



Konrad
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Combating Corruption

Implications of the G20
Action Plan for the
Asia-Pacific Region

Norman Abjorensen

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Edited by

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Foreword

Nepotism, Bribery, Patronage, Collusion...The list of categories in the murky sphere of corruption appears to be a bottomless pit. The obstinate prevalence of corruption has, for the longest time, been one of the most perturbing thorns in the flesh of nation states all around the globe. While decisive measures in the fight against corruption have been implemented in numerous states, others are still struggling to overcome the multifaceted nature of what has been generally defined as 'the misuse of entrusted power for private benefit or personal gain'.

Especially in Asia, large parts of both the public and private sector are riddled with corrupt practices, gravely undermining efforts to expedite the conduct of 'good governance'. On a brighter side, sparks of hope are kept alive through the recent Anti-Corruption Action Plan brought into being by the 'Group of Twenty' (G20), pledging their commitment to 'Ductus Exemplo – Lead by Example'. While the enforcement of existing anti-corruption conventions is surely a fundamental component of the overarching master plan, the sheer success in ascribing such significance to a vital theme on a global platform alone is a formidable accomplishment. Hence, we deemed that it was of utmost importance to cover the developments of the past few years in form of a concise, yet informative publication. The book sheds light on the extent of corrupt activities in several Asian-Pacific countries, determining the type, cause and measures taken up, in order to curb the spread and institutionalisation of corruption.

The author, Dr. Norman Abjorensen, is by no means an unfamiliar face to the Konrad-Adenauer-Foundation. His invaluable participation at various conferences and workshops, as well as his contribution to other publications, has enriched our mission on plenty of occasions. Moreover, the vast field of corruption can hardly be referred to as uncharted waters to the former journalist and political expert. Thus, we are truly grateful that a specialist of such calibre took on the challenge of analysing the status-quo, hurdles and potential solutions in tackling the menace of corruption in an Asian-Pacific context.

I sincerely hope you will enjoy this felicitous book as much as I did.

Paul Linnarz

Tokyo, December 2014

Resident Representative for Japan
Regional Representative for Economic Policy
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List of Abbreviations

ADB	Asian Development Bank
ACA	Anti-Corruption Agency
ACB	Anti-Corruption Bureau
ACID	Anti-Corruption Internet Database
ACRC	Anti-Corruption & Civil Rights Commission
AFP	Australian Federal Police
ANAO	Australian National Audit Office
BIR	Bureau of Internal Revenue
BSP	Brunei Shell Petroleum
BPI	Bribe Payers Index
CBI	Central Bureau of Investigation
CCP	Chinese Communist Party
CIAA	Commission for Investigation of Abuse of Authority
CPI	Corruption Perceptions Index
CPIB	Corrupt Practices Investigation Bureau
CVC	Central Vigilance Commission
ECOSOC	Economic and Social Council
FATF	Financial Action Task Force
FCPA	Foreign Corrupt Practices Act
FinPol	Financial Police
FNCCI	Federation of Nepalese Chambers of Commerce and Industries
GCR	Global Corruption Report
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GI	Government Inspectorate
IAE	International Academy of Education
ICAC	Independent Commission against Corruption
IEPP	International Institute for Educational Planning
IMF	International Monetary Fund
KICAC	Korea Independent Commission Against Corruption
KNB	National Security Committee of the Republic of Kazakhstan
KPK	Corruption Eradication Commission (in Bahasa: Komisi Pemberantasan Korupsi)
LDC	Least Developed Country
MACC	Malaysian Anti-Corruption Commission

NAB	National Accountability Bureau
NACA	National Anti-Corruption Authority
NACC	National Anti-Corruption Commission
NGO	Non-Governmental Organisation
NIS	National Intelligence Service
NRO	National Reconciliation Ordinance
OECD	Organisation for Economic Co-operation and Development
OSCAC	Office of the Steering Committee for Anti-Corruption
PDP	People's Democratic Party
PETS	Public Expenditure Tracking Surveys
PMO	Prime Minister's Office
PPO	Public Prosecutors Office
StAR	Stolen Assets Recovery
TFS	Task Force Sweep
TNC	transnational corporation
TI	Transparency International
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
UNODC	United Nations Office on Drugs and Crime
USAID	US Agency for International Development
WEF	World Economic Forum

Chapter 1

Introduction:

Corruption, Asia and the G20

No society is without corruption – defined here broadly as “the misuse of entrusted power for private benefit or personal gain.”¹ Corruption is found in all political systems, although it varies in its origin, incidence and importance. It is also highly contextual in that it is facilitated or impeded by the way in which public power is exercised and the effectiveness of institutions of governance. The “true forms of government”, to the Greek thinker Aristotle, were those that governed “with a view to the common interest”, but he was well aware of how that ideal could be perverted by what he termed forms of government that “rule with a view to the private interest.”² Integrity and corruption are conceptually linked: one is the obverse of the other.³

Corruption is also elusive in that it takes place usually away from the public gaze; it cannot be accurately measured; only estimated through its effects. It also has multiple causes and, like water always finding its way to lower ground, it naturally gravitates towards real power; where there is power, there is the potential for its misuse. Corruption is always subversive, running counter to the norms of the system in which it operates; and if left unchecked it can take over and destroy that system. Once established, it quickly becomes not just deep-rooted, but also contaminating; corruption breeds quickly. It thrives on weakness, both moral and institutional, and is facilitated by unstable politics, inequality, poverty and precarious societies. One thing is always certain, however: corruption favours the “haves” at the expense of the “have nots.” Corruption can be contained to an extent, and even controlled. But it can never be eliminated.

The timeless character of corruption and its persistence are neatly captured by the example of China, a country today engaged in a well-publicized campaign against rampant corruption. As long ago as the 3rd

century BC – that is 2400 years ago – the ruling Qin dynasty was so concerned at the effects of corruption that it promulgated amendments to the penal code providing for heavy punishments for those found guilty of corruption.⁴ A further 14 centuries later, the great Sung dynasty fiscal and administrative reformer, Wang An Shih (1021-1086) lamented, with a hint of frustration, that no matter how good institutions and laws were, corruption would still arise if public officials were not properly chosen – a cry that has a very contemporary ring to it.⁵

Globalisation, corruption and Asian values

Change has come recently and swiftly to the Asia-Pacific region, once economically marginalised but now a dynamic hub of development and growth. Among the many changes is the attitude towards corruption, which not so long ago was not only tolerated but seen sometimes as “an indispensable lubricant for economic growth.”⁶ The rapid onset of globalisation and the changes it engendered quickly put corruption in a harsher light – as an obstacle to development. This was highlighted sharply in the experience of the 1997 Asian financial crisis where it became clear that developments had outstripped institutional capacity in some of the fastest-growing regional economies, and that corruption and an absence of good governance played crucial roles.

The region could no longer hide behind the screen of “Asian values”, a discourse promoted by leaders such as Lee Kuan Yew in Singapore and Mahathir Mohammad in Malaysia, that sought to argue the case for Asian exceptionalism and rejection of values seen as “Western”, and generally culturally inapplicable in the Asia-Pacific neighbourhood. The financial crisis served not only to expose the lack of any coherent regional institutional mechanism to deal with it, but also effectively rebutted the idea that “Asian values” had been the main cause and guarantor of Asia’s exorbitant growth rates.⁷

The shock of the crisis and its sobering aftermath saw an intensification of anti-corruption initiatives across the region, notably with the Asian Development Bank (ADB) stepping up its efforts to promote good governance, accountability and transparency, and its joining forces with the Organisation for Economic Co-operation and Development (OECD) in

a sweeping anti-corruption initiative begun in Manila in 1999, continued in Seoul in 2000 and in Tokyo in 2002 at which 17 nations endorsed an Anti-Corruption Plan for Asia-Pacific.⁸ The plan addressed three broad strategies to combat corruption: the development of efficient and transparent systems of public service, the strengthening of anti-bribery provisions and promoting integrity in business, and supporting active public participation.

Since then, the plan has been revised and broadened through several iterations and an ongoing evaluation process. It has certainly succeeded in raising awareness of corruption and governance issues, but whether serious inroads have been made into the corruption problem is more problematic. In a 2006 report on progress under the Second Governance and Anti-Corruption Plan, the ADB noted that while significant investment had been made in strengthening procurement and undertaking investigations relating to allegations of corruption, full implementation of the first governance action plan had been hampered “by the ambitious nature of the plan, the tenuous ownership in ADB, and a lack of resources.”⁹

Looking for a starting point is not easy. As Table 1.1 shows, there is considerable variation from country to country in terms of perception of just where the worst corruption might be. Such perceptions indicate that many of the problems lie in institutional failure.

Table 1.1: Institution most affected by corruption	
COUNTRY	INSTITUTION
China	Business/private sector
India	Political parties
Indonesia	Parliament
South Korea	Political parties/parliament
Japan	Political parties
Hong Kong	Business/private sector
Singapore	Media
Source: Transparency International	

An independent assessment of corruption in the region in 2014¹⁰ by

Hong Kong-based Political & Economic Risk Consultancy, Ltd. observed that while the actual magnitude of corruption in Asia and elsewhere might well have declined in recent years, public perceptions of the problem had become much more critical of its existence. Within Asia, it identified three factors which had contributed to a worsening in perceptions regarding corruption and the level of commitment of governments in fighting it. First, corruption has been increasingly politicised in many countries, including China, Thailand, India, Cambodia, and Malaysia, by which political factions use accusations of corruption as a way to discredit rivals and even to remove them from the political playing field, which tends to increase public cynicism about commitment to anti-corruption. Second, the fight against corruption has been tarnished by anti-corruption agencies themselves being embroiled in corruption scandals or being targeted by powerful individuals and bodies being investigated, as in Indonesia. Third, there are numerous examples of senior politicians promising to crack down on corruption only to backtrack on these campaigns by refusing to pass promised legislation (as in India) or offering pardons to powerful figures convicted of corruption (as in South Korea).

It is by no means clear that the battle against corruption, as patchy as it is, is being won. As economic activity expands and diversifies, new opportunities for graft and corruption open, as in the vulnerability to corruption of “offset” provisions to attract foreign investment, especially in resource industries. Corruption also can change its shape, as in Vietnam where efforts to control petty corruption have seen a rise in grand corruption. This is the fraught and complex environment into which the G20 has taken itself with its anti-corruption programme, seeking to build on what has gone before, but on an even more ambitious frontline.

The G20 plan

After several meetings and working group reports, the G20 set the broad parameters for its action plan¹¹ for 2013-2014 and beyond, explicitly declaring it was intended not just for the G20 members but for the “G20 countries [to] lead by example.”

It called for those G20 countries which had not yet ratified the *United Nations Convention against Corruption* (UNCAC) to ratify and fully

implement it as soon as possible, and to be transparent in compliance reviews. It also sought to continue efforts to adopt and enforce laws and other measures against *foreign bribery*, and promote active enforcement of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention). The issue of *facilitation payments* was addressed and called for greater consultation and engagement with business to improve current anti-corruption practices. The looting of assets and money obtained from corruption necessitated action against safe haven to the proceeds of corruption and greater efforts to facilitate *asset recovery*, and action on *money laundering*. Safe haven was also to be denied to corrupt officials and those who corrupt them, and greater international co-operation would be sought.

To this end, G20 countries would:

- encourage and share information on relevant technical assistance in this area among G20 countries and developing country partners;
- exchange experiences of using networks to communicate with foreign counterparts and consider the extent to which there are networks, contact points, including designating central authority contact points as required by UNCAC, and other mechanisms in place to ensure the fullest levels of international cooperation between all appropriate government and law enforcement agencies;
- consider possible ways of facilitating the cooperation and sharing of information between domestic authorities and the integrity offices of international organisations; and
- consider the current use of civil and administrative channels for international cooperation in corruption and asset recovery cases.

The G20 countries that do not already have whistleblower protections would be required to enact and implement whistleblower protection

rules, and seek to ensure that those reporting on corruption, including journalists, could exercise their function without fear of any harassment or threat or of private or government legal action for reporting in good faith. The G20 also reiterated its strong belief that anti-corruption authorities should be allowed to operate free from undue influence and provided with proper independence, and that judicial independence was also protected. In terms of governance, the plan pledged to build on earlier commitments to continue to promote integrity, transparency, accountability and the prevention of corruption in the public sector, including in the management of public finances, for example by:

- ensuring high levels of fiscal and budget transparency by adopting and implementing measures with reference to international standards and good practices for government fiscal transparency;
- building on the common principles adopted in Los Cabos for financial and asset disclosure systems for public officials, beginning, for the purpose of peer learning, by considering G20 countries current systems in light of these principles, and exchanging relevant experiences;
- ensuring systems of procurement based on transparency, competition and objective criteria in decision-making to prevent corruption, and developing and sharing good practices in the field of public procurement anti-corruption policies, measures, and legislation;
- continuing to promote education and training initiatives that support the prevention of corruption through education in the public and private sector; and
- exploring the effect on anti-corruption efforts of immunities from prosecution for public officials.

Clearly, given the level of commitment, practical implementation of these measures will be felt not only across the G20 member countries but elsewhere; however, victory will not come swiftly or easily. The very

disparate forces that have shaped countries in the region need to be understood for the specific effects they have had in each country studied here, and any breakthrough at the local level will require an appreciation of the history, culture and institutional factors that characterise each country and shape its corruption within those contexts. There is never a one-size-fits-all solution. Corruption is always linked to power and an analysis of the power relations that sustain it, legal and illegal, is an obvious starting point, though a difficult one as it is liable to expose political weakness and institutional shortcomings.

Scope of the book

What follows is a discussion on the implications of these broad commitments for countries across the Asia-Pacific region. The book is in two parts. The first examines the conceptual development of key ideas in the battle against corruption and traces the evolution of what has become the international anti-corruption project of which the G20 is merely the latest combatant to sign on in what will be a long war, but possibly also an unwinnable war. The second part surveys the region, with focus first on the self-appointed pacesetters, the six regional G20 members, and second on the other countries, describing broadly the nature and extent of corruption and what is being – and not being – done.

NOTES

1. Definition used by Transparency International. "Personal gain" here is used in the broadest sense, extending beyond personal benefit to include benefits to the official's family, associates, political party, etc.
2. Aristotle, *The Politics and the Constitution of Athens*. Stephen Everson, ed., Cambridge University Press, New York, 1996. (Book III, 1279a pp.29-33).
3. Charles Sampford, "Integrity Systems: Some History", Paper for the Institute for Ethics, Governance and Law (IEGL), Griffith University, Brisbane, Australia, June 2014.
4. Lambsdorff, Taube and Schramm, eds., *The New Institutional Economics of Corruption*. Routledge, London, 2005.
5. Syed Hussein Alatas, *The Sociology of Corruption: The Nature, Function, Causes and Prevention of Corruption*, Donald Moore Press, Singapore, 1968.
6. John Lintjer, "The Fight against Corruption: How a Regional Development Bank can Help", paper presented at *Progress in the Fight Against Corruption in Asia and the Pacific* joint OECD-ADB conference, Seoul, 11-13 December, 2000, Manila: Asia Development Bank, 2001, p. 25.
7. See Gerd Langguth, "Asian Values Revisited", *Asia Europe Journal*, February 2003, Vol.1, No.1, pp 25-42.
8. <http://www.oecd.org/site/adboecdanti-corruptioninitiative/meetingsandconferences/35021642.pdf> (Accessed 10 August 2014)
9. Asian Development Bank, *Final Report: Second Governance and Anticorruption Action Plan (GACAP II)*, Manila, July 2006. <http://www.adb.org/documents/second-governance-and-anticorruption-action-plan-gacap-ii>
10. "Corruption's Impact on the Business Environment", *Asian Intelligence*, No. 895, 19 March 2014. <http://www.asiarisk.com/subscribe/exsum1.pdf> (Accessed 1 September 2014)
11. G20 Anti-Corruption Action Plan 2013-2014. https://www.g20.org/sites/default/files/g20_resources/library/g20-anti-corruption-action-plan-2013-14.pdf (Accessed 1 September 2014)

Chapter 2

Definitions, Causes, Culture

The problems of defining corruption

What types of corruption are prevalent and why

Causes of corruption

The role of culture

Experts of all kinds, whether scholars, politicians, economists or civil society activists are largely unanimous in seeing corruption as a global problem that demands urgent attention, yet there is no universally acceptable definition of corruption. This continues to challenge policy makers and lawmakers working in the field of anti-corruption, and especially so in an international, cross-cultural context. Yet in every sense of the word, there is unanimity in what is conveyed, as Gerald Caiden¹ explains:

Whoever corrupts sets out to make something impure, debased and less capable; an adverse departure from an expected course. When applied to human relations, corruption is a bad influence, an injection of rottenness or decay, a decline in moral conduct and personal integrity attributable to venality or dishonesty. When applied to public office, rather than referring to departures from ideal or even generally expected standards of incumbent behaviour, the practice has been to spell out specific acts of misconduct that disgrace public office and make the offenders unfit to remain in office.

