

# Controlling Corruption in Asia and the Pacific

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of the ADB/OECD Anti-Corruption Initiative  
for Asia and the Pacific

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# Abbreviations and Acronyms

ABA	American Bar Association
ACA	Anti-Corruption Agency (Malaysia)
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Co-operation
ASEAN	Association of South East Asian Nations
AUSAID	Australian Agency for International Development
BPR	Badan Pencegah Rasuah Malaysia (Anti-Corruption Agency of Malaysia)
CEO	Chief Executive Officer
CIAA	Commission for the Investigation of Abuse of Authority (Nepal)
CPIB	Corrupt Practices Investigation Bureau (Singapore)
DFID	Department for International Development (UK)
FATF	Financial Action Task Force on Money Laundering
FIDIC	International Federation of Consulting Engineers
GNP	Gross National Product
HKSAR	Hong Kong Special Administrative Region
HMG/N	His Majesty's Government of Nepal
ICAC	Independent Commission against Corruption (Hong Kong, China)
IGEC	International Group of Experts on Corruption
IMF	International Monetary Fund
INR	Indian Rupee
INTOSAI	International Organisation of Supreme Audit Institutions
KICAC	Korea Independent Commission Against Corruption
SKW	South Korean Won
MLA	Mutual Legal Assistance
MYR	Malaysian Ringgit
NAB	National Accountability Bureau (Pakistan)
NACS	National Anti-Corruption Strategy (Pakistan)
NGO	Nongovernmental Organization
NSW	New South Wales (Australia)
OECD	Organisation for Economic Co-operation and Development
PBEC	Pacific Basin Economic Council
SOE	State-Owned Enterprise

TI	Transparency International
UK	United Kingdom
UKM	National University of Malaysia
UN	United Nations Organisation
UNDP	United Nations Development Programme
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States Agency for International Development
USD	US-Dollar
WTO	World Trade Organization

# Foreword

Corruption deprives countries of precious resources, hampers efforts to alleviate poverty, undermines political stability and economic growth and diminishes a country's attractiveness for investment. These negative impacts of corruption on societies and economies have been recognized by Asian and Pacific governments, which over the past few years have engaged in a number of substantial reform projects. The Asian Development Bank (ADB)/Organisation for Economic Co-operation and Development (OECD) Initiative supports these endeavors by providing forums for policy dialogue, capacity building, and strengthened understanding, through analytical tools, of the roots and consequences of corruption in Asia and the Pacific, and the potential for evaluating the effectiveness of potential remedies.

ADB and the OECD launched the Anti-Corruption Initiative for Asia and the Pacific with the aim of supporting Asian and Pacific countries in developing and implementing tangible and sustainable measures to curb corruption. The Initiative's fourth Regional Anti-Corruption Conference, held in Kuala Lumpur, Malaysia, in December 2003, provided practitioners and experts from Asian and Pacific governments, civil society, the private sector and the donor community an overview of recent developments in the countries' legal and institutional anti-corruption frameworks and insights on challenges that lie ahead. Workshops and plenary sessions discussed and evaluated tools and instruments to implement the Initiative's regional Action Plan.

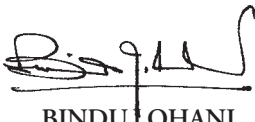
The success of the fourth Regional Anti-Corruption Conference is due above all to the commitment and hard work of the staff of the Anti-Corruption Agency of Malaysia and the progress achieved by the ADB/OECD Initiative's Steering Group. The conference on which this publication is based was directed and coordinated by Frédéric Wehrlé, Coordinator, Outreach Anti-Corruption Initiatives, Anti-Corruption Division, OECD; Jak Jabes, Director, Governance and Regional Cooperation Division, ADB; and Gretta Fenner, Manager, Anti-Corruption Initiative for Asia-Pacific, Anti-Corruption Division, OECD. Assistance in the organization of the conference and in the preparation of this publication by Joachim Pohl, Legal Advisor at the OECD's Anti-Corruption Division and by Marilyn Pizarro, consultant to ADB, are gratefully acknowledged; Marilyn Pizarro



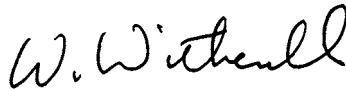
also provided administrative assistance, together with Frances Mooney and Liliana Salazar, both of the OECD's Anti-Corruption Division.

The Initiative's work is generously supported by financial and in-kind contributions from ADB, the OECD, the Pacific Basin Economic Council, the Swiss Agency for Development and Cooperation, Transparency International, the United Kingdom Department for International Development, the United Nations Development Programme, the United States Department of State and the World Bank.

The present publication assembles the analysis and recommendations offered in the course of the conference by experts both from within the region and from outside Asia and the Pacific. It aims to inspire the further development and implementation of policies and instruments and the evaluation of the effectiveness of existing institutional structures to prevent and fight corruption. The experts' findings, interpretations and views expressed in this publication do not necessarily represent the views of ADB or those of its member governments or of the OECD and its member countries. The present publication is jointly produced by ADB's Regional and Sustainable Development Department and by the OECD's Directorate for Financial and Enterprise Affairs.



