on to become the cornerstone of governance, as our proverb "the golden yoke of secular laws" suggests. We must correct those who deviate, be firm with those who do not deliver, replace those who are incompetent, and terminate those who underperform and have therefore become a liability to our system and nation. We must not hesitate to expose those who engage in corrupt practices, so that we send a strong signal to deter others from doing so.