But if we are talking about behaviour, in the case of a public official, that deviates from the formal duties of the public role because of private-regarding, pecuniary or status gains², is corruption the most appropriate term to use? The behaviours so described may well be the norm in a given society; furthermore, they might enjoy broad local legitimacy or even legality.³ Attempts to develop a broad definition, especially by the United Nations, invariably encounter legal, criminological and, in some countries, political problems. One academic commentator has even

gone so far as to suggest abandoning the word itself as it has become meaningless “insofar as it describes any transaction or exchange that is viewed as normatively ‘bad’ by the observer; the term corruption is value-laden and thus analytically weak or simply vacuous.”⁴

Does the lack of a widely accepted definition matter? It does, because how corruption is defined determines not only how it is viewed but also what is modelled and measured,⁵ and eventually what becomes the subject of policy initiatives to control it, and which policy approaches and policy instruments are adopted. The protracted negotiations to conclude the historic United Nations Convention against Corruption (UNCAC) very nearly faltered over vain attempts to arrive at a consensus definition. The issue of definition was eventually sidestepped in favour of listing types or acts of corruption – not entirely uncontentious, but much surer ground than the quagmire of definition. However, definition or no definition, corruption has been likened to an elephant: difficult to describe, but generally not difficult to recognise when observed.⁶ Despite problems with definition and also with the broad spectrum covered by corruption, it is possible to identify certain shared characteristics.

In its general use in public discourse, it is understood, firstly, to categorise those practices, mostly illegal but not always, in which people or organisations bribe officials responsible for granting permissions, awarding contracts or issuing licences contracts. It is also understood secondly, in the sense of avoiding punishment for offences committed. In other words, corruption is understood as obtain privileges against the law or against the rules and regulations of the bureaucracy. This is correct in so far as it goes, but it takes a very narrow definition of corruption. Corruption is really a far broader and more finely nuanced set of phenomena, often deeply embedded in a country’s unique circumstances and history.

Box 2.1: Characteristics of Corruption

- Corruption always involves more than one person.
- Corruption on the whole involves secrecy, except where it has become so rampant and so deeply rooted that some powerful individuals or those under their protection would not bother to hide their activity.
- Corruption involves an element of mutual obligation and mutual benefit.
- Those who practise corrupt methods usually attempt to camouflage their activities by resorting to some form of lawful justification; they avoid any open clash with the law.
- Those who are involved in corruption are those who want definite decisions and those who are able to influence those decisions.
- Any act of corruption involves deception, usually of the public body or society at large.
- Any form of corruption is a betrayal of trust.
- Any form of corruption involves a contradictory dual function of those who are committing the act.
- A corrupt act violates the norms of duty and responsibility within the civic order.

Source: Syed Hussein Alatas, *The Sociology of Corruption*, 2nd ed., Singapore: Delta Orient, 1975, p. 11

Corruption is most commonly described as the *abuse or misuse of public office for private gain*, the definition favoured by both the World Bank and the UN Development Programme. Viewed in a broad sense, corruption is the *misuse of office for unofficial ends*, in Klitgaard's succinct formulation.⁷ The main anti-corruption NGO, Transparency International, has sought to broaden the definition beyond official corruption of public offices, preferring the *abuse of entrusted power for private gain*.

This definition captures three elements of corruption:

- corruption occurs in both the *public and private sectors* (and

- media and civil society actors are not exempt);
- it involves *abusing power* held in a state institution or a private organisation; and
- the *bribe-taker* (or a third party or, for example, an organisation such as a political party) as well as the *bribe-giver* benefit, whether it be in terms of money or an undue advantage.⁸

Despite what has been called the “definitional ambiguity”⁹ of the term, the emphasis placed on public office holders by the World Bank and others has stuck, and the reference usually applies to acts involving specific actors – public figures, government employees and agents, and politicians. While bribe exchanges are the first thing many people think of when corruption is mentioned, the definition of *use of public office for private gain* encompasses a wide range of behaviours:¹⁰

- any form of government authority can be sold;
- any public property can be embezzled;
- any special access can be exploited; and
- in addition to bribe solicitation and bribe taking, the definition covers embezzlement, self-dealing, insider trading, selective law enforcement, and the passage of special interest legislation, if done for “private gain.”

Box 2.2: Examples of corruption

- Politicians make policy decisions to ensure their own re-election, rather than policy decisions in the public interest. Government services, such as phones, transportation or franking privileges, are used by incumbents for campaign purposes.
- Police take bribes rather than write tickets.
- National government officials demand bribes from local government officials to release routine transfers.
- Central Bank and Treasury officials steal money from the Central Bank.
- Businesses that want public contracts must stop at the headquarters of the political party and “make a donation” before signing papers.

- Customs agents, judges, teachers, and police must purchase their posts and pay substantial fees to remain in them.
- Government officials give contracts to themselves, their family members, their party members, or persons who pay large bribes.
- Police and soldiers rent their guns to bandits at night.
- Health care workers ignore dying patients unless the patients or their families pay bribes.
- Educators charge bribes to enrol children in school or to release transcripts or diplomas.
- Safety officials overlook dangerous conditions in return for bribes.
- Police torture and assassinate, as paid private agents.
- Judges render decisions based on the party that paid the most, or based on instructions from a high-ranked government or political party official.
- Directors of pension funds invest them in businesses in which they have an interest.
- Forestry concessions are given to military generals or other persons of political influence; violations of environmental regulations are overlooked.
- Customs officials accept bribes to classify goods at a lower tariff.
- Oil ministry officials buy shares in oil projects that they themselves regulate.

Source: Thomas and Meagher, "A Corruption Primer: An Overview of Concepts in the Corruption Literature", The IRIS Discussion Papers on Institutions & Development, Center for Institutional Reform and the Informal Sector (IRIS), University of Maryland, Paper No. 04/03, 2004.

However, defining corruption as the *abuse of public office for private gain* is really too narrow as there are many more phenomena that merit the label "corruption" than just those that involve the abuse and misuse of public office for private gain. The definition has drawn criticism for its exclusive focus on the behaviour of government officials when there

should be sufficient scope to include the actions of private actors in public/private transactions (such as giving bribes to public officials), or actions that take place entirely within the private sphere (such as embezzlement from a firm)¹¹. Given that in many instances of corruption money or benefits change hands, Varda Eker¹², in a study of Nigeria, noted how corruption can become embedded in the economic fabric of society, leading him to characterise it as “an exchange mechanism where wealth gravitates towards power in return for preferential treatment.” Jacob Van Klaveren¹³ took a behavioural perspective in defining corruption, emphasising how those occupying public positions illegitimately maximized individual income by manipulating the demand for public goods and services.

The Anti-Corruption Internet Database (ACID) incorporates the key concept of public interest in its definition: *an act done with an intent to give some advantage inconsistent with official duty and the rights of others*.¹⁴ C. J. Friedrich¹⁵ also draws on the concept when he identifies corruption as favours conferred by public authorities induced by money or other stimuli that ran against the “public interest”. Tay and Seda¹⁶ make a strong case for a broad but simple formulation of *misuse of power for private benefit*, pointing to the incidence of corruption in the private sector which produces both disastrous and costly results, singling out corruption in weakly regulated financial sectors in the Asian financial crisis of the late 1990s and the growth of money laundering post-9/11.

Despite the near impossibility of settling on a universally agreed definition, it is important to acknowledge that a particular definition will vary according to the approaches, aims and needs of policy-makers; it is highly contextual. A purely legal approach, for example, requires accurate, explicit and definitive recognition of offences deemed to be corrupt in order to construct cogent legal frameworks that inform individuals, states and the international community of what constitutes proscribed acts. Socio-economic approaches, on the other hand, tend to focus on the behaviour and economic interactions of the individual and their decision-making, while anthropological approaches are more analytical, nuanced and focus upon social systems.¹⁷

Box 2.3: Defining an act of corruption in legal terms

The act of corruption

- is illegal and illegitimate; acts considered as «corruption» are sanctioned by law. They are illegitimate in the sense that there is a violation of the prevailing values in a democratic society, thus constituting the basis for sanctions;
- is an act of power, which implies abuse of power in favour of particular interests in exchange of a reward, promise or an abuse of public functions;
- covers both action and omission;
- involves a conflict of interest. Corruption violates the public/general interest or a private entity's interest and implies an advantage (economic gain, status, honours, awards, reward or favours) to oneself or others (family, friends, group or organisation);
- implies the violation of fundamental principles, values and rights in a democratic society, such as the principle of legality, good faith, transparency, accountability and human rights.

Source: European Commission, "Supporting Anti-Corruption Reform in Partner Countries," 2011, p. 5. (See fn 17)

Types of corruption

Just as there is no universally accepted definition of corruption, nor is there a universally valid typology of corruption. All forms of official corruption, however, are based on the potential conflict between the individual's professional and personal interests. Even looking at just *official* corruption (Table 2.2) it can be seen that the list of actions generally seen as corrupt is extensive. Just as corruption can entail many acts (or in some cases, non-acts), it also comes in many forms and it is useful to distinguish between various types, such as *petty* and *grand*, *systemic* and *individual*, *primary* and *secondary*, and *moral* and *legal*. Another important distinction which comes into play when

attempting to measure corruption (or at least the perception of corruption) is that between *rumours* and *reality* of corruption.

Box 2.4: Types of corruption

Grand corruption is defined as 'Acts committed at a high level of government that distort policies or the functioning of the state, enabling leaders to benefit at the expense of the public good.'

Petty corruption is defined as 'Everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other agencies.'

Political corruption is defined as 'Manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth.'

Source: Transparency International, *The Anti-Corruption Plain Language Guide*, 2009.

Small scale, administrative or *petty corruption* is the everyday corruption that takes place at the implementation end of politics, where public officials interact directly with the public. Petty corruption (also known as administrative corruption) is most commonly found as bribery in connection with the implementation of existing laws, rules and regulations, or in abuse of power in daily situations (for example, the traffic police who take money every day from taxi drivers in return for not harassing them further). It usually involves modest sums of money in any given exchange. *Grand corruption* typically takes place at the top levels of the public sphere and the senior management levels of business, where policies and rules are formulated and executive decisions are made. It also often involves large sums of money. Endemic petty corruption, despite its name, can result in great costs and can place significant stress on the functioning of state systems, in a way comparable to grand corruption.

Just where the line is drawn between where petty corruption ends and grand corruption begins is not always easy to determine. Very junior officials, for example, who demand illicit payments from citizens may be doing so because they have to pay a cut of their take to their senior managers, who pay a cut to their superiors, reaching all the way up to the most senior state officials. The most critical difference between grand corruption and petty corruption is that grand corruption involves the distortion or corruption of the central functions of government, such as judicial, economic or other policy/decision-making, whereas petty corruption develops and exists within the contexts of established government and social frameworks. A third category, which may be characterised as “policy” corruption, is commonly referred to as *state capture*, in which private interests succeed in having the law changed in their favour (for example, the media interests of the Berlusconi government in Italy or Thaksin governments in Thailand). This category is sometimes hard to distinguish from the normal workings of democracy in market economies.¹⁸

It is closely related to *political corruption* (often synonymous with grand corruption) which may be used to refer to grand corruption more generally or specifically to the negative influence of money in political campaigns and political parties. Another useful distinction is between spontaneous corruption and institutionalised – one individual and the other systemic. *Spontaneous corruption* usually occurs in societies with well-developed ethics and morals in public service. *Institutionalised corruption*, on the other hand, is more generally found in societies where corrupt behaviours are prevalent. In other words, corruption has become a way of life with a highly corrosive attitude towards public office which can, if left unchecked, lead to the complete subversion of a political or economic system.

Corruption occurs everywhere, but the type of corruption and its prevalence are strongly influenced by contextual factors which in many cases correspond to stages of economic, social and political development. The patterns of corruption tend to reflect these processes and dynamics. Drawing on the work of Michael Johnston¹⁹, USAID defined four broad categories as part of its corruption assessment framework.

Box 2.5: Syndromes of corruption

- **Mature States Corruption** is familiar in relatively settled democracies where wealth interests trade political contributions (often quite legally and openly) for access to political figures and strategically placed bureaucrats. Wealth is used not in pursuit of political domination but rather to influence specific decisions, often involving the details and implementation of particular policies. (Countries in this syndrome are characterised by strong political and economic institutions and mature democracies and markets.)
- **Elite Network–State Corruption** involves extended networks linking diverse elites who share a strong stake in the *status quo* and in resisting political and economic competitors. Corruption is typically moderate to extensive, but tightly controlled from above, with the spoils shared among (and binding together) members of the elite network. (Countries in this syndrome usually have moderately strong institutions and reforming democracies and markets.)
- **Weak Transitional States Corruption** embodies a complex and highly disruptive variety of corruption found where both politics and the economy are rapidly opening up and institutions are very weak. Power and wealth are up for grabs and there are few real rules as to how they are sought and won. (Countries in this syndrome typically have weak institutions, transitional democracies, and new market growth away from an informal economy.)
- **Weak Undemocratic States Corruption** involves corrupt figures whose influence depends upon their ability to put state power to personal use, or upon the personal favour of top figures in a regime. Unlike Mature States Corruption, where wealth intrudes into state functions, in this syndrome actors use state power to intrude into the economy, including incoming flows of aid and investment. (Countries in this syndrome typically have weak institutions, undemocratic regimes, and new market growth away from an informal economy.)

Source: USAID, *Corruption Assessment Handbook*, draft final report, 2008, pp. 10-11. <http://www1.worldbank.org/publicsector/anticorrupt/USAIDCorAsmtHandbook.pdf> (Accessed 10 August 2014)

Causes of corruption

What is it that causes corruption? Or, to put it another way, can we identify the likely circumstances under which corruption is likely to flourish or be constrained? It is an ancient problem, with Chinese thinkers many centuries ago grappling with questions of whether corruption is caused by bad individuals, bad systems, or both.

Table 2.1: Explanations and remedies

CAUSE	EXPLANATION	REMEDY
Behavioural	Bad people (dishonest, untrained, uneducated)	Stringent recruitment, better qualifications, ethics training
Structural	Bad systems (inadequate supervision, too much discretion, lack of accountability)	Structural reform (lines of reporting, better records, more transparency, enforceable code of conduct)

The most famous formulation on the systemic approach derives from economics and the 1988 book by Robert Klitgaard, *Controlling Corruption*, which had a powerful effect on the later thinking of the World Bank and the IMF as they turned their attention in the mid-1990s to the issue of governance and its relationship to corruption. Put simply, Klitgaard argued that monopoly power, as in a government agency, allied to the sole discretion of a decision-maker who was not accountable created the circumstances under which corruption was likely. He expressed it thus:

Corruption = Monopoly + Discretion – Accountability ($C = M + D - A$)

Implicit in this approach was the desirability of competition, more

rational decision-making able to be contested and transparency in the whole process. Accountability in the formulation means a requirement to explain and justify a particular decision to an overseeing entity, be it either a statutory official or another agency. The deceptively simple formula has become a powerful tool in the corruption control armoury, despite its ideological overtones, and has formed the basis for countless structural reforms. Not only is it simple it also has the added diagnostic advantage of risk assessment in that organisational structures can be quickly checked for vulnerability to corruption. Where is the locus of power? What is the likely target for rent-seeking? How much discretion is exercised? What is the extent, if any, of accountability?

Given the extent of corruption in aid and development programmes, the United Nations Development Programme (UNDP) took on board the Klitgaard formula with modification, adding the elements of integrity (I) and transparency (T) to read:

$$C = (M + D) - (A + I + T)$$

It was a strong endorsement for the need for governance reforms, especially among aid recipients. But Klitgaard's heuristic formula, for all its enthusiastic uptake, has not gone without criticism for its allegedly technocratic nature. Jay Moor²⁰ argues that a missing element from the formula is "the sense of community, of responsibility for the common good and of ethics." Nevertheless, Klitgaard's formula and the debate it generated have had a lasting impact on corruption control discourse. Building on Klitgaard's assumption that corruption is a crime of calculation in which risks of detection are weighed, as are penalties if caught, it offers some hope that changing the incentives for corruption and narrowing the opportunities for it can have at least some impact on the prevalence of corruption. It also underscores the importance of light cast in hitherto dark places by enhancing transparency and accountability at the local level where citizens interact with the state. More broadly, it sketches a useful starting point for policy-makers for actions that can take place, even at the lowest levels.

Corruption is generally, though not exclusively, connected with the activities of the state – and especially with the monopoly and discretionary power exercised by officials on behalf of the state.²¹

However, while some commentators have argued crudely that the key determinant is the size of the state sector in an economy, this is not so when some of the least corrupt countries in the world, such as Denmark, Finland, the Netherlands, and Sweden, have among the largest public sectors as measured by shares of tax revenues or public spending in GDP. A far more accurate analysis is not the size of the state but the way in which the state is organised and how it carries out its functions. Taking this perspective, Tanzi has identified a number of factors contributing *directly* to corruption (Table 2.2).