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# Controlling Corruption in Asia and the Pacific: an Overview

■ Gretta Fenner, Jak Jabes, Frédéric Wehrlé  
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Building on the principles and standards laid out in the Anti-Corruption Action Plan for Asia and the Pacific, and continuing the 23 endorsing countries' efforts to translate the Action Plan's principles into domestic policy, more than 150 senior representatives of governments, the private sector, non-governmental organizations and the international development partner community met in Kuala Lumpur, Malaysia, 3–5 December 2003 on the occasion of the ADB/OECD Initiative's fourth regional anti-corruption conference. The conference aimed to review and discuss progress made by endorsing countries in implementing the Action Plan and to enhance capacity in a number of areas that, in this context, have been identified as particular challenges to Asian and Pacific countries. The conference was organized by the Asian Development Bank (ADB) and the Organisation for Economic Cooperation and Development (OECD) and hosted by the Anti-Corruption Agency of Malaysia (ACA).

As regards preventing corruption, the discussion focused both on ways to enhance integrity in the public service through management of conflict-of-interest situations and on measures to strengthen integrity in the business sector. With the aim of assisting countries to increase their detection rate of corruption, a second set of workshops discussed the needs and tools for meaningful whistleblower protection and the necessity, in some particularly corruption-prone areas such as public procurement, to develop particular types of systems for corruption prevention and detection. The third set of workshops concentrated on some of the mechanisms required to make investigation and prosecution of corruption more effective, including the techniques of forensic accounting and functioning procedures for mutual legal assistance and asset recovery.

## Anti-corruption strategies in the region

High-level corruption scandals, persisting poverty and the Asian financial crises have pushed concerns about corruption to the top of the political agenda in many countries and highlighted the extent to which corruption undermines a country's political and economic stability and hampers the people's welfare. In an attempt to overcome the systemic weaknesses, the Initiative's twenty-three member countries have over the past few years initiated numerous reform projects and developed anti-corruption strategies tailored to the particular needs of their countries. Common to these reform endeavors is a comprehensive approach that combines preventive instruments with measures to strengthen law enforcement and is based on the understanding that anti-corruption strategies, to be effective, must involve and be supported by stakeholders from the business sector, civic organizations and the international community.

Malaysia's anti-corruption strategy, for instance, foresees a number of parallel measures to tackle both prevention and enforcement issues. In a shorter-term perspective, the promotion of good governance is Malaysia's priority in preventing corruption in its public institutions. Other preventive measures aim to instill integrity in the society at large by targeting young people through family and education programs. These and other elements of the Malaysian anti-corruption strategy have been consolidated in the newly launched National Integrity Plan. Further, the Malaysian Government, acknowledging that anti-corruption efforts should not halt at national boundaries and that countries can benefit from sharing good practices, is setting up the Anti-Corruption Academy, which aims to serve as a regional center to study and disseminate information and provide training in anti-corruption practices.

Similarly, the Australian government—acknowledging its important role in and responsibility toward the region as a whole and the Pacific region in particular—dedicates important amounts of public funds to the promotion of governance and anti-corruption reform through its overseas aid programs. At the same time, its anti-corruption strategy reflects a number of pressing domestic concerns in the areas of both prevention and prosecution, such as the integrity of public servants, the accountability and transparency of public financial management, the suppression of international bribery, and meaningful protection for whistleblowers.

The encompassing mandate of Hong Kong, China's Independent Commission Against Corruption also provides for a comprehensive approach covering prevention, prosecution, education and public awareness raising. Current priorities of Hong Kong, China's anti-corruption strategy include the strengthening of pro-active investigation and modern investigation techniques,

the minimization of corruption opportunities in particularly vulnerable areas and the training of and outreach to other public bodies and the private sector.

While these three countries' anti-corruption bodies enjoy a fairly advantageous situation in terms of resources, some of their peer organizations in the region face fundamental problems due to important shortages of staff, training and adequate financial resources. The Philippines' Office of the Ombudsman and Nepal's Commission for the Investigation of Abuse of Authority are examples, but not exceptional ones, in this respect, especially in the area of law enforcement. To extend the resources at hand, both institutions have begun seeking allies from the non-governmental sector, such as private lawyers or civil society organizations, as well as from the international community, for the purpose of training their investigators and prosecutors. By means of manuals and handbooks on investigation techniques and prosecution, they further aim to ensure a long-term and multiplied effect of their capacity-building efforts.

## **Ethics in the private sector**

Instead of being perceived as an ally in the fight against corruption, the business sector has until recently been seen rather as the cause of the problem. Today, however, larger companies and regional business associations recognize that paying bribes to win business can increasingly backfire on them. As Anne-José Fulgeras from the international consulting, accounting and auditing firm Ernst & Young has observed, international efforts to battle corruption, in particular the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, put further pressure on companies to uphold integrity by rendering corrupt business practices risky. To react to this changing environment, the business sector, with the active support of its professional associations, has developed various integrity management programs to enhance business ethics and internal control systems. To ensure the effectiveness of these mechanisms, explains Alex Duperouzel, Managing Director of Background Asia Ltd., it is important to adapt them to a company's culture and that of the country in which the company operates.