Tanzi also nominated several factors that can contribute *indirectly* to corruption. Given the emphasis placed on the state, it is logical to take into account those essential state functions entrusted to a bureaucracy, and the quality of that bureaucracy. That quality can vary widely from country to country, depending on a range of factors including culture, history and tradition. The status of public sector employment is itself dependent on a number of factors particular to a given society as is the very existence of any meaningful separation between public and private sphere – a key element, as we have seen, in trying to define corruption. So, is there an established norm that a “public” office should be used for “public” purposes? If there is no such understanding, as in some traditional societies, then the implied assumptions of the corruption definition of *abuse of public office for private gain* mask a fundamental disagreement about the purposes of government.²²

The extent to which recruitment to a functioning bureaucracy is based on merit is seen to have a bearing on susceptibility to corruption. Rauch and Evans²³ surveyed 35 developing countries and the ways in which officials were hired and promoted, suggesting that the less it was based on merit, the higher the extent of corruption. Tanzi²⁴ notes that the absence of “politically motivated hiring, patronage, and nepotism, and clear rules on promotions and hiring” all contribute significantly to the quality of a bureaucracy. Another key factor identified by Tanzi is the level of public sector wages. He cites a number of studies suggesting a statistical relationship between corruption and wage levels, but they also warn that it would be very costly, and perhaps not entirely effective, if the fight against corruption was pursued exclusively on the basis of wage increases.

Other indirect causes identified by Tanzi include penalty systems, institutional controls, transparency of laws, processes and regulations, and examples by leadership. In regard to *penalty systems*, he says that, theoretically, stiffer penalties for those found to be acting corruptly should reduce corruption, but while higher penalties may reduce the number of acts of corruption, they may also lead to demands for higher bribes given that the risk is higher. If corruption is a calculated act, then it is logical that greater risk of detection and harsher penalties will have a deterrent effect and also serve to raise public awareness. On *institutional controls*, Tanzi observes that honest and effective supervision of officials, good auditing practices and clear rules on ethical behaviour should be seen as positives; without them, the likelihood of widespread corruption is that much greater. *Transparency* in decision-making processes where common rules apply and are readily understood helps reduce corrupt practices by reducing opportunities. Finally, the *example of leadership* is all important and determines whether there is genuine political will to combat corruption.

Table 2.2: Factors Contributing Directly to Corruption

Factors	Contribution
Regulations and authorizations	Licenses, permits, permissions required to undertake certain activities confer monopoly power on officials that may be abused.
Taxation	Unclear laws and regulations open to wide interpretation; Frequency of contact between taxpayers and officials; Tax administrators lowly paid; Inadequate penalties for detected corruption; High levels of discretion; Weak control over officials.
Spending decisions	Excessive discretion in public investment projects; Lax procurement policies; Inadequate budgetary oversight; Lack of transparency.

Provision for goods and services at below-market prices	Danger of excess demand; Power of discretion by officials.
Other discretionary decisions	Tax incentives; Land zoning; Use of public land; Foreign investment decisions; Public asset sales; Privatization and industry regulation; Granting of monopoly power to export, import or carry out activity.
Financing of parties	Illicit diversion of state funds to political parties and their activities, such as employment, advertising and election campaigns.

Source: Vito Tanzi, "Corruption around the World: Causes, Consequences, Scope, and Cures", IMF Working Paper WP/98/63, 1998, p. 8.

Sectors vulnerable to corruption

No part of society is immune to corruption. Wherever power is exercised, there is a danger that attempts may be made to usurp or subvert it. Naturally, where economic transactions occur, the dangers will be greater, but corruption can occur even in non-economic situations, such as the frauding of votes in the election process or fraudulent manipulation of electoral rolls. Nevertheless, some sectors are more vulnerable to corruption than others.

Police

No police force anywhere is above corruption given the extent of discretion usually bestowed on officers in enforcing the law. It has become a worldwide haven for petty corruption – such as the payment of a bribe to avoid a traffic fine – but it can also harbour in its ranks grand corruption when corruption reaches right to the top of the command structure – or, in extreme cases, even to the political leadership beyond the force. Serious subversion of the law can result when police join forces with criminals, such as in the drug trade and

protection of illegal activities, such as gambling and prostitution.

Most jurisdictions long ago relieved police forces of the responsibility of investigating serious allegations of misconduct and corruption, and an essential element in ensuring public confidence in the integrity of law enforcement is now widely recognised in the form of independent oversighting bodies, ideally headed by a judge.

Judiciary

An effective and demonstrably independent judiciary guarantees fairness in the legal process and, ideally, the equality of all under the law. As such, it is a powerful weapon against corruption. Judicial corruption, however, strikes at the very heart of a society, jeopardising the rule of law and making a mockery and sham of the very idea of justice and its impartial administration. A key concept in international and regional human rights instruments is the right of everyone to due process of law, including to a fair and public hearing by a competent, independent and impartial tribunal established by law.²⁵ The importance of this right in the protection of human rights is underscored by the fact that the implementation of all other rights depends upon proper administration of justice.

Two types of corruption that most affect judiciaries are political interference in judicial processes by either the executive or legislative branches of government, and bribery.²⁶ Judges can be subjected to political pressure, and political interference can also distort the judicial appointment process. An inefficient court system that creates a backlog of cases can lead to bribes in seeking to have matters fast tracked.

Box 2.6: Negative impact of a corrupt judiciary

It is difficult to overstate the negative impact of a corrupt judiciary: it erodes the ability of the international community to tackle transnational crime and terrorism; it diminishes trade, economic growth and human development; and, most importantly, it denies citizens impartial settlement of disputes with neighbours or the authorities. When the latter occurs, corrupt judiciaries fracture and divide communities by keeping alive the sense of injury created by unjust treatment and mediation. Judicial systems debased by bribery undermine confidence in governance by facilitating corruption across all sectors of government, starting at the helm of power. In so doing they send a blunt message to the people: in this country corruption is tolerated.

Source: Transparency International, *Global Corruption Report 2007: Corruption in Judicial Systems*, Cambridge: Cambridge University Press, 2007, p. xxii.

Defence

With astronomical budgets and lucrative multi-billion dollar contracts combined with a lack of transparency because of military and strategic secrecy, the defence sector poses unique risks.²⁷ Transparency International estimates \$US20 billion is lost from the sector to corruption each year. It is especially vulnerable given the prevalence of single source contracts, unaccountable and often overpaid agents, obscure defence budgets and effective scrutiny obscured by a veil of secrecy for “national security” reasons. A case in point was the British arms manufacturer BAE which was being investigated for bribing Saudi officials to buy fighter planes.²⁸ After a major investigation was launched by the Serious Fraud Office, the British government cited national interest concerns and terminated the investigation with the attorney-general quoted as saying “the rule of law has been outweighed by a wider public interest.”²⁹

Education

For many countries, education is the single biggest item in the budget, often accounting for up to one-fifth of all public outlays. It is also a major recipient of donor aid. It is perhaps not surprising that it represents a prime target for corruption. Because education requires an often large and complex administrative apparatus, the opportunities for corruption are many and varied. According to Transparency International, in Nigeria at least \$US21 million was lost over two years, and double that amount in Kenya over five years.³⁰ Those who provide education services are in a strong position to extort favours, especially when there is corruption further up the chain and they are lowly paid. Bribes to reserve a place at a prestigious primary school in Vietnam, for example, are documented to be running at a level more than double the country's GDP per capita.³¹

Like all areas of corruption and the problems they pose, there are no easy answers. Long-standing practices deeply entrenched in the system and a marked resistance to change constitute major obstacles everywhere. However, there are promising signs amid new approaches and strategies now being trialled, most notably in the use of PETS (Public Expenditure Tracking Surveys) which aim to "follow the money trail", mostly non-salary expenditures from central ministries to the school level. Several studies cited by the International Academy of Education (IAE) and the International Institute for Educational Planning (IEPP)³² show success in tracing and stemming "leakages", from 87 percent in the case of Ghana. For its part, the IEPP recommends a three-pronged strategy³³ to promote transparency and accountability within education systems:

- *Development of transparent regulation systems and standards:* explicit policy framework ranging from teaching standards to procurement;
- *Building management capacity:* boosting institutional strengths in areas like diagnostics and auditing; and
- *Fostering greater ownership of the processes by the community at large:* more decentralized management systems, greater local accountability and scrutiny, and encouragement of greater participation.

Box 2.7: Corruption in the education sector

At the central ministry levels, much of the corruption involves the diversion of funds associated with procurement, construction, and of the funds intended for allocation to lower levels of the system. At intermediate levels of the education bureaucracy, the corruption tends to center on procurement, diversion of money and supplies on their way to the schools, and bribes from educators lower in the system seeking to secure opportunity or avoid punishment. At the school level, corruption tends to center on bribes from parents to ensure student access, good grades, grade progression, and graduation. However, it also takes the form of teacher absenteeism—teachers collect salaries but the intended instruction does not occur. Educators at the school level also can divert funds, school supplies, and sometimes food that the schools received from community or government sources. Headmasters and teachers are also in a position to assess unauthorized fees for real or imaginary services (e.g. paper fees in order to take an exam), create the need for private tutoring, or take salaries for work not actually done.

Source: David W. Chapman, "Education", in Bertram I. Spector, ed., *Fighting Corruption in Developing Countries: Strategies and Analysis*, Kumarian Press, Bloomfield, CT, 2005. pp. 69-70.

Health

The health sector is especially prone to both grand and petty corruption, and far more so in many developing and transition countries. Corruption in the health sector can literally be a matter of life and death, in particular for poor people in developing countries. A study carried out by the International Monetary Fund, for example using data from 71 different countries, showed that countries with high incidences of corruption have higher Infant Mortality Rates.³⁴ In Burkina Faso, corruption by health professionals was found in a study by Amnesty International to be one of the primary causes of death of thousands of

women during pregnancy.³⁵ More generally, corruption in the health sector has severe consequences on access, quality, equity and effectiveness of health care services. At the service delivery level, unofficial user fees (informal payments) either discourage the poor from utilising services or force them to sell valuable assets driving them further into poverty. Informal payments are regressive and can constitute a major burden on scarce household resources.³⁶ Procurement of drugs and expensive medical equipment may involve bribery, kickbacks and fraud, and scarce budget allocation to medical facilities can be influenced by favouritism, nepotism and bribery, resulting in embezzlement and misapplication. Extortion, bribery and fraud are often widespread within a provider-patient relationship. Another area where corruption occurs is within healthcare providers and insurance or government relations. It includes among others: falsification of insurance documents, illegal billing of insurance companies or the government, and falsification of invoice records.³⁷ In pharmaceutical supply chains, "products can be diverted or stolen at various points in the distribution system; officials may demand 'fees' for approving products or facilities for clearing customs procedures or for setting prices; violations of industry marketing code practices may distort medical professionals' prescribing practices; demands for favours may be placed on suppliers as a condition for prescribing medicines; and counterfeit or other forms of sub-standard medicines may be allowed to circulate."³⁸

Public procurement

Public procurement is the purchase by governments of goods, services and works. Few government activities create greater temptations or offer more opportunities for corruption than public sector procurement.³⁹ Large and small amounts of public funds can be diverted to private pockets through kickbacks, bribery, favouritism, bid rigging, nepotism, and other forms of corruption. Procurement policies can be created under the strong influence of powerful forces to favour a particular segment of the private sector or industry. Requirements and criteria for selecting bidders can be tailored to suit a specific vendor. Poor implementation of the contracts can be overlooked by a bureaucrat in exchange for a favour or bribe.

Box 2.8: Public procurement and corruption

The ultimate goal of public procurement is to satisfy the public interest. A good procurement process is one that obtains goods, works or services in the correct quantity, of the appropriate quality, at the required time, from the best supplier, with the optimum terms and under appropriate contractual obligations. Good procurement should meet public needs, secure value for money for the people and be fair to bidders. Corruption entering and influencing the public procurement process diverts funds away from social needs, engenders bad decisions, distorts markets and competition, raises prices and costs, and increases the likelihood that services and goods will be poor quality, potentially putting sustainability, the environment and human life at risk.

Source: Transparency International, *Curbing Corruption in Public Procurement: A Practical Guide*, 2014, p. 8.

Corruption may arise at any stage of the procurement process. It can take place through violations of ordinary procurement rules or through misuse of legal authorisation for discretionary decisions.⁴⁰ Many practices that may in some cases be viewed as corruption have an unclear or ambiguous legal status. Corruption can be either supply- or demand-driven. Public officials sometimes demand bribes and/or benefits, but the fault can also lie on the supply side, with potential vendors or service providers offering inducements to officials who are in a position to influence the outcome of a procurement process. Mitigation strategies against corruption therefore need to take account of both the supply and demand sides.⁴¹

Taxation

Corruption in the taxation system has the potential to cripple the legitimate workings of government by starving it of much needed revenue that is either not collected or diverted illegally. A lack of clarity or ambiguity in tax legislation requiring discretion on the part of officials

is an opportunity for corruption. Influence by improper lobbying of legislators and the tax authority can establish taxation legislation that favours particular industries, regions or interest groups. Implementation of the tax legislation can also be subjected to corruption at different stages and processes: the identification and registration of taxpayers, the assessment and collection of taxes due, the monitoring of incoming payments, the assessment of surcharges or refunds, or investigation by the tax authorities. Lack of clarity and consistency in taxation regulatory framework, poor internal controls, lack of transparency and weak oversight over tax administration all open up the opportunity for corruption in the taxation system.⁴²

Environment

Corruption in the environmental sector diverts funds allocated for environmental programmes to private pockets through embezzlement and bribery, and is seen most notably in illegal logging of forests, large-scale trafficking in wildlife and illicit extraction of natural resources. Corruption can be considered a catalyst for environmental crime.⁴³ In particular, corruption plays an important role in facilitating fraudulent trade, forging import/export certificates, clearing customs wrongly, ignoring illegal waste disposal, issuing licenses, among others. Corruption in this case may affect a variety of actors, including customs officials, landowners, organised crime groups, police, shipping firms, and exporters/importers.

The causes of corruption in the environmental sector are the typical causes seen elsewhere, including insufficient or inadequate legislation, lack of regard for the rule of law, feeble enforcement of existing regulations, wide discretion given to public officials, minimal accountability and transparency and low levels of professionalism. In addition, corruption in the environmental sector is also triggered by conflicts between private interests in revenue that can be gained from environmental resources and public interests in a healthy environment.⁴⁴

Resources and energy

The energy and resources sectors often either are state-run or have a high degree of state involvement as formal stakeholder or as regulating or licensing authority. This can mean special deals for favoured companies, in exchange for gifts to key officials and policy-makers. There is also the potential for embezzlement and self-dealing. Resource companies, especially oil and gas producers, transfer considerable funds to host governments - as license fees, royalties, dividends, taxes and support or compensation for local communities. While these large financial inflows in theory should contribute substantially to social and economic development, many resource-rich countries have not managed to transform resource wealth into well-being. When revenues are not managed with transparency and accountability, mineral and petroleum wealth can fuel large-scale corruption, as well as poverty, injustice and conflict.⁴⁵

The energy industry in each country is one of the greatest potential sources of corruption, according to USAID.⁴⁶ A single 1,000 megawatt electric generating plant can cost \$US1 billion dollars or more, and the amounts for procurement of equipment and energy for electricity distribution and petroleum refining and marketing can run in multiples of billions of dollars. Purchases and sales of energy are usually on long-term contracts negotiated at a high level in an energy company, and small amounts of payoffs for each unit of energy can build up to extremely large amounts over a period of time. USAID notes that “energy corruption often occurs at high levels and involves large sums of money and unscrupulous, powerful people with strong political connections.”

Media

The media are mostly seen as part of the fight against corruption – and, indeed, a free and independent media sector constitutes a potent weapon in exposing corruption – but the media as an institution is itself vulnerable to corruption. With mass media – newspapers, radio and television, and increasingly social media – often the most important source of information for citizens, they represent a potentially significant

means of manipulating and influencing public opinion for private or political interests. Monopoly media control, whether government or private, can lead to corruption through censorship, selective broadcasting or the promotion of private or political interests. Powerful media interests can also use their leverage to extract concessions from government. So-called “brown envelope” journalism – the practice of journalists accepting money from news sources, especially politicians, in order to “facilitate” their stories – has become prevalent in many countries, especially in Africa. It is simply a form of bribery – to either publish or not publish a story or otherwise embellish or distort a report. A variation (“red envelope”) is prevalent in China, and also elsewhere in Asia, where journalists accept gifts in return for favours. Less obvious forms of media corruption, but even more corrosive, can be found in developed countries, such as Britain, where the biggest media conglomerate, Rupert Murdoch’s News Corporation, has been investigated for bribing police officers and other officials to obtain information.⁴⁷ This is a case of the media, the supposed public watchdog, actually initiating the corruption.

Box 2.9: Media vulnerability to corruption

In developing countries, where the media often faces major challenges in the form of lack of training and technical skills, low professional standards, limited financial resources, inadequate legal frameworks and an undemocratic political system, corruption in the media is likely to further undermine the role that the media can play in fighting corruption and promoting public accountability. Various factors such as media regulations, media ownership, as well as resources and capacity can put the media’s integrity and autonomy at risk and make them vulnerable to corruption.

Source: U4 Anti-Corruption Resource Centre, *Overview of Corruption in the Media in Developing Countries*, February, 2013.

Customs

Customs is one of the most vulnerable sectors to corruption and no country is immune. Opportunities for corruption arise in legislation, ambiguous regulation, the complexity of customs procedures, in the administration of freight clearance and in customs enforcement. Without clarity in the underlying rules, especially in legislation that is both confusing and open to multiple interpretations, there will be ample scope for corruption. Without clear and accessible information, clients are forced to rely on customs bureaucrats' rulings, however arbitrary. In addition, the legislation itself can be influenced by bribery and other illegal incentives and inducements to selectively benefit certain interests and industries. Though the scale of corruption in customs is viewed as petty and mid-level, in reality it can be cost millions of dollars in its impact.⁴⁸

Box 2.10: Corruption in Customs

It's a simple fact that customs officials, even at junior levels, enjoy extensive discretionary powers and interact daily with traders who have a strong incentive to influence their decisions. Moreover, the fact that many customs officials work in situations where careful supervision is practically impossible creates an environment ripe for corruption. Add to the mix the poor pay and difficult working conditions customs officials in many countries have to contend with as well as very little probability of getting caught and it is no real surprise that customs continues to be perceived as amongst the most corrupt of government institutions. Complicating matters further is the fact that many corrupt transactions occur side-by-side with honest ones and are conducted between parties that are frequently part of the same extended informal social and business network.

Source: Gerard McLinden and Amer Zafar Durrani, "Corruption in Customs", *World Customs Journal*, Vol. 7, No. 2, September, 2013.

Political parties

The running of a political campaign, especially where television advertising is a major component to reach the populace, is an expensive business and political parties require significant funding to undertake them. The temptation is always there for an incumbent party to improperly use government resources for political purposes. This can involve not just money, for example, but use of staff on the public payroll and subterfuges such as mounting a political campaign in the guise of a public information campaign. Political parties can also extort bribes, and supply their members and followers with lucrative positions in the public sector, or to channel public resources into the hands of party leaders or supporters. In many jurisdictions, political donations are forbidden from certain donors, such as foreign interests, and such donations may be “laundered” to disguise their origin. Party corruption is especially problematic in developing and transitional countries where political and economic institutions are not yet stable. In the long run, party corruption can undermine public trust and threaten the viability of democracy.⁴⁹

Elections

The falsification of election results represents a major fraud on the public and constitutes a fundamental corruption of the democratic process. Like other areas of corruption, it takes many forms, from the manipulation of the electoral rolls, the prevention of eligible citizens from voting, the illegal disqualification of candidates, vote buying to the deliberate falsification of results. Transparency and a non-partisan election administration agency with appropriate oversight and accountability are the basic tools required.

Private sector

Much of the focus on anti-corruption is concerned with the public sector, but corrupt actions in the private sector are often a causal factor in corruption in the public sector (often referred to as the “supply side” of corruption). Like other forms of corruption it can take many forms, but is mostly associated with the payment of bribes, unlawful inducements

to officials, and acceptance of illegal commissions or kickbacks among private firms and their suppliers. Corruption in the private sector can result from overly rigid state regulation. According to USAID: "When it takes months just to open a business after visiting dozens of governmental agencies, it seems easier to slip envelopes with small bribes to speed up the process. It is often easier and cheaper to deal the same way with dozens of inspectors that are happy to supplement their low salary with rent collected from businesses."⁵⁰ Although such acts fall under the heading of *petty corruption*, it brings those businesses under the shadow economy and helps to entrench corrupt practices by making it difficult for either new entrants to the market or businesses who seek to resist the payment of bribes. The private sector can also harbour *grand corruption* through the "buying" of legislation favouring particular businesses or industries, creating artificial monopolies, and establishing a procurement, tax, customs or privatisation regime to please powerful business interests. The private sector can also avoid paying taxes through a range of illegal and quasi-legal subterfuges thus depriving host governments of revenue.

Integrity agencies

Bodies set up to guard against corruption are themselves obvious targets for corruption with powerful vested interests having much to gain by subverting their work and blunting their effectiveness. An auditing office is often the frontline defence against financial irregularity, and it needs to be independent, adequately resourced and sufficiently competent to operate as an effective watchdog. Conflict of interest rules applying to audit staff are essential in both practice and enforcement. Dedicated anti-corruption agencies, like other law enforcement bodies, can be subverted and weakened by corruption. Such institutions sometimes become highly corrupt when there is no or little accountability and transparency, no oversighting in its operations, and political interests take precedence over its mandate.

The role of culture

The Asia-Pacific region is home to a multiplicity of cultures and it is useful to note that most standard socio-economic approaches to

defining corruption fail to take account of the cultural dimension and its effects on corruption. It is a factor all too often missing from international anti-corruption initiatives which would be significantly strengthened with a more informed understanding of the systems, habits and customs underlying corruption in any given society. Ed Brown and Jonathan Cloke⁵¹ have argued that cultural blindness in failing to recognise the complexities of even defining corruption in different political and cultural settings (and an inherent tendency towards the universalising of Western norms and values), constitutes a formidable barrier to real understanding of the issues. Just to take some random examples, the problems in Afghanistan verge on the incomprehensible without acknowledging the impact of the civil war and warlordism; Thailand, for its part, remains shackled to a deeply rooted social system of patron-client relationships and its elaborate ritual of gift-giving⁵²; and Cambodia continues to suffer from a war that destroyed ethical systems and left a legacy of perceptions of the state as an object of distrust.⁵³ The former Soviet bloc republics of central Asia also exhibit certain characteristics deriving directly from recent history, and how can contemporary China be understood without reference to the concept of *guanxi*? Broadly defined as the basic dynamic in personalised networks of influence,⁵⁴ *guanxi* is generally understood as a connection or relationship, and a custom deeply rooted in Confucian Chinese tradition. But to try to equate it with conventional business networking, to which it bears a superficial resemblance, is an oversimplification as it can be understood only in a cultural context.⁵⁵

NOTES

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2. This term is taken from the public office definition of corruption coined by Nye, namely, that corruption is "behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence." (Joseph S. Nye, "Corruption and Political Development: A Cost-Benefit Analysis", *American Political Science Review*, 61:2, June 1967).
3. M. A. Thomas and Patrick Meagher, "A Corruption Primer: An Overview of Concepts in the Corruption Literature", The IRIS Discussion Papers on Institutions & Development, Center for Institutional Reform and the Informal Sector (IRIS), University of Maryland, Paper No. 04/03, 2004.
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Chapter 3

The anti-corruption project: origins, issues, problems

Given the difficulties, as we have seen, in identifying, detecting and even defining corruption, it is perhaps not surprising that anti-corruption is similarly problematic and not just a simple reflex opposition to corruption. Just as corruption takes many forms and is present in varying degrees of severity, so, too, are the many means employed to combat, contain and counter it. There is no single anti-corruption tool, no silver bullet available that can be deployed. The most successful attempts at containing corruption have involved in most cases a multiplicity of approaches. Just as corruption, like democracy, continues to be a contested concept, so also does anti-corruption.

The general view in the 1970s was that corruption was a matter for individual countries to address via a range of policy instruments and agencies, such as state auditors, magistrates and law enforcement in general. As a public policy issue, it was essentially localized in both its incidence and treatment. The contemporary study of corruption largely owes its origins to economists who in the 1970s, as the ideological currents began to shift from the post-war Keynesian consensus towards free market neoliberalism, looked at the impact on and distortion of market forces by corrupt dealings.¹ This represented a significant turning point in the focus on corruption which had hitherto been studied largely as an anthropological subject. Now attention was turning to the costs of corruption, and with the ensuing discussion about how best to address corruption, it was all but inevitable that there would be a focus on costs and benefits. But it went even further as economists began to look beyond the debit and credit ledger and they started asking questions about the context of corruption and the circumstances in which it could arise and flourish. This led in turn to an inquiry about the role played by political institutions in determining economic performance, and the result was a renewed interest in the quality and structures of governance. Serious research began in the 1980s with the

application of economic tools of analysis to the issue of corruption. Corruption leads to “rent-seeking” and attempts at manipulating the social or political environment in which economic activities occur. With research shifting to economic development, and the factors involved in promoting or inhibiting it, economists came increasingly to see rent-seeking as the use of social institutions, such as the power of government, to redistribute wealth among different groups without creating new wealth.

Anti-corruption does not come cheap. To be anything more than a mere window dressing, a genuine anti-corruption effort needs to be well resourced, financially as well as institutionally. In theory at least, corruption can be eliminated, but at what cost? The ground breaking study by Robert Klitgaard, *Controlling Corruption*² in 1988, took a cost-benefit approach in looking at the marginal social cost incurred in fighting corruption, formulating his Optimal Amount of Corruption whereby the cost of corruption was calculated against the cost of removing corruption, and arriving at the least-cost combination of corrupt activities and efforts to reduce them.³ In other words, any unrestrained or unlimited commitment of resources to fighting corruption could easily exceed the cost of the corruption itself. It was a pragmatic way of making the point that corruption can never be eliminated, only reduced or minimised, as the title of his book suggests. Of course, the formulation leaves unanswered the key question: what is an “optimal” level of corruption? And who determines that level?

There is another significant constraint to be considered in the field of anti-corruption, and that is process. Imposition of stringent administrative controls aimed at stamping out corruption can actually distort, and even corrupt, the very thing they are designed to protect – effective public administration. In *The Pursuit of Absolute Integrity*⁴, Frank Anechiarico and James B. Jacobs show how proliferating regulations and oversight mechanisms designed to prevent or root out corruption can seriously undermine governance itself. They argue that by constraining decision makers’ discretion, shaping priorities, and causing delays, corruption control – no less than corruption itself – has contributed to what they see as a contemporary crisis in public administration. As public administration strives to adopt practices from

the private sector, increasingly onerous accountability works to negate productivity or efficiency gains by discouraging innovative and entrepreneurial behaviour in public managers. The “pursuit of absolute integrity”, while ostensibly laudable, can itself be self-defeating by surpassing the core business of an agency. It is a genuine dilemma for policy-makers to reconcile apparently conflicting goals of administrative efficiency and accountability, and in addressing anti-corruption programmes and integrity enforcement, this needs to be taken into account.

In an earlier study⁵, the same authors looked at the evolution of corruption control in the United States, identifying four “visions” – anti-patronage (from the time when elected politicians would appoint supporters to government jobs), progressive, scientific management and panoptic (surveillance). An additional sub-category of revisionist was added to take account of the blurring of the private/public sector (Table 3.1). The object of the exercise is to reconstruct the discourse that has taken place in public administration over the problem of public sector corruption, the possibility of solving it, and the most efficacious remedial strategies. Anechiarico and Jacobs examine the proliferation of anti-corruption mechanisms deployed at the urban government level in the United States, and finding, to a significant extent, the organisation, rules and energy of urban government “are focused on surveilling and controlling officials rather than on the production of government outputs.” Among a series of case studies showing how over-zealous supervision can be highly counter-productive, they looked at the New York City Buildings Department, long plagued with corruption, and in which stringent administrative controls were implemented.

The most recent anti-corruption protocol, pursuant to a city comptroller’s audit, requires all field inspectors to return to borough headquarters at the end of the day, instead of leaving for home from their last inspection site. The policy is meant to ensure that personnel do not defraud the city by leaving work early, perhaps filling out inspectional reports while sitting at home. While no one knows how much, if any, corruption has been prevented, there has been nearly a 30 percent reduction in inspector productivity because of the time it takes to return to the office every afternoon.

So, what we have here from a far-reaching integrity enforcement programme is a drastic reduction in productivity with no tangible evidence that it has prevented or minimised corruption in any way at all. It serves to illustrate both the complexity of anti-corruption and the futility of seeking one-size-fits-all solutions. Just as a general will not use a generic battle plan in every conflict, so, too, do policy-makers need to think strategically about what it is they are seeking to counter, and what they propose to achieve at what cost.

Table 3.1: Visions of Anti-Corruption Reform

Corruption Control Vision	Anti-patronage	Progressive	Scientific Management
Strategy	Credential and competence testing	Professionalism	External control
Perceived Causes	Partisan control of personnel	Partisan, unprofessional administration	Inadequate organisational controls
Key Policy Prescription	Merit system	Electoral reform, independent regulatory commissions, administrative expertise, apolitical administration	Government reorganization and centralization
Implications for Public Administration	Peer enforcement of norms; personal controls	Enforced standards of efficiency	Oversight of agencies and appropriate span of control

Corruption Control Vision	Panoptic	Revisionist
Strategy	Law enforcement	Public entrepreneurship
Perceived Causes	Inadequate monitoring	Bureaucratic pathology
Key Policy Prescription	Surveillance, investigation, fiscal controls	Market privatization
Implications for Public Administration	Strong investigative and auditing agencies	Decentralized debureaucratized structures, deemphasize corruption control

Source: Anechiarico & Jacobs, "Visions of corruption and the evolution of American public administration", *Public Administration Review*, Sept-Oct 1994.

Quite separate from these developments on the economic front, though not unrelated, was a political shift that first took place in the United States as the sordid saga of Watergate played out, bringing down a corrupt president in Richard Nixon, but also bringing to notice large-scale corporate corruption, mostly relating to bribery, by American business abroad. As lawmakers raked over the evidence that came to light, it was discovered that a big corporation, United Brands, had paid \$2.5 million to politicians in Honduras for political favours and preferential treatment. Further evidence came to light linking 15 large corporations to illegal campaign donations in the United States. A subsequent investigation undertaken by the Securities and Exchange Commission found more than 400 companies had made "questionable payments" abroad, totalling over \$US300 million, to foreign government officials, politicians and political parties. Such payments ranged from bribery of senior figures to "facilitation payments" to officials to achieve beneficial outcomes. Prominent among those investigated was the aerospace company, Lockheed, which was investigated by the Senate Banking Committee in 1975, and found to be paying bribes in its dealings with Japan, Saudi Arabia, Italy and the Netherlands. Also implicated was the defence contractor, Northrop, which admitted to

using the “Lockheed model” to secure contracts in Saudi Arabia.⁶

The report of the Senate committee found that while nine different laws appeared to have been broken in paying a bribe abroad, violations had been merely “peripheral”, and no existing statute explicitly prohibited an American from paying a bribe overseas. It therefore recommended a new law to explicitly make such conduct illegal, justifying it on the grounds that friendly governments had come under pressure from their own people over American actions, the image of American democracy had been tarnished, the confidence of financial integrity of US corporations had been impaired and, to the delight of bankers and economists, a recognition that the efficient functioning of capital markets had been hampered.

The culmination of this process as part of the trauma and post-Watergate catharsis that engulfed America was the historic legislation passed by the Congress and signed into law by President Jimmy Carter in 1977, the Foreign Corrupt Practices Act, that for the first time explicitly outlawed bribery of foreign officials and also required companies operating abroad to maintain detailed records of their transactions. The anti-bribery provisions of the legislation make it unlawful for a US person, and certain foreign issuers of securities, to make a payment to a foreign official for the purpose of obtaining or retaining business for or with, or directing business to, any person. Since 1998, in accordance with the anti-bribery convention of the OECD, they also apply to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States.

However, the act was not as watertight as its proponents had hoped. In terms of payments to foreign officials, it draws a distinction between bribery and facilitation, or “grease payments”, which may be permissible under the act but may still be in violation of local laws. The primary distinction is that grease payments are made to an official to expedite his performance of the duties he is already bound to perform. Payments to foreign officials may be legal under the FCPA if the payments are permitted under the written laws of the host country. Certain payments or reimbursements relating to product promotion may also be permitted under the FCPA.

The fallout from events in the US saw the issue of bribery and corruption in international business transactions feature prominently in the news, the shockwaves reaching far beyond the United States. The bold move by the Carter administration represented the first occasion on which a government had implemented such provisions and was the first tentative step taken towards an international approach to anti-corruption. But the fond hope entertained by US lawmakers that other governments would soon follow their lead was sadly misplaced, and the road towards some international collaboration was a slow and tortuous one. Not only was the political will lacking, but significant obstacles were present in terms of international law which struggled to address an issue traditionally considered to be within the exclusive domain of national law and politics.

What the revelations stemming from the US investigations did achieve in terms of public perception was that corruption and bribery were not confined to the developing world as was popularly supposed. Wealthy, industrialised countries like Japan and the Netherlands were implicated, with Prince Bernhard, husband of Queen Juliana, found to have received bribes of more than \$US1.1 million from Lockheed while in Japan, Prime Minister Kakuei Tanaka was forced to resign, and was later prosecuted, after Lockheed was shown to have paid out more than \$US25 million to government officials, much of it channelled through the prime minister's office.