At the same time, government actions to encourage businesses in the region to enhance their ethics continue to lag behind, in particular as regards accounting and auditing standards. Consequently, many companies are still either unaware of the changes in the business environment or are reluctant to adopt appropriate policies and instruments. Greater attention should be paid to this aspect of the fight against corruption, so as to supplement initiatives taken by the private sector.

## Integrity management in public administration

Since many corruption schemes originate at the public-private interface, where public officials can be tempted to accept or solicit bribes from companies or individuals that they are normally meant to serve, addressing shortcomings in private-sector ethics needs to be coupled with similar measures targeting the public service. As economic development and the growing industrialization in most countries of the region over the past decades have intensified the contacts between public officials and private sector representatives, public concerns have grown over the potential abuse of these contacts. Consequently, governments from the region increasingly recognize the need to prevent and manage in an unbiased way conflicting situations that may arise between public officials' private interests and public duty.

This task is particularly difficult in smaller countries, where citizens are closely interlinked by kinship or other types of personal relations requiring particular loyalty. In such situations, conflicts of interest are, according to Marie-Noëlle Ferrieux-Patterson from Transparency International Vanuatu, particularly apt to result in unlawful practices. If such an environment is combined with a general lack of understanding of the negative impacts of corruption on the national economy and social welfare, the abuse of public or political functions for private interests is particularly rampant.

Based on country studies, the OECD has developed Guidelines for Managing Conflict of Interest in the Public Service, an international benchmark for comprehensive conflict-of-interest policies. The Guidelines strike a balance between awareness raising, disclosure, management and prohibitions of conflict-of-interest situations. Currently, the OECD develops and tests a toolkit to support the Guidelines' implementation, to allow identifying conflict of interest, and to provide examples and tested solutions to manage them.

While most countries are concerned about conflict of interest in the public service, some are already pioneering in extending such policies to the political sphere. In Hong Kong, China, for instance, conflict-of-interest policies targeting the legislature and other statutory bodies have been developed. This specific regime combines ethical commitment, a code of conduct and a public register of interests as its key pillars. It further foresees measures to sanction misconduct and has been coupled with the introduction of awareness raising and education programs to ensure its effective implementation and proper understanding by concerned persons.

## Curbing corruption in public procurement

General integrity and conflict-of-interest management in public administration serves well to govern conflicts of interest in most public services. It appears insufficient, however, to oversee particularly corruption-prone processes such as public procurement, which, because of the huge financial volumes involved, is one of the top priorities in the region's fight against corruption.

As Michael Stevens from the Asian Development Bank notes, curbing corruption in public procurement must target both the buyer's and the supplier's side. As procurement is a business process and thus follows the rules of the market, a state's regulatory means to promote competition can be used to instill a certain degree of transparency and fairness in procurement. Coupled with penal sanctions and their effective implementation, a government can promote the adoption of preventive mechanisms by the business sector itself.

As neither of the two parties involved in public procurement has a realistic interest in reporting possible fraud, the involvement of an independent third party can be another useful way to integrity in the procurement process and can act as an effective deterrent to corruption. For the execution of this task, various tools have been developed. At the Société Générale de Surveillance—a company specializing in inspection, verification, testing and certification—such practices include the evaluation and risk profiling of procurement entities to prevent any potential outbreak of corruption; primary checking of contract execution during the project implementation; and ex-post evaluations.

## Whistleblower protection mechanisms

Balancing integrity mechanisms with effective law enforcement is key to any efficient anti-corruption strategy. Today's main challenge to effective prosecution of corruption is acquiring information about committed crimes and their actors. Particularly in corruption cases, where neither of the two parties involved has an interest in revealing the act and where potential informers are particularly vulnerable to intimidation and fear of retaliation, this difficulty all too often hampers the work of investigators and prosecutors.

This situation can be improved if potential informers, also called whistleblowers, are provided with trustworthy reporting channels and meaningful legal and physical protection. Today, however, very few countries have established legislation that could serve this purpose and encourage whistleblowers to disclose information about illegal activities. Reasons for this include reluctance at the political level in some countries or the image of

disloyalty that is often still associated with whistleblowing, but above all the complexity of the task at hand. As experienced in New South Wales, Australia, dealing with the issue of confidentiality is particularly difficult, as a balance has to be maintained between the need for efficient investigation, for sufficient protection of the informer's identity, and for ensuring the rights of the accused party.

To overcome some of these difficulties, basic legal tools that provide for meaningful legal protection of whistleblowers in terms of employment and legal liability must be coupled with a number of soft factors. These include a general understanding, among employees and the public at large, that whistleblowing is not an act of disloyalty, but serves a good purpose. Potential whistleblowers must further be aware of the reporting channels that they can use, and they must believe that their report will result in appropriate action taken by the informed authority.

Korea's whistleblower and witness protection mechanism addresses these issues through a three-pillar approach: first, it guarantees the confidentiality of the whistleblower's identity and provides for employment protection to prevent discrimination or dismissal at the workplace; second, both mechanisms are enforced by means of disciplinary and penal provisions; third, the whistleblower is granted physical protection if the matter so requires. In addition to these passive incentives, the Korean Anti-Corruption Act also establishes a financial reward system for whistleblowers.