Sporadic efforts had been made at the United Nations in 1975 for a resolution on corruption, but proposals introduced separately by the United States, Iran and Libya were all withdrawn before any vote was taken. A fourth attempt, by a group of developing nations with support from Romania and Yugoslavia, adopted a resolution at the end of 1975 condemning all corrupt practices, including bribery – with strong emphasis on the supply side. The resolution emphasised states' rights to take appropriate legal action within their jurisdictions against transnational corporations (TNCs), and called for the exchange of relevant information, encouraged home governments to cooperate with host governments to prevent bribery, and urged states to prosecute offenders within the scope of their national jurisdictions.⁷ Included in the resolution was a request that the Economic and Social Council

(ECOSOC) direct the Commission on Transnational Corporations to include the foreign illicit payments issue in its work programme. ECOSOC set up a working group on corrupt practices, but this was just one of a number of stalled initiatives that seemed to falter after just a few steps.

At the core of the debate was a widening gulf between the global North, which saw demands for bribes and kickbacks in the developing world as the key issue while the global South wanted a greater focus on the payment of bribes. Still intent on developing international momentum on the anti-corruption front, the United States in 1979 introduced a draft resolution proposing an international conference to conclude an international agreement on illicit payments. ECOSOC, however, took no action and the resolution was eventually withdrawn. In 1981, the United States made one final attempt to advance the international illicit payments issue, but without success and the issue virtually disappeared from the UN agenda until the 1990s.

Anti-corruption, in the international sense, had become a dead issue. Diplomatic efforts by the US to seek a multilateral agreement on bribery had come to nothing; the primary aim of creating a universal criminal offence of bribery gained no traction at all. US businesses, meanwhile, complained of being at a competitive disadvantage, especially when its main competitors, such as Germany and France, could bribe with impunity and, even further, claim the payments as legitimate tax deductions.

But things were about to change as the growing economic liberalisation taking place coupled with the increasing globalisation and integration of the world economy brought a renewed focus to the issue – but this time from the perspective of crime. Globalisation brought with it not just new economic opportunities for nations as well as corporations, but also for organised crime. The free flow of capital opened new avenues for crime; certain activities, such as illicit drug dealing and prostitution that once had difficulty crossing borders could now take advantage of the more dynamic business environment and expand internationally. Amid mounting concern this was how the corruption issue found its way back into the United Nations as part of the brief given to ECOSOC's programme directed at organised crime. ECOSOC articulated its concern in the

resolution 1989/70 on International Co-Operation In Combating Organized Crime, stating that

organized crime has increased in many parts of the world and has become more transnational in character, leading, in particular, to the spread of such negative phenomena as violence, terrorism, corruption, illegal trade in narcotic drugs and, in general, undermining the development process, impairing the quality of life and threatening human rights and fundamental freedoms.

A series of international conferences and seminars followed as experts sought ways to achieve a common approach to corruption. In 1990, the UN Secretary-General had his secretariat produce a manual outlining practical measures states could implement to combat corruption, drawing on a draft document developed at a conference in the Netherlands. There followed further moves in the fight against transnational crime with the General Assembly in 1990 adopting recommendations on cooperation in crime prevention, which included a reference to corruption. In 1992, the UN was working on a draft international code of conduct for public officials, and in 1994 the UN International Drug Control Programme organised a Ministerial Forum Against Corruption in Pretoria, South Africa.

The United Nations Declaration against Corruption and Bribery in International Commercial Transactions was adopted by the General Assembly in 1996 and, while not legally binding, it articulated the interest and concern of the international community in the development of measures to combat corruption. This was an important breakthrough and showed that a consensus was possible, looking ahead in its encouragement to countries step up their anti-corruption efforts, and to criminalise and prosecute corruption and bribery in international commercial transactions. This was essential groundwork for what was to become the crowning achievement of the protracted effort at the UN – the United Nations Convention against Corruption (UNCAC). Here was formal recognition that corruption was a global issue with the UNCAC preamble stating: "Corruption is no longer a local matter but a transnational phenomenon that affects all societies and economies, making international cooperation to prevent and control it essential." ⁸

UNCAC is a multilateral agreement negotiated by member states and is the first global legally binding international anti-corruption instrument. In its 71 Articles, UNCAC requires that the States Parties implement a range of anti-corruption measures which are aimed at preventing corruption, criminalising certain conducts, strengthening international law enforcement and judicial cooperation, providing effective legal mechanisms for asset recovery, technical assistance and information exchange, and mechanisms for implementation of the Convention. In 2000, the UN set up the Global Compact to encourage businesses worldwide to adopt sustainable and socially responsible policies, bringing companies together with UN agencies, labor groups and civil society. In 2003, an addition was made to the original nine principles with the addition of a commitment to work against bribery and extortion.

Around the same time, at the OECD, after much debate, a majority of members agreed on a suite of recommendations on combating bribery – but agreement was reached only on condition that the proposals were non-binding. It was, of course, merely a paper victory, but its significance cannot be underestimated in placing the issue on the agenda of the world's wealthiest nations. There was, however, a marked reluctance to move beyond the agreement-in-principle stage, but the United States, still intent on not being the only government to take action, lobbied the European states holding out, notably France. In 1996, the OECD Council approved a recommendation to eliminate the tax deductibility of bribes among its member states. But still there was scepticism as to the legal practicality. France and Germany, with the support of Japan and Spain, maintained that what was needed was an international convention for criminalising corruption, given the wide variation in the legal framework in each country.

The challenge was accepted and within two years it bore fruit. In 1998, the OECD's Convention Against Bribery provided just that framework under which all the signatory governments undertook to prohibit and act against the bribery of foreign public officials on an equivalent basis without requiring uniformity or changes in the fundamental principles of each government's legal system.

By this time a broad front has formed on the side of anti-corruption, with the World Bank and the International Monetary Fund (IMF) joining the fray. Having previously steered clear of the issue – regarded as “too political” – senior officials at the World Bank were persuaded that much of the bank’s development work was being sabotaged by endemic corruption and, in 1997, the World Bank produced an anti-corruption initiative that laid down new guidelines for the granting of project funds. In 2001, the bank went a bold step further with its decision to name corporations and individuals found to be involved in corruption and fraud and ban them from future contracts. Similarly, the IMF declared in 1996 that “promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper.”⁹

In a globalising world, increasing pressures must be applied to induce individual countries to behave according to norms agreed in international forums. It is becoming progressively more important to promote behaviour consistent with the new reality, and promotion of this behaviour will require concrete steps on the part of the international community.¹⁰

IMF loans became conditional on meeting the stricter new requirements. To show that it meant business, in 1997 the IMF suspended a \$US220 million loan to Kenya because of a scandal in the gold and diamond export trade. The same year saw the IMF put a \$US120 million loan to Cambodia on hold “because of problems in governance which concern corruption and logging.” Further impetus to the fight was given by the formation of Transparency International (TI) in 1993 with its mission to “curb corruption by mobilizing a global coalition to promote and strengthen international and national integrity systems.” This was later amended to “stop corruption and promote transparency, accountability and integrity at all levels and across all sectors of society.”¹¹

Since then, several other major organisations have joined the anti-corruption project. The Asian Development Bank (ADB) adopted a proactive anti-corruption policy in 1998; the World Economic Forum (WEF) launched its Partnering Against Corruption Initiative in 2004, and

regional bodies in Latin America, Europe and Africa have also come on board. In 2010, after a meeting in Toronto, the G20, representing member countries generating around 90 percent of global GDP and 80 percent of global trade, acknowledged the impact of corruption on economic growth, and agreed to establish an Anti-Corruption Group and, later that same year at a meeting in Seoul, endorsed an Action Plan.

Finally, anti-corruption was thoroughly internationalised.

Controlling corruption

Despite the sometimes glacial progress at the international level to address corruption in anything like a concerted manner, this does not mean that all was quiet on the anti-corruption front. It was not; the fight had been joined at the local, national level. In fact, significant achievements had already been made in some places, most notably in the former British colony of Hong Kong where its now famous Independent Commission Against Corruption (ICAC) was established as long ago as 1974 and has now become a model for dedicated anti-corruption agencies.

It is in many ways a remarkable achievement and serves as a constant reminder that corruption can be brought under control, given the political will and adequate resources. The blueprint for ICAC, emulated now in many places, including New South Wales in Australia, involves a three pronged approach to combating corruption: investigation, prevention and community education. While its investigative work and successful prosecutions have made headlines, just as important has been its work in prevention and education. ICAC provides advice and practical assistance to enable corporations and organizations to develop systems and procedures that are resistant to corruption. ICAC has also worked tirelessly to change the public's perception that bribes and kickbacks are an expected and normal part of everyday life, and to reassure citizens that if they face a demand for an illegal payment ICAC will be there to investigate.

Less well known, but equally important in the annals of anti-corruption,

was the work in the Philippines in the 1970s aimed at cleaning up the highly corrupt Bureau of Internal Revenue (BIR). Robert Klitgaard described the case in an academic paper in 1986¹², later incorporated into his 1988 book, *Controlling Corruption*, as a key case study. A dedicated integrity warrior, the late Justice Efren Plana, was hired by President Ferdinand Marcos to head the tax office after he had fired 2,000 government officials suspected of corruption, among them the commissioner of revenue, in 1975. Plana set about methodically to assess conditions in the corruption-plagued BIR, finding many types of both internal and external corruption, including the payment of *lagay* (speed money), various types of extortion and bribery, embezzlement, and personnel scams. He then set about cleaning up the BIR by implementing a new performance evaluation system, revamping the Internal Security Division, punishing the most corrupt BIR officials, and instituting other internal restructuring measures. The case illustrates problems found in most tax systems around the world.

While Plana's actions in improving the selection of agents, manipulating rewards and penalties, installing an internal intelligence system, raising the moral costs of corruption, and restructuring the tax collector-taxpayer relationship did not wholly solve these problems, they did lead to gains in the battle against corruption in the BIR. His broad action plan stands as a textbook case study: collect information about corruption (intelligence gathering); set up a new performance evaluation system (structural and process reorganisation) and punish corrupt high-level officials quickly ("fry a big fish").

Anti-corruption agencies

The unprecedented success of the Hong Kong model (and also Singapore's Corrupt Practices Investigation Bureau, on which Hong Kong's ICAC was modelled) has attracted global interest, and has been emulated in some cases. Such agencies are normally established where

- corruption is systemic and the traditionally responsible governmental institutions are corrupt, or perceived as being so, and do not enjoy the necessary trust of the public to engage in a credible effort to fight corruption; and

- a comprehensive, integrated approach including prevention, enforcement, monitoring and education is needed.¹³

While there is, however, no standardised model of what an anti-corruption agency (ACA) should look like, some features of successful bodies are widely shared: for example, political independence, capacity to work with other institutions, specialised expertise, research capacity and wide powers, often of a coercive nature, with legislative backing. Without genuine political independence, they are unrealistically constrained. How, for example, can they investigate the executive if it is to the executive they are required to report? Sharing of data and intelligence gathered and held by other agencies is a necessary operational requirement and the ability and capacity to work within formal and informal networks are essential. Given the concealed nature of much corruption, well developed investigative skills are needed, as are specialised experts such as forensic accountants. The painstaking nature of corruption detection and investigation is not only time-consuming and labour intensive but also requires a significant amount of research. And, finally, without sweeping legislative powers an agency is unlikely to have much impact.

It is a harsh truth that most anti-corruption initiatives in developing countries fail. And, on its own, a dedicated ACA is no simple panacea. In most cases, ACAs have come into existence out of a broad political consensus, usually in the context of scandal and crisis, and following a perceived failure of conventional law enforcement bodies. ACAs are considered not just by governments, but aid donors and international organisations, as well as the public, as “the ultimate institutional response to corruption.”¹⁴ But, in a study for the European University Institute, Luis de Sousa¹⁵ warns that expectations that an ACA alone can do the job are often misplaced.

The belief that once an anti-corruption agency is created everything else will fall into place is patently untrue. If there is one lesson to be learnt from the history of anti-corruption activity, it is that there are no individual solutions but a cock tail of measures, no silver bullets but a mixture of successes and failures but a long and hard learning process. ACAs are an innovative institutional

response to corruption, but they are not the panacea.

ACAs are expensive, so adequate funding is essential. In a study for the World Bank, John Heilbrunn¹⁶ wrote that for all the success of Hong Kong, the story elsewhere of ACAs has been largely one of failure, highlighting the difficulty in seeking to transplant institutional arrangements from one country to another. One reason he suggests for the multiplicity of ACAs despite evidence of failure is that governments set them up in response to multiple constituencies – itself a product of the internationalisation of the anti-corruption effort.

Since the late 1990s, an internationalization of anti-corruption movements has been evident in the proliferation of Transparency International chapters. These non-governmental organisations are influential and have the attention of an international donor community tired of “leakage” of its development assistance. However, the performance of countries like Argentina, Bangladesh, Brazil, Thailand, Tanzania, Uganda, and India that have enacted anti-corruption reforms bespeaks the difficulty of enacting meaningful policies.

A study of anti-corruption commissions in Africa¹⁷ was pessimistic in its findings, saying that while they can provide a focus for anti-corruption efforts (especially to placate concerned aid donors) they may be little more than symbols. Governments may deliberately keep them weak, starving them of funding or by appointing pliant heads. There is also the danger of being used as a weapon against the governments’ political opponents.

The essential element in all successful anti-corruption campaigns is *political will*. In the above list, Heilbrunn argues it is evident that policymakers’ incentives “do not include offending entrenched constituents who may oppose sustainable anti-corruption reforms.” One way of a slowing reform is actually an ACA that shows a willingness to fight venality yet postpones difficult acts that may involve political risks.

In the context of corruption control, the concept of political will becomes crucial: that is, the explicit intent of societal actors to attack in a

systematic way not only the manifestations of corruption but also its causes in an effort to reduce or eliminate it. Derick Brinkerhoff defines political will in this sense as: "the commitment of actors to undertake actions to achieve a set of objectives – in this case, anti-corruption policies and programmes – and to sustain the costs of those actions over time."¹⁸ He identifies the key characteristics of political will as:

- locus of initiative for anti-corruption efforts;
- degree of analytical rigor applied to understanding the context and causes of corruption;
- mobilization of constituencies of stakeholders in support of anti-corruption reforms;
- application of credible sanctions in support of anti-corruption reform objectives; and
- continuity of effort in pursuing reform efforts.

Jon S. T. Quah¹⁹ goes further, adding to the need for political will the matters of the example set by a nation's rulers, writing that they must set an example by their own conduct, public as well as private, and adopt "a modest lifestyle." But honesty alone is not enough for a political leader without deeds to back up words. Quah.²⁰ cites the case of Corazon Aquino in the Philippines who, while

more honest than her predecessor, President Ferdinand Marcos... lacked the political will to punish her corrupt relatives. In short, the commitment of the political leaders in fighting corruption ensures the allocation of adequate personnel and resources to the anti-corruption effort, and the impartial enforcement of the anti-corruption laws by the anti-corruption agencies

Complementing political will is the need for *public trust* in anti-corruption agencies and their policies; it is, above all, a partnership. A UN report²¹ stressed just how important this element of confidence is:

Without public confidence in the anti-corruption policies and measures, complaints systems will fail, investigative media reports will remain unsuccessful and anticorruption trials will be futile in the absence of witness testimony.

Anti-corruption and its discontents

While there is clearly a broad consensus that corruption, however defined, needs to be fought, the stark reality is that for all the noise and determination, anti-corruption efforts to date have not been able to significantly reduce corruption.²² Unrealistic expectations have taken root in the public mind, as if to suggest that corruption can be eliminated like smallpox or cholera by the concerted application of clinical procedures. We have become, perhaps, too easily captured by the evocative term *anti-corruption* rather than the more rational and realistic *corruption control*, which de Sousa reminds us to place the issue firmly in the arena of public policy aiming to reduce the opportunity structures for corruption and to punish offenders through the implementation of an integrated set of measures.²³

As we have seen, anti-corruption was slow in gaining traction, especially at the international level. Yet for all the success to date in creating a growing public awareness, with the actions of governments in most countries adopting various anti-corruption measures and in a real beginning to a concerted international approach, the anti-corruption project has its critics and discontents. This is not to say that they favour corruption, but rather, at the conceptual level, anti-corruption is difficult to define with any precision in a way that can be universally applied. Other critics argue that the issue of fighting corruption has been used to advance other, more covert, agendas.

Malte Gephart²⁴ has discerned criticism focusing on several areas:

- the proper definition of corruption;
- the measurement of corruption;
- the liberal-rationalist premises of the predominant theoretical conception of corruption;
- the various legitimacy problems with respect to elected governments that are engaged in the fight against corruption;
- one-sided analyses of the causes and effects of corruption; and
- the difficulty of socially and culturally contextualizing a universalist conception of corruption.

Peter Bratsis²⁵ argues that the much vaunted anti-corruption consensus

is seen as problematic because its concept of corruption is so universal and so unquestioned that its determinations, historical specificities and social functions remain hidden. Bratsis is just one of several critics who take into account historical, cultural, and social specificities, which are overlooked by a universal and ahistorical concept of corruption. He is also critical of the division of the public and the private – so crucial in the World Bank and IMF discourse – which varies from one historical and cultural context to another.

The World Bank and the IMF have attracted criticism for using anti-corruption as a tool for enforcing compliance with the “Washington consensus.” Ivan Krastev²⁶, for example, argues that “anticorruption rhetoric turned to be the major justification for the neoliberal policies in the field of economy and governing.” While large-scale privatisation and downsizing of government might have encountered considerable resistance on their own, it became a different story when they were advocated as part of an anti-corruption strategy.

The consensus on corruption that is a consensus on the economic, social, and political costs of corruption was presented by IMF and World Bank as a consensus on causes for corruption and policies to curb it. What the global and local agreed upon was that endemic corruption hurts economic growth, increases social inequality and erodes democracy. At the same time there are two distinctively different anti-corruption arguments. The free market anti-corruption argument is an argument against the corrupting effect of big government...The democracy anti-corruption argument is an argument against the democracy deficit of the modern societies, but is also an argument against the excessive power of the market. It is not the big government that corrupts – it is the big money that corrupts. It is the illegal funding of the political parties, the criminal closeness between government and business that causes corruption.

Gerald Schmitz²⁷ takes issue with the “good governance” paradigm, so favoured by both the World Bank and the IMF, arguing that in assessing economic performance it serves to shift attention from international systemic factors, such as “adverse conditions, unfair markets or

inappropriate economic reforms” or “lack of institutional capacity to manage processes of adjustment.” Tara Polzer²⁸ is critical of the way in which the World Bank constructs the state purely as a service provider for the economy rather than as a political entity whose legitimacy is derived from the creation of identity for its citizenship and its accountability towards them. Mlada Bukovanski²⁹ identifies hollowness at the core of the anti-corruption discourse, and raises concerns that corruption is all too often seen as best treated by a “technical prescription handed down by social scientists as though it were a cure to all that ails the ‘developing world.’” To what extent, she asks, are countries of the global South included in the process of norm formulation with respect to the anti-corruption norm. The ethical problem of a liberal-rationalist conception of corruption lies in the imposition of anti-corruption standards on societies which have not been included in the process of formulating these standards. Similarly, Maya Chadda³⁰, taking aim at the preoccupation with bribery in Transparency International’s annual Corruption Perceptions Index (CPI), alludes to a cultural bias in its applicability to a developing country undergoing rapid transition from tradition to modernity.

To judge transactions originating in the traditional sphere as corrupt because they clash with the requirements of the legal rational order can be seen as simply an ideological argument for the rapid destruction of the traditional sphere.

Certainly, there is a perception among some critics that the international financial organisations such as the World Bank and the IMF have been both heavy-handed and inflexibly prescriptive in their approaches to corruption. The US legal academic, David Kennedy³¹, coined the term “anti-anti-corruption” to apply to the tendency of questioning the ideological assumptions inherent in the international anti-corruption initiative. He makes the point that anti-corruption becomes far less straightforward and more opaque when it moves from the image of “public officials stealing things” to what he calls “a larger set of issues” involving privatisation, deregulation and free trade.

The anti-corruption campaign also begins to run parallel to a set of historic debates about the relationship between a Weberian rule of

law and development. These debates, however, remain areas of deep contestation; they have none of the certainty associated with the anti-corruption campaign...It is in this sense that the anti-corruption campaign, even at its most reasonable core, remains an ideological project...

The difficulty in defining corruption makes it consequently difficult to pinpoint the economic effects of corruption, on which the World Bank and the IMF have largely based their arguments. With the starting point of the inquiry at economic governance and the deductive nature of their analysis, they leave themselves vulnerable to criticism of ignoring empirical historical research into the very complex relationship (which is by no means clear) between corruption, governance and growth. Critics have been also quick to draw attention to the rapid economic growth of the so-called "economic tigers" of northeast Asia - Hong Kong, South Korea and Taiwan, the success of which appears to fly in the face of the "good governance" paradigm advanced by the World Bank and the IMF, and suggests that radical free-market economics and corruption-free government are not the only path to growth.

North Asian states intervened massively in their economies, often in just those areas that the anti-corruption/Rule of Law literature claims are most susceptible to corruption and rent-seeking behaviour. They protected domestic industry with quotas, tariffs and non-tariff barriers; they had extensive import licensing and foreign exchange control regimes; they screened foreign investments of all kinds, including foreign technology licensing and foreign borrowing; and they allocated scarce credit and foreign exchange to strategic industries.³²

Indeed, a stream of respected economic opinion argues that these interventions by the state, so derided by the international financial organisations as brakes on economic progress, actually assisted in boosting economic growth.³³ One useful proposition to address these apparent anomalies and contradictions is to return to the vexed issue of what it is we are defining and how we define it and seek what John Ohnesorge³⁴ has termed "a more nuanced definition of corruption" from which then to examine the actual interplay between corruption,

governance and growth in actual economies that have developed so successfully, like the Asian tigers, in the 1960s and 1970s.

Anti-corruption, like corruption itself, is far from simple.

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Chapter 4

What do we know and how do we know it?

Perceptions and measurement of corruption

What do the data tell us?

How can we use the data effectively?

Measuring corruption quantitatively is difficult if not impossible owing not just to the illicit and necessarily secretive nature of the transaction, but also the imprecise and sometimes ambiguous definitions of corruption. What is it that is measured? And how do you measure something which not only takes on different forms across societies but also displays considerable variation in terms of its acknowledgement, impact, perception, and extent? There are, to be sure, significant conceptual hurdles in the way of measurement that is required for sound, evidence-based policy making.

Box 4.1 Problems of measurement

- If we can't define corruption precisely, how can we measure it?
- If we can't see it, how can we measure it?
- What is it we are measuring?
- How accurate is the picture?
- How useful is the exercise?

For a start, there is the problem with comparisons. How do the data from one country stack up with data from another when there are so many variables? How can we be certain that what is being measured in one place directly corresponds to what is being measured in another? Despite all attempts to devise meaningful comparisons, the difficulty is that almost all tools and methodologies now in use – and there is a multitude – are, for various reasons, unsuitable for cross-country comparisons. From a public policy point of view, what is needed most are actionable data and the range of existing global indicators are inadequate, based as they are on perceptions, however carefully

gathered and collated. While such data may serve other purposes, such as advocacy, they have very limited application for policy reform. Despite all the evidence to the contrary, a one-size-fits-all mindset continues in attempts to measure corruption, marginalizing or, at worst, ignoring country specificities. It is no accident that the two standout success stories in bringing runaway corruption under control, in Hong Kong and Singapore, were the result of highly specific policy approaches and strategies customised to fit highly specific circumstances.

What is being measured?

The formation of Transparency International (TI) in 1993 followed by the publication of its annual Corruption Perceptions Index (CPI) since 1995 have been most influential factors at work in drawing attention to corruption. Given the media attention devoted to it, and the consequent interest by governments, aid donors and the business world, it is not surprising that considerable weight attaches to the annual rankings. The index, for all its many shortcomings, broke new ground by offering for the first time a systematic basis on which to compare perceptions of corruption across a range of different countries, year by year.¹ The 2013 CPI, for example, gives 177 countries a score from zero to 100, where zero is a perception that the country's public sector is "highly corrupt" and 100 is "very clean".

What is often overlooked, especially in the extensive media discussion, is the essentially narrow and limited scope of the CPI: it is a composite index drawing upon a range of surveys (Box 4.2) mainly aimed at Western business leaders and expert assessment to provide an overview of perceived corruption. The CPI focuses primarily on bribery of public officials, but also on kickbacks in public procurement, embezzlement of public funds, and on questions that probe the strength and effectiveness of anti-corruption efforts in the public sector. As such, it covers both the *administrative* and *political* aspects of corruption, but is concerned solely with the *public sector*.

It needs to be remembered, however, that it is a measure of *perception* rather than *incidence*, and a key question here is: whose perception? In many cases, the surveys do not even include respondents from the

country in question; the questions posed in many of the surveys focus specifically on business transactions, such as the need to pay bribes to secure contracts; and there is a glaring absence of pro-poor and gender sensitive indicators. It is not unlikely, given the parameters, that responses will be shaped to some extent by perspectives of Western business interests and corruption being defined primarily in terms of bribery.

Box 4.2: Data sources for 2013 CPI

- African Development Bank Governance Ratings 2012
- Bertelsmann Foundation Sustainable Governance Indicators 2014
- Bertelsmann Foundation Transformation Index 2014
- Economist Intelligence Unit Country Risk Ratings
- Freedom House Nations in Transit 2013
- Global Insight Country Risk Ratings
- IMD World Competitiveness Yearbook 2013
- Political and Economic Risk Consultancy Asian Intelligence 2013
- Political Risk Services International Country Risk Guide
- Transparency International Bribe Payers Survey 2011
- World Bank - Country Policy and Institutional Assessment 2012
- World Economic Forum Executive Opinion Survey (EOS) 2013
- World Justice Project Rule of Law Index 2013

Source: Transparency International http://www.transparency.org/cpi2012/in_detail (Accessed 22 October 2014)

The CPI is not Transparency International's only attempt at measuring corruption. Since 2002, it has also produced the Global Corruption Barometer, which complements the index. However, unlike the CPI, this is a survey that directly asks questions of the population instead of using "perceived expert opinions" which is liable to substantial bias and has been under criticism as such. The Global Corruption Barometer 2013 draws on a survey of more than 114,000 respondents in 107

countries, and addresses people's direct experiences with bribery, detailing their views on corruption in the main institutions in their countries. It comprises a series of surveys that assess a range of public attitudes towards and personal experience of corruption in personal, business and political life, as well as in education, legal systems, medical services, police, utility services, taxation and permit and licensing services. Like the CPI, it makes no claim to being a perfect, or even an infallible measurement tool, but its obvious virtue lies in the fact that it consults a far more broadly representative group of citizens in seeking to better understand the actual *experience*, rather than the *perception*, of bribery.

Box 4.3: Views on the extent of corruption

People around the world regard corruption as a serious, and in many cases, very serious problem for their societies. On a scale of one to five, where one means 'corruption is not a problem at all' and five means 'corruption is a very serious problem', the average score across the countries surveyed was 4.1.

Source: Transparency International, Global Corruption Barometer 2013. http://www.transparency.org/cpi2012/in_detail (Accessed 22 October 2014)

Another measurement developed by Transparency International is the Bribe Payers Index (BPI), first used in 1999, which aims to "name and shame" those countries whose firms have a propensity to pay bribes abroad, basing its findings on the views of several thousand senior business executives from both developed and developing countries. The BPI 2011 ranked 28 of the leading exporting countries according to the likelihood that their multinational businesses will use bribes when operating abroad. These countries were selected as the leading international or regional exporting countries. Their combined global exports represented 75 percent of the world total in 2006. The ranking is calculated from responses by businessmen to two questions on the World Economic Forum's Executive Opinion Survey. The first question asks for the country of origin of foreign-owned companies doing the most business in their country while the second question is: "In your

experience, to what extent do firms from the countries you have selected make undocumented extra payments or bribes?" Answers are to be given on a scale of 1 (bribes are common or even mandatory) to 10 (bribes are unknown). The BPI ranking is the averaged score, with higher scores suggesting a lower likelihood of using bribery.

The Global Corruption Report (GCR) is what Transparency International calls one of its "flagship" publications, bringing the expertise of the anti-corruption movement to bear on a specific corruption issue. Most recent reports have focused on corruption in climate change, the private sector, water and the judiciary. In 2013, Transparency International published a report on the Government Defence Anti-Corruption Index, which evaluates the risk of corruption in the military sector of 82 countries as well as evaluating what the largest defence companies do, and fail to do, to prevent corruption.²

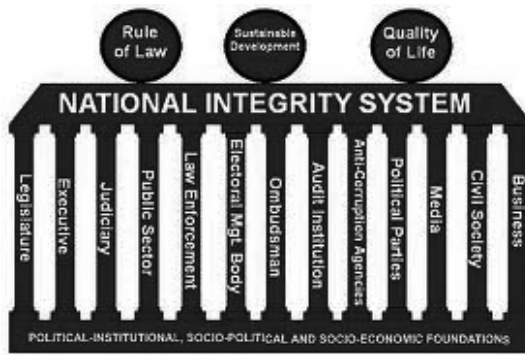
Box 4.4: Impact of foreign bribery

Foreign bribery has significant adverse effects on public well-being around the world. It distorts the fair awarding of contracts, reduces the quality of basic public services, limits opportunities to develop a competitive private sector and undermines trust in public institutions.

Source: Transparency International, Bribe Payers Index 2011. <http://www.transparency.org/bpi2011> (Accessed 20 August 2014)

Another assessment pioneered by Transparency International is the National Integrity System³ assessment which makes use of the "Greek temple" model devised by TI to represent the holistic approach to countering corruption, consisting of the principal institutions and actors that contribute to integrity, transparency and accountability in a society (Fig. 4.1). The underlying idea is that if any of the supporting pillars fail, the roof will tilt and affect the finely balanced "balls" of rule of law, sustainability and quality of life.

Fig. 4.1: Transparency International National Integrity System



Source: Transparency International

Assessments are carried out on an individual country basis and examine both the formal framework of each “pillar” and the actual institutional practice. The analysis highlights discrepancies between the formal provisions and the reality at work, with recommendations for improvement.

Transparency International has since been joined in the measurement project by a number of other influential corruption watchers. The World Bank’s ongoing survey of worldwide governance indicators has yielded the Control of Corruption Index, which seeks to measure the extent to which power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests. The Tax Justice Network has come up with the Financial Secrecy Index⁴ that highlights places around the world that offer relatively safe tax havens. The index was calculated in 2013 and includes data from 82 countries and territories. By ranking jurisdictions according to both their secrecy, and the scale of their activities, the organisation aims to provide a ranking of them in terms of financial secrecy and ability to evade taxes.

The origin and development of corruption indices have been seen as the high watermark in what Bryane Michael and Donald Bowser⁵ have characterised as the “first wave” of the anti-corruption project. But

cross-country comparisons, as we have seen, are problematic. One way, however, to draw valid comparisons has been devised by the NGO Global Integrity, with its meticulously researched Global Integrity Report⁶, part of the so-called “second wave” of corruption metrics. Following on from the “first wave” of creating awareness of the extent and prevalence of corruption, the “second wave” takes a different tack in seeking to bring about policy change through targeting resources more effectively and establishing guidelines for achieving incremental reform. The Global Integrity Report, aimed at a general audience, is intended to help identify and anticipate the areas where corruption is more likely to occur within the public sector, methodically scrutinising and analysing the public policies that prevent, discourage, or expose corruption. The report evaluates both anti-corruption legal frameworks and the practical implementation and enforcement of those frameworks, and takes a close look at whether citizen can effectively access and use anti-corruption safeguards. The report is prepared by local researchers, lawyers, journalists, and academics using a double-blind peer review process. Several thousand in-country contributors have participated in preparing the report since 2004.

Clearly, there has been burgeoning interest in seeking to measure and compare the incidence of corruption and chart its effects, as well as efforts to combat and control it. But what do the various surveys and indices really tell us? To what extent can we make generalisations about the incidence of corruption based on whether individuals in a particular country admit to paying a bribe? Or, to look at another perception, does increased media coverage of corruption correspond to increased corruption or does it highlight a growing awareness, and even, perhaps, a more successful anti-corruption effort?

Policy implications

Public policy primarily is about identifying and addressing problems in order to bring about a series of desired outcome, so in this sense it is useful to ask to what purposes we can apply to what we know about corruption. How can our knowledge of the extent, incidence and type of corruption in a society be used to inform the policy process? A very obvious starting point from the CPI, regardless of doubts about its

reliability, is that it identifies the existence of a problem, and if there is a perception about corruption, especially if it is perceived to be serious, then that perception needs to be addressed. To put it more simply: what can we do with what we know?

The debate over the reliability of the various indices notwithstanding, it is indisputable that we now know more about corruption than we did before the attempts at measurement began. Policy-makers now have a set of indicators with which to work, and the measurement initiatives have been hailed as emphatically value-adding in “that they produce indicators which are both transparent and concrete enough to be more directly useful for policymakers...to identify specific kinds of change.”⁷ According to one analysis: “Measures of bribery and corruption are essentially policy tools. Their role is to guide effective policy formation and review.”⁸

Evidence suggests that all of the best known metrics are of interest to policy-makers and do, to a varying extent, influence policy settings. One case study of a developing country with a high perception of corruption, Jamaica, shows policy-makers paying keen attention to the country’s performance on the CPI, acknowledging that corruption is a key hindrance to development policies, and adjusting policy responses accordingly.⁹ Of course, whether those policy responses are appropriate or whether they have any demonstrable effect, is another matter altogether. In the case of a developed country, consistently ranked as one of the world’s least corrupt nations, New Zealand, close attention is paid to Transparency International’s National Integrity System assessment, with policy responses formulated to address identified integrity weaknesses, such as accelerating progress on ratifying several international agreements and improving transparency in the legislature and public sector.¹⁰

Whatever the imperfections of the various measuring tools, policy-makers simply cannot afford to ignore them, given the prominence of media coverage and the public disquiet they provoke.

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Chapter 5

Why fight corruption?