Indian law also contains regulations on whistleblower protection, consisting essentially of a guarantee of confidentiality and certain provisions for the physical protection of the witness and for awards. The field of application of these regulations is limited to tax and customs fraud, however. A recent prominent case has shown fatal weaknesses of the current mechanism and put pressure on the Government to develop a more comprehensive system. As a respective bill has been pending in parliament for several years, the government, in reaction to these pressures, enacted an interim regulation in April 2004.

## **Building expertise in forensic accounting**

If an alleged case of corruption is reported, a number of difficulties in obtaining evidence, which are inherent to corruption and other types of economic crime, further impede effective investigation and prosecution. Today, complex financial transactions and organizational structures, particularly those of companies operating internationally, can be abused to camouflage illicit activities.

In such situations, forensic accounting—the use of accounting techniques to decipher accounts and financial transactions for the sake of criminal

investigation—is a key tool in detecting fraud and securing evidence. This type of expertise is badly needed in most countries around the world, including the Asian and Pacific region, where law enforcement in many countries is struggling with an important lack of manpower and resources and where the capacity and knowledge of prosecutors in reading financial statements, understanding accounting practices and detecting financial fraud is still inadequate. To remedy these deficiencies, the Malaysian Anti-Corruption Agency and the MARA University of Technology, Malaysia, have jointly developed a forensic accounting training program, which may serve as a useful example for other countries planning to engage in similar endeavors.

## Improving procedures of mutual legal assistance

Modern means of travel and communication add to the described difficulties and obstacles to investigating and prosecuting corruption, as criminals can take advantage of these to disguise and divert financial transactions, store illicit assets and hide from prosecution in foreign jurisdictions. On the other hand, criminal prosecution remains subject to national jurisdiction and law enforcement agencies are tied by national boundaries.

The only way to collect evidence from foreign jurisdictions or to recover assets stored in foreign banks is via mutual legal assistance procedures. This is usually time-consuming and often fruitless, however, due to today's inadequate international framework and practices, lack of respective treaties and agreements, unclear regulations on responsibilities and procedures within states, and differences in legal systems, procedures and traditions. As the Chairman of Pakistan's National Accountability Bureau, Lt. Gen. Hafiez, explained, these problems are even incurred when it comes to repatriating proceeds.

Given the pace at which international agreements in general are concluded, a comprehensive solution to these problems is not in sight. Some of the hurdles may yet be overcome by modifying the day-to-day practice of investigators and prosecutors, as Martin Polaine experienced during his professional experience as a Senior Crown Prosecutor in the United Kingdom. One of his advices is to avoid or reduce the necessity to gather evidence abroad by exploiting parallel jurisdiction: if the witnesses and other evidence, as well as the defendant, are to be found in a certain country, it is usually most efficient to hold the trial there, as this avoids or reduces the necessity to request legal assistance from elsewhere. Other elements, such as the efficiency of law enforcement agencies in the involved countries, also need to be considered when taking this strategic decision. If however the recourse to a formal request for legal assistance is unavoidable, the success of such a request depends largely



on formal matters. Obstacles in this situation arise essentially from differences in the legal provisions governing the taking of evidence.

With a view to preventing such pitfalls, the exploitation of informal channels instead of or in preparation for a formal request has proven particularly useful, quick and effective. Good personal relationships with counterparts in foreign jurisdictions might help open doors when formal requests are required, as Bernard Bertossa, former Prosecutor General of Geneva, Switzerland, pointed out. The value of such personal relationships at the expert level can also not be overestimated when the political climate between states hinders swift provision of legal assistance. In this context, regional groups such as the ADB/OECD Initiative, as well as cooperation with other expert groups as the OECD Working Group on Bribery and relevant ADB programs, provide for forums where such informal contacts can begin or be strengthened.

## Outlook

Overall, the Kuala Lumpur conference showed that the fight against corruption enjoys high priority among governments and societies in Asian and Pacific countries. As highlighted in this publication, the twenty-three members of the ADB/OECD Initiative have engaged in a broad range of legal and institutional anti-corruption reforms to implement the Initiative's Action Plan. However, the battle against corruption is far from being won, and a number of major challenges yet lie ahead in the Asian and Pacific countries' efforts to fight corruption.

While the integrity of public service is a priority in most countries in the region, the effectiveness of their respective rules will depend on the rigidity with which they are implemented and enforced. Also, as the Kuala Lumpur conference recognized, problems arising from conflict-of-interest situations remain largely unsolved, and certain crucial groups, such as the judiciary or politicians, are not covered by integrity rules. Consequently, political corruption remains an issue of great relevance throughout the region. Finally, integrity, transparency and accountability in the private sector has been addressed by only a few countries and remains an area that requires more attention in the region.

With regard to law enforcement, loopholes in the countries' bribery and anti-money laundering legislation continue to exist, the interpretation of certain regulations is considered ambiguous, and some forms of corruption are not yet covered. Only a few countries' money laundering legislation provides for corruption as a predicate offence, and in many countries legal persons cannot

be held responsible for acts of corruption. The Kuala Lumpur conference also recognized that appropriate whistleblower and witness protection laws and programs are often nonexistent, and that Asian and Pacific countries continue to suffer from inadequate frameworks for mutual legal assistance and the repatriation of the proceeds of crime. At the same time, countries have undertaken important efforts to streamline investigation and prosecution by establishing anti-corruption units within law enforcement or specialized anti-corruption agencies. However, coordination between these bodies and other involved public actors, such as the police or public prosecutors, and reform in these latter institutions, has not been paid sufficient attention. The effectiveness of law enforcement further continues to be hampered by an important lack of knowledge and resources. Increased efforts by countries in this area will be necessary to enhance the capacity of law enforcement agencies, through training in modern investigation techniques such as forensic accounting.