The inevitability of corruption

Is corruption useful?

Can it be controlled?

One of the very few things about corruption of which we may be absolutely certain is that it is always with us; it always has been, and always will be. No society has ever been immune to it; no society, however great the effort, has ever succeeded in eliminating it. With such a pessimistic perspective, are all attempts to control or reduce corruption doomed to failure? Is the anti-corruption mission unrealistic? It is wasteful, and ultimately futile, to devote scarce resources to a fight that cannot be entirely won? Is corruption, despite whatever is thrown up in a bid to combat it, simply inevitable?

Box 5.1: Part of the system?

Corruption, like violence, must be understood as a regular, repetitive, integral part of the operation of most political systems.

Source: James C. Scott, *Comparative Political Corruption*, Prentice Hall, Englewood Cliffs, NJ: 1972, p. 11.

To put it another way, is it more practical to regard corruption as a systemic inevitability rather than an aberration? And, if so, what should we do about it? The arguments have not always been in favour of fighting corruption; indeed, some powerful scholastic endeavour has propounded the contrary - that is, we should learn to live with it as it is not always such a bad thing. It was seen in some quarters as the smart way to work around a sluggish or unresponsive bureaucracy - such as the payment of "speed money" - to achieve a desired outcome. It was even argued that officials who took bribes actually worked harder, with

the bribe acting as a productivity inducement. A corollary of this argument was that it could serve as a means of actually improving the quality of public servants, whereby a person of talent might be unwilling to work for low pay might find adequate compensation if the means existed to supplement a meagre salary.¹

An argument formulated by a distinguished political scientist in the Philippines, Jose V. Abueva, and drawing on lessons from his own society, maintains that in a modernising society undergoing rapid political, economic and social change, corruption can actually perform unifying and stabilising functions, such as creating space for enhanced participation in public affairs, assisting in the formation of a viable party system through aggregation of interests, and increasing bureaucratic accountability to political institutions.²

Corruption figures prominently in the discourse of modernisation, an inevitable by-product of economic development. Samuel Huntington argues that modernisation breeds corruption because of the shift that takes place in the basic values of society from traditional allegiances and loyalties to a gradual acceptance of achievement-based norms.

Behaviour which was acceptable and legitimate according to traditional norms becomes unacceptable and corrupt when viewed through modern eyes. Corruption in a modernizing society is thus in part not so much the result of the deviance of behaviour from accepted norms as it is the deviance of norms from the established patterns of behaviour.³

In Huntington's analysis, the creation of new sources of wealth and power encourages corruption as new groups with new resources seek to make themselves effective within the political sphere. Further, the expansion of governmental authority and the widening of the scope of activities subject to governmental regulation create new opportunities for corruption. But, overall, Huntington sees a three-fold advantage in facilitating political integration: drawing in those groups previously alienated, offering viable alternatives to violence to pursue objectives, and creating the basis for a political system. It is, however, a transitional feature of that part of the modernising process that creates an

expansion of political consciousness and its corollary, political participation. The reduction of corruption, in the long run, "requires the organizing and structuring of that participation. Political parties are the principal institution of modern politics which can perform this function."⁴ In a similar vein, James C. Scott⁵ saw corruption as serving useful purposes in the strengthening of emerging political institutions by overcoming cleavages among elites, encouraging a sense of unity and purpose, and serving the formation of conservative coalitions.

In an influential article in 1967, Joseph Nye⁶ looked at the relationship between corruption and political development, analysing it through a cost-benefit framework. He suggested that in terms of political development, corruption could *possibly* contribute to the solution of three major problems – economic development, national integration and governmental capacity. In terms of *economic development*, he saw it contributing through capital formation (when private capital is scarce and government lacks capacity to raise sufficient taxes), cutting red tape (when regulation impedes the operation of a market) and in fostering entrepreneurship (when ideology is biased against incentives). In looking at *national integration*, Nye identified possibilities for integrating otherwise hostile elites as well as the integration of non-elites. *Governmental capacity* could be increased by the creation of supporting institutions such as political parties that might not always be able to raise funding by orthodox means. Nye acknowledges that corruption can also be wasteful of scarce resources and even hinder economic development or direct it in socially less desirable directions, but while corruption may not prove beneficial for resolution of development problems in general, "it may prove to be the only means to solution of a particular problem."

In a 1964 article, Nathaniel Leff⁷ offered the view that corruption – when seen as "an extralegal institution used by individuals or groups to gain influence over the actions of a bureaucracy" – indicated only that such groups participated in the decision-making process to a greater extent than would otherwise be the case. Listing the "positive effects of corruption", Leff sees it as a means to bypass the indifference or hostility of government, as a way of achieving economic priority, helping to reduce risk and uncertainty in investment, as incentive for innovation, as introducing competition and efficiency into a bureaucratic system,

and as a “hedge” against bad policy in that it might serve to produce more effective policy than the official policy. Taking issue with the “moralistic” arguments against corruption, Leff argues that while there are negative effects, the consequences of corruption for development, under certain circumstances, are not as serious as usually assumed, and much of the criticism emanates from “the political, economic, and ideological interests of particular groups.”⁸

The entry into the emerging anti-corruption arena in the 1990s by the World Bank and the IMF, and the creation of Transparency International, largely put paid to the idea of benign corruption; a broad consensus was constructed around the idea that corruption was a brake on economic development and had to be fought and reduced. In 2010, however, the old arguments were revisited by economist Raymond Fisman in the pages of the august *Wall Street Journal*⁹, and drew a stinging rebuttal from François Valerian, head of Transparency International’s private sector programmes: “There is no good corruption.”¹⁰ Acknowledging that circumventing bureaucracy was clearly a powerful motive for corruption, it was also obvious that any individual paying a bribe did so in order to gain profit from that payment. It was therefore not enough to say that corruption brought benefits to the bribe-payer; it was also necessary to consider the respective merits, for the general population, of a system plagued by corruption, and of a system with reduced or minimal corruption.

Dr. Valerian went on to take issue with the second argument mounted by the *WSJ* article – namely, that one element in business success is reliance on informal networks and bureaucratic conflicts of interest. While this conferred a degree of competitive advantage, and that the exploitation of this advantage through bribes or kick-backs may bring them substantial profits, it was also true that legal and reputational risks were today increasing for those tempted by such behaviour, and more importantly, the failure by corrupt civil servants to adequately perform their duties created a potential damage to economic fairness and public good.

A third argument addressed in the rebuttal was that of the so-called “Suharto model”, named after the former Indonesian dictator, in which

corruption, though rampant, was centralised, predictable and stable, and a driver of long-term economic growth, in which bribe payments were factored in like taxes by the corporations, which benefited from operating in a business-friendly environment. Not so, argued Dr. Valerian. There is a major difference between bribes and taxes: bribes go to an individual whereas taxes go to the public budget.

This difference may be insignificant for the bribe-payer who wouldn't worry about legal consequences, and would agree to pay high bribes and low taxes in a business-friendly environment. The difference is huge, though, for the general population which would have benefitted from the taxes being used in the budget, and does not benefit from the bribes being paid. Only a marginal amount of the Suhartos' wealth was spent in charitable activities or local development, and even the amounts reinvested in local economic activities did not represent, by far, the entirety of the wealth which was saved or reinvested elsewhere, mostly through secret accounts in developed countries.

The final argument dealt with concerned what Professor Fisman characterised as the difference between "roving bandits" and "stationary bandits" – meaning that with a ruler like Suharto, the corruption was as predictable as it was controlled, but if he were removed, the result would be wider and less controlled corruption which would discourage business. Dr. Valerian rejects this, arguing that what is being implied is that after a strong dictator, most countries are incapable of creating a viable quasi-democratic system of checks and balances and that for those countries "the power of an iron fist would be close to an optimal state", and that would encourage foreign investment. Sub-contracting law and order to a powerful man may be the most efficient way of doing corrupt business, he argues, but there is no benefit for the local population in maintaining such a system.

Changing attitudes

The rapid integration of the global economy we now know as globalisation hastened a rethink on attitudes towards corruption, and the every-widening spread of the market economy brought about a

greater need for not only stability and certainty, but also for the broader application of common rules. As momentum gathered, corruption was less likely to be seen merely as benign local practices such as “speed money” and “facilitation payments”, and increasingly as a distortion of the market and a disincentive to investment. The interest of economists in the problem of corruption (and corruption as a problem), feeding through to the IMF and the World Bank, saw a marked shift in the way in which corruption was viewed, and this was felt most acutely in the field of aid and development.

The end of the Cold War signaled a move away from aid as an ideological weapon to the more analytical concept of “aid effectiveness.” The key question was now: What is happening with the money? Where is it going, and what is being done with it? No longer would major donors turn a blind eye to “massive embezzlement and extortion by officials in recipient countries, weak financial administration, and lack of oversight [which] have limited the effect of international assistance.”¹¹ Aid effectiveness quickly became a central notion in the lexicon of the aid industry, in contrast to the situation during the Cold War, when official donors had little if any hesitation in providing major funding to notoriously corrupt governments like that of Mobutu in Zaire and Marcos in the Philippines.¹²

Box 5.2: The cost of bribes

“The cost of bribes falls primarily on the poor. When a corrupt contractor from this or some other rich country pays a 15 percent bribe, he adds that to the price of his contract. His power station or irrigation scheme will cost more, and the little people – those who buy the electricity or the water to irrigate their crops – will pay the price of that bribe. Bribery is a direct transfer of money from the poor to the rich.”

Source: British MP Hugh Bayley, House of Commons, *Hansard*, 25 February 1998.

Development discourse reflected this, with a *consequentialist* approach that emphasised on one hand, the negative effects of corruption on growth, and on the other hand, distribution or poverty; for example, exclusion of the poor as a result of petty corruption. However, while this remained the dominant approach, it became apparent that it exposed the anti-corruption agenda “to partial – and possibly shifting – interpretations of empirical results.”¹³ An alternative was to take a *duty-based* approach, which meant viewing corruption as something inherently wrong in itself, and involving deception that undermined the moral and rational capacities of societies and citizens alike. Actions or practices were ethically right or wrong depending on the characteristics of the actions themselves, rather than their consequences.

With not only aid donors, but also the international financial organisations, now taking a more critical view of aid flows to the developing world, a broad case against corruption, drawing on a range of data, informed the growing anti-corruption consensus. The World Bank, in particular, has repeatedly identified corruption as the single greatest obstacle to economic and social development. Despite some views to the contrary, it was now generally agreed that corruption had more negative than positive effects on economic development, especially with the encouragement of the market economy.

The World Bank, for its part, addressed the “grease the wheels” argument in favour of bribes as incentive payments by arguing that the line of reasoning simply failed to take into account any objective other than immediate, short-term efficiency. Beyond this, such an approach created expectations of bribery which could distort the number and types of contracts put up for bid, the method used to award contracts, and the speed or efficiency with which public officials do their work in the absence of bribes. In addition, it could also delay much needed macro-economic policy reform to drive economic growth.

In the long run, opportunities for bribery are likely to lead public officials to change the underlying rules of the game or their own behaviour in the absence of bribes, and the results are likely to be costly in terms of economic efficiency, political legitimacy, and basic fairness.¹⁴

For business, corruption clearly increases both costs and risks, not just with illicit payments themselves, but also the management cost of negotiating with officials and the reputation and prosecution risk of breached agreements or detection. Anti-corruption campaigns also created a wider acknowledgement of the ways in which corruption generates economic distortions in the public sector by diverting public investment into capital projects where bribes and kickbacks are more prevalent, thus running counter to the aims of major donor-funded development projects. Corruption also lowers compliance with construction, environmental, or other regulations, reduces the quality of government services and infrastructure, and increases budgetary pressures on government. The IMF's Vito Tanzi summarised in a widely circulated 1998 paper¹⁵ the ways in which corruption distorted markets and the allocation of resources, thereby constraining economic growth by:

- reducing the ability of government to impose necessary regulatory controls;
- distorting incentives;
- acting as an arbitrary tax;
- reducing or distorting the fundamental role of government;
- reducing the legitimacy of the market economy; and
- increasing poverty by reducing income earning potential of the poor.

Box 5.3: How corruption affects economic growth

Corruption distorts incentives and market forces, leading to misallocation of resources.

Corruption diverts talent and resources, including human resources, towards "lucrative" rent-seeking activities, such as defence, rather than productive activities.

Corruption acts as an inefficient tax on business, ultimately raising production costs and reducing the profitability of investments.

Corruption may also decrease the productivity of investments by reducing the quality of resources. For example, by undermining the quality and quantity of health and education services,

corruption decreases a country's human capital.

Rent-seeking behaviour is also likely to create inefficiencies, fuelling waste of resources and undermining the efficiency of public expenditure.

Source: Transparency International, "The Impact of Corruption in Growth and Inequality", 2014. http://www.transparency.org/files/content/corruptionqas/Impact_of_corruption_on_growth_and_inequality_2014.pdf (Accessed 3 September 2014)

Just as corruption can distort economic performance, it can also act as a corrosive agent on governance, undermining democracy and the public interest by flouting, by-passing and subverting formal processes. It has been likened to a cancer that "eats into the cultural, political and economic fabric of society, and destroys the functioning of vital organs."¹⁶ Corruption in elections and in the legislative process undermines accountability and distorts policy-making; corruption in the judiciary compromises the rule of law; and corruption in public administration subverts the public interest and leads to the inefficient provision of services. More generally, corruption erodes the institutional capacity of government if procedures are disregarded, resources are siphoned off, and public offices are bought and sold. Corruption even undermines the very legitimacy of government by corroding essential democratic values such as trust and tolerance. It negates the whole idea of civic virtue and works against the bureaucratic values of equity, efficiency, transparency, and honesty. In doing so, it weakens and enfeebles the ethical fabric of the civil service and prevents the emergence of well-performing government capable of developing and implementing public policies that promote social welfare.¹⁷ The effects of unchecked corruption at a national level can mean that people's effective participation and representation in society is lessened; at a local level, the persistence of corruption can make day to day lives more painful for all affected, impacting heavily on the quality of life.

The political imperative: corruption as crisis

Exposure of corruption creates very special political problems. It is, in a

very real sense, a crisis: that is a difficult or dangerous situation that needs urgent attention. For an incumbent government, news of a corruption scandal poses an immediate dilemma. The first question to a president, prime minister or responsible minister invariably runs along the lines of: did you know about this? If the answer is yes, then why did you not take action? If the answer is – and it usually is – no, then the obvious rejoinder is: why did you not know? Your job is to know these things! The public feels not only betrayed, but vulnerable; a sacred trust has been broken.

Box 5.4: Corruption as crisis

- The system is failing.
- Why aren't the laws being enforced?
- How long has this been going on?
- Who knows about it?
- Why haven't we been told before?
- Who else is in on it?
- How bad is this?
- What else do we not know?
- What is being done?

The political response to corruption is much the same as with any crisis. Notice will be taken of initial reaction, especially that reflected in the media. The government will usually act cautiously, trying to reassure an anxious public; the way the media report this, and the public response, will be again be examined – this time with a calculation of the political risks involved. Such events are almost always damaging to an incumbent government, and there is always a very real likelihood that any subsequent investigation, which the public generally demands, will uncover more of the same – and within it the prospect of ongoing political damage. On the other hand, to not act, or to take what might be seen as too little action, is to risk the perception of either a cover-up, or even worse, that of appearing to condone corruption. Governments are generally wary of calls for anti-corruption investigations whereas they are much favoured by opposition parties. However, the public disquiet, and the resulting clamour for action, is difficult to ignore, and

in some cases – noted mostly with the rise of post-Cold War multi-party systems in central and eastern Europe – governments have embraced the anti-corruption cause, if only to control the anti-corruption discourse.¹⁸

Box 5.5: Containing corruption

Corruption can be contained within acceptable limits through political will, democratic ethos, fragmented countervailing power, legal-rational administrative norms, inculcation of personal honesty and integrity, and effective enforcement of public ethics, although its complete elimination is still beyond human capability.

Source: Gerald E. Caiden, "Corruption and Governance", in: G. Caiden, O. Dwivedi, and J. Jabbra, eds. *Where Corruption Lives*, Bloomfield, CT, Kumarian Press, 2001, pp. 17-26.

However, the force of public opinion cannot be underestimated when it comes to issues of corruption. Citizens of developing countries are demanding better performance and greater accountability from governments, and they are increasingly aware of the costs of poor management and corruption, which are reflected in the quality of essential services. The specter of corruption is increasingly heard as a rallying cry in election campaigns, with politicians (especially from opposition parties) employing the issue of curbing corruption as a campaign promise. Citizens' movements have also become prominent in demanding action against corruption, and were a major factor in the so-called Arab spring uprisings against inept and corrupt regimes. It is now widely recognised that neither governments, however well-intentioned, nor pressure from international organisations and NGOs can make inroads into anti-corruption without the active involvement of civil society, which has been a major development of anti-corruption in the 21st century. The Jan Lokpal Bill in India (also known as the Citizens' Ombudsman Bill), is a good example of an initiative originating not with government, but rather with civil society activists.¹⁹

Box 5.6: The political response

- How are the media reporting it?
- What is the public perception?
- What are the political risks?
- Cautious initial response.
- Media reaction/public perception.
- Recalculate the risks.