In terms of opening the fight against corruption to the public, the region has over recent years observed a growing number of partnerships between governments and civil society organizations, business associations and the media. However, certain central preconditions, such as adequate access to information legislation, are not always available in some countries and the governments' overall policies sometimes still reflect caution about the extent of civil society involvement in the anti-corruption reform process.

To address these challenges and further advance the region's anti-corruption agenda, countries can benefit from regional forums such as the ADB/OECD Initiative, through which experts and policy makers can exchange experience, evaluate the impact of reforms and benefit from various capacity building instruments. Cooperation with non-governmental actors from the private sector and civil society must be further strengthened so as to make use of all available resources in the region. Finally, continuous involvement and active support from the international development partner community remains essential for the success of the reform in which Asian and Pacific countries have engaged.

# Keynote Speech

■ Dato' Seri Abdullah Bin Haji Ahmad Badawi  
Prime Minister of Malaysia

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**T**an Sri Samsudin Osman, Chief Secretary to the Government of Malaysia; Mr. Kiyotaka Akasaka, Deputy Secretary-General, Organisation for Economic Co-operation and Development (OECD); Mr. Gerry van der Linden, Vice President, Asian Development Bank (ADB); Dato' Zulkipli Mat Noor, Director-General, Anti-Corruption Agency (ACA) of Malaysia; Excellencies, distinguished delegates, ladies and gentlemen.

On behalf of the government and people of Malaysia, I would like to welcome all delegates and guests, especially those who have traveled from all parts of the Asia-Pacific region to be here today. As a country that has always striven to uphold the principles of democracy, justice and integrity, Malaysia is honored to host this year's regional Anti-Corruption Conference for Asia and the Pacific.

I would like to congratulate ADB, the OECD and the Anti-Corruption Agency of Malaysia for jointly organizing this important event—one that brings together politicians, officials, anti-corruption experts and leaders of civil society in order to discuss, share and deliberate on ways and means to effectively combat corruption in the Asia-Pacific region in the new millennium.

This conference is the fourth in a series of successful regional anti-corruption conferences, where many important milestones have been achieved. One such milestone is the endorsement of the regional Anti-Corruption Action Plan for Asia-Pacific by seventeen participating governments during the last conference in Tokyo in 2001. I am confident that this year's conference will continue to forge new approaches to strengthen our resolve to fight corruption and enhance integrity in all spheres of life. As an implementer, I am grateful that with such internationally endorsed strategies and action plans, we now have even more weapons in our arsenal with which to confront global and national corruption decisively.

Ladies and gentlemen, looking around this afternoon, I feel enormously encouraged that there are individuals and organizations all over the world that

are sufficiently concerned about the debilitating effects of corruption on the human condition. It is people like yourselves who are making a positive difference to the lives of citizens in your country and throughout the world. I know I am preaching to the converted when I say that corruption, both grand and petty, is mankind's most deadly social disease, which must be cured.

Efforts to combat corruption have never been and will never be easy. Indeed, it is easier to ignore it, to sweep it under the carpet, or to even benefit from it, but confront it we must, not just for the simple reason that corruption is morally wrong, but because corruption exacts a heavy toll on a nation's social, political and economic well-being.

At a fundamental level, corruption is damaging because decisions are driven by ulterior motives, with no concern for consequences to the wider community. Corrupt acts undermine good governance, fundamentally distort public policy, lead to the misallocation of resources and harm the growth of the public and private sectors.

Corruption is also the single greatest obstacle to economic and social development. It undermines development by compromising the rule of law and weakening the institutional foundations upon which economic growth depends. If there is a perception that corruption in a country is dire, and the cost of doing business has therefore escalated, that country will find its foreign and domestic investors shying away from further investing and doing business in the country. In this instance, economic expansion is stalled, competitiveness drops, incomes fall, jobs are lost and the people suffer.

Ladies and gentlemen, in order to combat corruption effectively, we can no longer afford quick, ad-hoc short-term solutions. Rather, we must fight it comprehensively on all fronts, with a myriad of tools. The fight against corruption must necessarily begin with inculcating the right attitude and values in all of society, particularly among those who wield power.

Inculcating values, attitudes and behaviors based on the principles of integrity and justice are arguably the most important elements in the fight against corruption. Values and attitudes are shaped by an individual's upbringing and his or her life experiences. In that sense, the fight against corruption is a long-term battle, and begins with the family unit. Knowingly or unknowingly, parents pass down their values to their children. It is, therefore, crucial that parents themselves lead an honest life based on principles of justice and integrity, so that they can be an example for their children to follow.

Meanwhile, the education system, which shapes and moulds our youth, can also play a vital role in instilling good values. In this case, the Malaysian government will be reintroducing civics classes in the school curriculum for all

students in the hope of instilling a lifetime of good values and ethical behavior in our children.

However, merely appealing to a person's sense of right and wrong may not be sufficient to fight corruption. I believe that to be successful, we must always consider a systems-wide approach. Our actions, especially in the area of good governance and anti-corruption, should not only be aimed at instilling the right values and attitudes, but should go beyond that to strengthening processes and institutions, as well as punitive measures.

In Malaysia, we are continuously looking at ways and means to enhance the pillars of integrity in order to work toward a corruption-free society. Personally, I have always been a strong believer in the need to promote good governance. As many of you may be aware, in the past month I have vigorously pursued efforts to improve the public service delivery system to make it more efficient, transparent and accountable.

The benefits of an improved public service delivery system are wide-ranging, with positive effects on the economy through a reduction in the cost of doing business. Through better allocation of resources, and through shorter time needed to complete a transaction, thus enhancing the delivery of services, both big business and the man on the street can benefit. But equally, if not more important, a better-functioning public service delivery system will promote integrity by reducing opportunities for corruption to occur. In short, by improving public service processes and procedures, loopholes and gaps in the system, which allow corruption to take place, can be eliminated.

Beyond this, sound institutions are critical in the fight against corruption. My experience as a politician and civil servant tells me that many of the problems associated with corruption have their origin in flawed or compromised institutions. It is out of this conviction that I recently announced that Malaysia would implement a national integrity plan, which is a comprehensive framework in which best practices, new mechanisms, committees and structures will be formalized and implemented to promote good governance, particularly within the public sector.

To ensure that institutional capacity building has a sound ethical foundation, the Malaysian government is also supporting the establishment of a national institute for public ethics, which will be the prime mover of the national integrity plan. This institute will coordinate and undertake research aimed at promoting good governance, accountability, transparency and efficiency in the public service. At the same time it will also provide training courses and opportunities for inter-agency discussions on ways to improve the quality of service and efficiency in both the public and private sectors.

What I have hitherto outlined are preventive measures in fighting corruption. If implemented effectively, I believe they can curb graft, reduce incidences of bribery and monitor potential abuses of power. Yet without the deterrence provided by enforcement, these measures will not comprehensively eradicate corruption. We need to ensure that punitive actions are as effective as preventive measures. National anti-corruption agencies must be allowed to operate without fear or favor and empowered to investigate speedily and comprehensively. For some, values and principles are insufficient. Only the fear of being caught and punished can stop them.

Ladies and gentlemen, I believe that the fight against corruption has to be a national effort. Members of the public must be educated about the evils of corruption and co-opted into the fight against this scourge. Just as we clap with both hands, we need to acknowledge that it is not only the bribe taker, but also the bribe giver, that is at fault. My government's effort to eradicate corruption will come to naught if the public compromises the integrity of government by offering financial and other such inducements.

Not only must the public not offer bribes, they must be proactive in reporting instances of corruption. Every citizen must be the eyes and ears of the government in detecting and exposing corruption. Let those who partake in graft feel unsafe and insecure knowing that they are being watched. In this regard, the Government will ensure that there are easy and convenient channels provided to the public to report cases of corruption, and that protection is given to those who come forward to report cases.

Ladies and gentlemen, with technological advancements in information and communications technology, and greater cross-border movement of ideas, people and finance, national borders are increasingly porous, and corruption too has taken on a more international flavor. For example, the evidence of corrupt acts in one country can swiftly and neatly be hidden away in secret bank accounts in another country. This is but one example that points to the serious need for greater international cooperation to contain the spread of corruption. After all, we already have international cooperation in tackling piracy, drugs, and transnational crime; it is only logical that we cooperate to stamp out corruption as well.

Recognizing the need for greater investigative expertise and skills to clamp down on the rise of corruption, my Government has recently approved a MYR17 million allocation for the creation of an anti-corruption academy under the purview of our ACA. It will be the first of its kind in the region, and we would like to offer the academy as a regional center for anti-corruption capacity-building—promoting best practices in investigations, in monitoring and enforcement, and in newer areas such as forensic accounting and forensic

engineering. It is our sincere hope that countries around the region will support this effort by sending their representatives to the academy to discuss, share, and learn from each other new methods and tools to fight corruption.

Malaysia remains committed to the cause of reducing and eradicating corruption, and we welcome any initiative that seeks to advance justice and integrity in all spheres of public life to demonstrate our strong commitment, especially at the international level. I would like to announce that the Malaysian Government will be signing the United Nations Convention against Corruption later this month in Mexico. The general areas that are covered by the convention include criminalization of bribery; prevention of corruption and promotion of integrity; and international cooperation, including in asset recovery and extradition, as well as cooperation in implementation of the convention itself.

Ladies and gentlemen, I believe expectations for this conference are fairly high. This is necessary so that much of our work will have a direct and indirect impact on the lives of so many people throughout the region. We can, and we must, do more to take on corruption in a clear and resolute manner.

I would like to wish all delegates and participants here a productive and successful conference. I hope this year's conference will result in greater understanding among all groups of the challenges that lie ahead and of the need for greater collaboration in tackling the menace of corruption. On that note, it is my honor and privilege to officially declare the 4th Regional Anti-corruption Conference for Asia and the Pacific open.

# Opening Remarks

■ Geert H. P. B. van der Linden  
Vice President  
Asian Development Bank

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**Y**our Excellency, the Honorable Dato' Seri Abdullah Haji Ahmad Badawi, Prime Minister of Malaysia, members of the diplomatic corps, ladies and gentlemen:

The Asian Development Bank (ADB) is very pleased to participate in this regional anti-corruption conference that brings together interested officials of member countries of the Asian Development Bank (ADB)/Organisation for Economic Co-operation and Development (OECD) Anti-Corruption Initiative, anti-corruption experts, senior government officials, representatives from the international community, and civil society and non-governmental organizations. Your presence today demonstrates the strong concerns and commitment of countries in the region to fight this great hindrance to economic and social development—corruption.

Successful anti-corruption programs depend on publicly available information, political leadership and collective action. The Government of Malaysia is an example of a country seriously advocating and implementing concrete reforms to curb corruption. The Prime Minister's interventions in this area since taking office are yet another proof of these intensified efforts.

## Corruption in the region today

Several reports suggest that corruption has worsened in most countries in Asia. One of the reasons is that people have become more conscious of and sensitive to corruption. They are more aware of the existence of corruption, of the damage it can cause, and of its negative impact on their lives. Awareness has become widespread and increasingly governments and business groups are beginning to do something about it. Fighting corruption is no longer just a moral issue. It has become a major tool in the fight against poverty.



Experience from Asia shows that corruption harms the economy, undermines the rule of law and weakens public trust in government. It is estimated that one third of public investment in many Asian and Pacific countries is squandered on corruption. Studies have shown that corruption can cost up to 17% of a country's gross domestic product, robbing the population of precious resources that could be used to reduce poverty and promote sustainable development. In Asia, it is estimated that governments pay between 20% and 100% more for goods and services due to corrupt procurement practices.

Because of their greater reliance on public services, the poor suffer the most. Corruption imposes a costly burden on businesses, with negative implications for economic growth and the creation of jobs. Because bribery and other unethical behavior undermine development efforts, governments must act against corruption to promote prosperity.

## **Countries respond to corruption**

A wave of anti-corruption sentiment has swept through Asia and the Pacific, and many governments have responded with resolve. For example, the Philippines has approved a law against money laundering. Hong Kong, China has placed anti-corruption curricula in schools to educate youth about corruption. The People's Republic of China is actively prosecuting senior officials for corruption. Korea has approved whistleblower legislation. Nepal has put in place a National Vigilance Center. These are all good examples of what can and must be done.

## **The Anti-Corruption Initiative**

Two years ago, 17 countries of this region demonstrated their commitment to combat corruption by endorsing the ADB/OECD Anti-Corruption Initiative Action Plan. The Initiative supports participating countries in developing the appropriate legislation and institutions for a sustained fight against corruption. By bringing together major stakeholders and by pooling efforts from countries of the region, the Initiative promotes international cooperation and the involvement of business, trade unions and non-governmental organizations.

The group has now grown to 21 countries—Australia; Cambodia; Hong Kong, China; and the Republic of Kazakhstan endorsed the Action Plan after the Tokyo Conference in December 2001—working together to undertake concrete reforms to fight corruption. Most of these countries have identified

and discussed their priority areas of reform and have submitted progress reports. You have heard and will hear of these accomplishments during the Conference.

## **Concrete actions taken by the Asian Development Bank**

As a multilateral agency, we at ADB work with 37 developing member countries. In all our loan and technical assistance support to our members, we stress the importance of good governance.

ADB has well-publicized governance and anti-corruption policies. We recently adopted a Policy Against Money-Laundering and Anti-Terrorism that will help us to assist developing member countries in combating money laundering.

Our anti-corruption policy is designed to reduce the burden that widespread, systemic corruption exacts upon the governments and economies of the Asian and Pacific region.

Let me give you one concrete example of ADB's work: In Nepal, we are working to strengthen institutions to improve government effectiveness and reduce corruption, while raising awareness among citizens. An amendment to the Anticorruption Bill required that an Anticorruption Unit be created in the Prime Minister's Office. As part of its implementation of this Bill, the Government has established a National Vigilance Center.

ADB also provides extensive support to improve public procurement, accounting and auditing, corporate governance and legal and judicial reform.

Today's conference aims to continue and deepen the countries' fight against corruption in the region. It provides a unique opportunity to exchange ideas, discuss valuable experiences and constraints, and learn from each other's successes and failures in implementing the Action Plan. Among the specific objectives of the Conference:

- Develop concrete tools to help countries build capacity and strengthen their knowledge of the issue;
- Strengthen partnerships among various governments;
- benchmark the legal and institutional anti-corruption framework of endorsing countries; and
- Identify and recommend training in specific areas.

ADB together with OECD is committed to ensure that these results are attained in the coming years.

## **The years ahead: strong partnership to fight corruption will continue**

The commitment demonstrated in the region gives me cause to be optimistic. The 21 member countries acting together constitute an important regional partnership working for a common cause. We at ADB attach a great importance to such an undertaking.

By forging a strong partnership with the OECD, an ally in our common fight, we at ADB are playing our role in this common endeavor. As partners in this initiative for the past four years, we have benefited from OECD's knowledge products. We shall continue to nurture our partnership with them and stand ready to assist governments in the fight against corruption. I would also like to thank all the development partners that have supported this initiative from the beginning and recognize their important contributions.

The Government of Malaysia has been an active player since the Initiative's inception four years ago. Today, it has strongly signaled to this gathering and to the world, its serious commitment to fight corruption.

On behalf of the Asian Development Bank, I thank the Government of Malaysia for hosting this important event and for the invaluable assistance and support of the Anti-Corruption Agency of Malaysia. I am confident that the fruitful discussions will spur more and better collaboration between member countries and anti-corruption experts, leading to a stronger will and a unified goal to fight corruption in the region.

# Opening Remarks

■ Kiyotaka Akasaka

Deputy Secretary-General

Organisation for Economic Co-operation and Development

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Prime Minister, your Excellencies, distinguished guests:

It is my pleasure to welcome you to Kuala Lumpur and to the fourth regional conference of the Asian Development Bank (ADB)/Organisation for Economic Co-operation and Development (OECD) Anti-Corruption Initiative for Asia and the Pacific. On behalf of the OECD, I would like to express my gratitude to the Government and the Anti-Corruption Agency (ACA) of Malaysia for hosting this important event. It is a great honor to have the Prime Minister of Malaysia here with us. I also wish to express my sincere gratitude to ADB and its staff. ADB has been an outstanding collaborator and partner from the very start of the Anti-Corruption Initiative four years ago.

Over the last few years, the OECD has focused its attention on corruption and bribery and on the damage these practices cause to our societies and our welfare. The Organisation considers taking action against corruption and bribery as one of its priority tasks. A prime example of how our member countries have transformed their commitment into practice is the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The monitoring and peer review process attached to the Convention ensures compliance by parties.

Cooperation is a precondition for progress. The OECD attaches great importance to collaboration with countries outside the OECD region, in particular the Asian and Pacific countries. In fact, cooperation and the sharing of knowledge and experience are core values of the Organisation. I am delighted that your countries in Asia and the Pacific have adopted an approach similar to the one developed by parties to the OECD Convention. The OECD is committed to supporting this endeavor in partnership with ADB within the framework of the Anti-Corruption Initiative for Asia and the Pacific.

The Anti-Corruption Initiative provides a policy forum in which to exchange experiences and enhance regional expertise. We recognize that every country will progress differently, according to its particular situation and needs. The Initiative recognizes the value of providing for country-specific approaches.

Only two years after the Initiative's key instrument—the Action Plan—was endorsed in Tokyo, the Initiative is already bearing fruit. The adherence of a growing number of countries to the Action Plan testifies to the attractiveness of the Plan's core principles. The core principles include country ownership, regional cooperation, and the involvement of all relevant groups in society. In this context, I take pleasure in welcoming today two new members to the Anti-Corruption Action Plan, namely Australia and Hong Kong, China. I warmly congratulate the two countries for taking this important step.

The stocktaking exercise discussed this morning shows us how far the legal and institutional frameworks to stem corruption and bribery have evolved. Furthermore, it demonstrates the extent to which experience and good practices are spreading throughout the region. New institutions are inspired by and designed to emulate successful models of neighboring countries. We are also seeing a rise in bilateral and multilateral cooperation schemes. These prevent money laundering, enhance transparency in public procurement, and facilitate international legal assistance.

Finally, I would like to mention that the Initiative is assisting countries in capacity building, so that they may better meet the Action Plan's objectives. For example, a series of training seminars was started in India earlier this year on the topic of effective corruption prosecution.

Our common goal is to liberate our societies from the burden of corruption, and enormous progress has already been made in setting up appropriate institutions and providing a comprehensive legal framework. I warmly congratulate the countries for these achievements. However, the battle against corruption in our societies is not yet won. In many areas, the effective implementation of anti-corruption measures still lies ahead.

Cooperation between countries and with all social partners in the region is key if we are to sustain our present efforts and further develop effective anti-corruption measures. The ADB/OECD Initiative is an integral component of current international developments. In particular, we warmly welcome the United Nations Convention against Corruption, which is scheduled to be signed next week in Mexico. The OECD, together with ADB, is looking forward to contributing to its implementation through mechanisms such as the Asia-Pacific Initiative.

I would like to thank the OECD and ADB's partners for their support: the Pacific Basin Economic Council, the Swiss Agency for Development and Cooperation, Transparency International, the United Kingdom Department for International Development, the United Nations Development Programme, the United States State Department and the World Bank. We count on your valuable contributions and support, as we count on the determination of the countries of the region, to continue cooperating toward our common goal of eradicating corruption.

During this conference, exchanges of experience will go hand in hand with capacity building. I am convinced, ladies and gentlemen, that such an impressive assembly of experts from governments, specialized anti-corruption institutions, the business sector and civil society, will be able to derive great mutual benefit from this forum. Your personal experiences here will also be to the profit of your countries and the entire region.

I commend you all for your active participation in this conference and sincerely encourage you to continue in your efforts to take action against corruption.