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Chapter 6

Survey: The G20 in the Asia-Pacific region

Apart from the size of their economies, the six regional G20 countries have little in common except relative geographical proximity. The forces that have shaped them are as diverse as their peoples, cultures and languages; it is therefore not surprising that their systems of governance have evolved along radically dissimilar trajectories – war and revolution in China; war and defeat in Japan; foreign occupation, war and dictatorship in South Korea; European colonisation in India and Indonesia; and European colonial settlement in Australia.

In terms of corruption, the six countries are similarly diverse; three relatively “clean” (Australia, Japan, South Korea) and three with significant corruption problems (India, Indonesia, China). To what extent the group (and especially the latter three) can act to significantly reduce corruption remains problematic; to what extent the group as a whole can do to lead the fight against corruption in the region is even more problematic. As Table 6.1 shows, there is wide discrepancy across the six in terms not only of corruption ranking but of governmental and financial transparency.

While the collective intention of the G20 anti-corruption initiative is clear, the mixed success of anti-corruption efforts among its own members inevitably casts a shadow over prospects of these intentions being realised. Despite all the anti-corruption rhetoric, the G20 countries continue to fall short of their own declared goals, and a number of areas stand out in this regard.

Whistleblowing

A 2014 study¹ commissioned by Transparency International on the G20 countries’ declaration in 2010 that they would have adequate measures in place by 2012 to protect whistleblowers and provide them with safe, reliable avenues to report fraud, corruption and other wrongdoing, was critical of the lack of progress. Despite significant advances in some

areas, the report noted that as a whole “they have fallen short of meeting this commitment. Many G20 countries’ whistleblower protection laws fail to meet international standards, and fall significantly short of best practices.”

Foreign bribery

Corrupt practices by corporations from wealthy countries impact the less developed world in a multitude of ways, undermining development and exacerbating inequality and poverty. They disadvantage smaller domestic firms. They transfer money that could be put towards poverty eradication into the hands of the rich, and distort decision-making in favour of projects that benefit the few rather than the many. They also increase debt; benefit the company, not the country; bypass local democratic processes; damage the environment; circumvent legislation; and promote weapons sales.²

Of the three regional G20 members that are signatories to the OECD anti-bribery convention (Australia, Japan, South Korea) Australia is assessed as being only “moderate” in its enforcement efforts while Japan and South Korea are rated as “little or no enforcement.”³

Box 6.1: Who pays?

“There is always somebody who pays, and international business is generally the main source of corruption.”

- George Soros-

Source: “Fund Management Guru Reveals Doubts”, *Financial Times*, 8 December 1998.

In the case of Australia, the report highlighted inadequacies in the existing legal framework, in particular uncertainty over whether the law requires for establishing the offence of foreign bribery to identify the particular official in the foreign country who was bribed or was the target of a bribe attempt. The lack of a comprehensive and effective whistleblower protection law is another significant inadequacy identified.

Regarding Japan, the report expressed concern that Japan had not ratified the United Nations Convention against Corruption (UNCAC), which impeded effective international cooperation. It was also critical of the enforcement system for foreign bribery which was not sufficiently resourced and there was insufficient coordination between prosecution and investigative bodies. The working group was further concerned by low levels of awareness of foreign bribery offences amongst accounting, auditing and legal professionals. Of South Korea, the report found that financial sanctions for foreign bribery remained inadequate and whistleblowers from the corporate sector in South Korea lacked sufficient protection. Investigation and prosecution authorities were not adequately resourced and the private sector was not well informed about the offence and many companies lacked adequate internal controls to prevent and detect bribery.

Other areas

The issues of recovery of stolen assets, tax havens and banking and investment transparency remain key areas of concern in the G20 anti-corruption project, and areas in which a higher degree of information sharing is needed. The current lack of uniformity in agreement on common principles will continue to hamper international anti-corruption efforts. The G20 has repeatedly recommended that all member states adhere to the OECD Anti-Bribery Convention, but China, India, Indonesia and Saudi Arabia have not yet done so. In view of their growing role in international business, they should do so promptly, according to Transparency International, which also encourages Hong Kong, Malaysia, Singapore and Thailand to join the Convention.⁴

Table 6.1 Comparison of G20 Asia-Pacific countries

Country	CPI 2013 rank and score out of 100	Corruption control percentile ^a	Open Budget Index ^b	Financial Secrecy Index Rank score value ^c			Bribe Payers' Index Rank/score ^d	UNCAC status	Signed OECD Anti-Bribery Convention
Australia	9/81	96	Not rated	44	47	168.1	6/8.5	Signed 2003, ratified 2005	Yes ^e
China	80/40	33	11	Not rated			25/6.5	Signed 2003, ratified 2006	No
India	94/36	33	68	32	46	254.5	19/7.5	Signed 2005, ratified 2011	No
Indonesia	114/32	27	62	Not rated			25/7.1	Signed 2003, ratified 2006	No
Japan	18/74	92	Not rated	10	61	513.1	4/8.6	Signed 2003, not ratified	Yes ^f
South Korea	46/55	69	75	24	54	328.7	13/7.9	Signed 2003, ratified 2008	Yes ^f

- Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country; higher values indicate better governance scores.
- The Open Budget Index compiled by the International Budget Partnership, assigns countries a transparency score on a 100-point scale using 95 questions from a survey. The questions focus specifically on whether the government provides the public with timely access to comprehensive information contained in eight key budget documents. The Open Budget Index measures the overall commitment of countries to transparency and allows for comparisons among countries.
- The Financial Secrecy Index, compiled every two years by the Tax Justice Network, ranks jurisdictions according to their secrecy and the scale of their activities. The rank in the table, the score and the weighting are listed here. The values are calculated by combining a qualitative measure (a secrecy score, based on 15 secrecy indicators) with a quantitative measure (the global weighting to give a sense of the size of the offshore financial centre).
- The Bribe Payers Index, compiled by Transparency International, is a measure of how willing a nation appears to comply with demands for corrupt business practices. It ranks 28 of the leading exporting countries on the likelihood that their multinational businesses will use bribes when operating abroad. The ranking is calculated from responses by businessmen to two questions on the World Economic Forum's Executive Opinion Survey. The first question asks for the country of origin of foreign-owned companies doing the most business in their country. The second question is: "In your experience, to what extent do firms from the countries you have selected make undocumented extra payments or bribes?" Answers are to be given on a scale of 1 (bribes are

common or even mandatory) to 10 (bribes are unknown). The BPI ranking is the averaged score, with higher scores suggesting a lower likelihood of using bribery.

- e. Compliance rated as “moderate”.
- f. Compliance rated as “little or none”.

Australia

While Australia has consistently performed near the top of the table in the annual Transparency International rankings, its reputation has taken a hit in recent years with two high-profile international corruption cases – the kickbacks paid to Iraq under Saddam Hussein for wheat exports in contravention of UN sanctions and a regional scandal involving currency note printing by a company associated with Australia’s central bank involving Vietnam, Malaysia and Indonesia. Several other scandals involving Australian public officials, most notably in the border protection and customs services and the public procurement sector, have drawn attention to a lack of enforcement of Australia’s anti-bribery provisions in the Criminal Code.⁵ Domestically, Australia has seen a marked increase in political corruption, but still resists calls to set up a national anti-corruption agency.

Problem areas

Recent volatility in global markets and increased pressure to win and retain business make companies vulnerable to corruption. The risk of bribery and corruption is furthermore enhanced by the decentralised government structure in Australia. There has been rising concern about the constantly increasing threshold for disclosure of political donations, which in 2011 reached \$US12,000, meaning that disclosure of information about gifts and donations received by political parties is not required below this minimum threshold. The Australian Shareholders Association, for example, has raised the issue of political donations, arguing that many of the donor companies conduct business in an area affected by government policy and are likely to benefit from government contracts, thus making the donations a form for bribery. The current legislative framework increases the possibility of corruption in the Australian political system, since there is no upper limit for donations and the influence of individual companies or persons can be ensured by a large donation. Current legislation has several major loopholes

that make conflicts of interest of the elected politicians harder to track and detect, according to the Business Anti-Corruption Portal. Corruption, however, is ranked as one of the least problematic factors for doing business in Australia.⁶

Anti-corruption efforts

Australia maintains a comprehensive system of laws and regulations designed to counter corruption. In addition, the government procurement system generally is transparent and well regulated, thereby minimizing opportunities for corrupt dealings, according to the US State Department's 2013 survey on investment climate.⁷ However, there is still no dedicated national anti-corruption agency; the preferred option is a multi-agency approach, and both major political parties support that position. Australia has a number of agencies which prevent and detect corruption, including the Australian Commission for Law Enforcement Integrity (ACLEI), the Australian Crime Commission (ACC), the Commonwealth Ombudsman, the Australian National Audit Office (ANAO) and the Australian Federal Police (AFP). All agencies must maintain plans for preventing and reporting corruption. At the sub-national level, each of the states now has an anti-corruption agency, and there is an Ombudsman in each jurisdiction as well at the national level. Whistleblower protection, financial disclosure and freedom of information are all provided for under Australian law.

There has been sustained criticism of Australia's apparent lack of action in prosecuting foreign bribery cases despite its being a signatory to the OECD Anti-Bribery Convention. While the OECD Working Group on Bribery in 2012 welcomed Australia's efforts, it expressed "serious concerns that overall enforcement of the foreign bribery offence to date has been extremely low."⁸

Australia continues to provide technical assistance to a range of countries to support implementation of the UNCAC, and more broadly provides assistance to support improvement in the regulation of areas such as anti-money laundering, proceeds of crime and international cooperation that complement the aims of the UNCAC. Since 2010, Australia has been working with the Philippines, Thailand, Indonesia and Malaysia to improve the production and dissemination of financial

intelligence relevant to the fight against corruption through the Combating Corruption and Anti-Money Laundering Programme. The programme aims to establish stronger domestic and regional cooperation among financial intelligence units, regulators and anti-corruption agencies.⁹

China

Concerns about corruption go deep in China's history. The Chinese government admits to a corruption problem and the country is currently undergoing yet another major anti-corruption drive, with the issue of corruption dominating the agenda at the last party congress. But world opinion is deeply divided on the meaning of current efforts: genuine reform or political witch-hunt? Since Xi Jinping became general secretary of the Communist Party in November 2012, China has seen almost 63,000 party officials punished, including more than 30 very senior figures. Almost 70 officials under investigation have committed suicide.¹⁰ Freedom House notes that "prosecution is selective and highly opaque, with informal personal networks and internal CCP power struggles influencing both the choice of targets and the outcomes."¹¹ The Business Corruption Portal is less sceptical, observing that the current campaign "is producing evidence that Xi is to break the party's long-established unwritten rule of immunity for members of the Politburo Standing Committee."¹² But even despite the questions about how genuine the government's repeated attempts to clamp down on corruption are, an even larger question remains as to whether the CCP is winning or losing the war on corruption.¹³ There is, however, no doubting the level of both official and public concern aroused by corruption, with the government's own White Paper in 2012 observing: "Corruption is a socio-historical phenomenon, an inveterate global ailment and an issue of great concern to the general public. It is the firm stance of the Communist Party of China and the Chinese government to combat corruption and build a clean government."¹⁴

Problem areas

Corruption remains endemic in China. Sectors requiring extensive government approval are the most affected, including banking, finance and construction. Anti-corruption investigations are hampered by a lack

of an independent media, as well as the fact that all bodies responsible for conducting corruption investigations are controlled by the Communist Party. Senior officials and family members are suspected of using connections to avoid investigation or prosecution for alleged misdeeds.¹⁵

Corruption is rife within the health sector. Low salaries and underfunded healthcare facilities mean that doctors often solicit bribes, commonly known as *hongbao* (red envelopes), from patients who seek speedier treatment and for seeking kickbacks from pharmaceutical companies peddling overpriced drugs. Police corruption is widespread.¹⁶

Anti-corruption efforts

The Supreme People's Procuratorate and the Ministry of Public Security investigate criminal violations of laws related to anti-corruption, while the Ministry of Supervision and the Communist Party Discipline Inspection Committee enforce ethics guidelines and party discipline. China's National Audit Office also inspects accounts of state-owned enterprises and government entities. According to Chinese law, accepting a bribe is a criminal offence with a maximum punishment of life imprisonment or death in "especially serious" circumstances. A 2011 amendment to the Criminal Law made offering large bribes to foreign officials or officials of international organisations a punishable offence, although there has yet to be a prosecution. The Chinese Constitution provides for whistleblower protection.

India

Corruption was a central issue in India's 2014 elections, largely as a result of scandals involving high-level politicians receiving kickbacks in the healthcare, IT and military sectors. Since 2011, a plethora of anti-corruption legislation has been introduced to parliament but largely stalled, prompting a US State Department report to comment that "little concrete action has been taken to curb the problem."¹⁷

Problem areas

Corruption is present at all levels of government. NGOs working in India report a high level of bribery, typically paid to expedite services, such

as police protection, school admission, water supply, or government assistance.¹⁸ Freedom House reports that corruption is prevalent in the lower levels of the judiciary, and most citizens have difficulty securing justice through the courts.¹⁹ Companies experience corruption in every sector of the Indian economy, but experiences and perceptions differ depending on where they operate. India has a decentralised federal government system in which regulatory requirements and corruption vary widely from region to region. In 2013, a major investigation was launched into allegations of bribery and corruption involving several senior officials and helicopter manufacturer Agusta/Westland surrounding the purchase of a new fleet of helicopters. India subsequently cancelled the contract.²⁰

Political corruption remains a massive problem in India, and one that goes largely unaddressed. As The Economist has noted, India's entry into the global economy has created unprecedented opportunities for dishonesty, and has brought into existence point to "a well-established system of graft, partly linked to political funding", with illegal party funding at the heart of corruption.²¹

Anti-corruption efforts

There has been a steadily growing awareness of the issue of corruption in India and a rising wave of civil society activism which have led to an increasing number of anti-corruption initiatives, although their effectiveness has yet to be demonstrated.

India has a number of institutions at the federal and state levels with the authority to deal with allegations of corruption. At the national level, the Central Vigilance Commission (CVC) is the most prominent, though its powers are limited and its political independence has been questioned. The Central Bureau of Investigation (CBI) operates under the Ministry of Personnel, Pension and Public Grievances and incorporates an Anti-Corruption Division with power to investigate cases of alleged corruption in all branches of the central government, ministries and public sector agencies. The Prevention of Corruption Act 1988 (amended 2008) aims specifically at curbing corruption, criminalising active and passive bribery, extortion, abuse of office and money laundering.

In 2010, the CVC announced a long-term government anti-corruption initiative, the Draft National Anti-Corruption Strategy, but an assessment by a steering group of ADB/OECD Anti-Corruption Initiative for Asia and the Pacific reported that the implementation of the strategy had been weak.²² As of 2014, a suite of legislation is currently before the parliament, including the Judicial Standards and Accountability Bill 2010, the Whistle Blowers Protection Bill 2011, the Prevention of Bribery of Foreign Public Officials and Officials of Public International Organisations Bill 2011, and the Public Procurement Bill 2012.

Indonesia

With the end of the corrupt authoritarian Suharto regime, since 1998 various Indonesian governments have introduced a range of economic and political reforms aimed at erasing the legacies of the old regime. Local governments have been empowered, the judiciary has been granted greater independence, and a national campaign against corruption has been initiated after corruption was acknowledged as a major problem affecting the Indonesian economy, politics, and foreign investments. Nevertheless, the country continues to face several challenges with a deeply embedded patronage system and widespread corruption at all levels of government.²³

Problem areas

Despite a ramped up anti-corruption effort by the government, the perceived level of corruption among Indonesian public officials has significantly increased over the past few years, with bureaucratic and administrative forms of corruption are widespread across all public services and agencies Freedom House, in its 2014 human rights survey, noted that corruption remains endemic, especially in the parliament and other key institutions such as the police.²⁴ The most common corruption offences are the abuse of office, money laundering and bribery. Despite an extensive and largely successful deregulation process, foreign companies continue to report that bureaucratic obstruction and widespread extortion in the process of obtaining licences and permits present major challenges for doing business in Indonesia. Companies are concerned about concessions based on personal relationships and demands for irregular fees to obtain government contracts.²⁵

There is also widespread corruption throughout the legal system. In 2012, independent corruption watchdog groups implicated 84 anti-corruption-court judges in corruption cases. Bribes and extortion influenced prosecution, conviction, and sentencing in civil and criminal cases. Key individuals in the justice system were accused of accepting bribes and of turning a blind eye to other government officers and agencies suspected of corruption. Legal aid organisations reported cases often moved very slowly unless a bribe was paid.²⁶ The Anti-Corruption Business Portal has warned companies investing in Indonesia that they should be aware that the judicial procedures at all levels, from investigations to verdicts and appeals, are frequently manipulated through bribes.

Anti-corruption efforts

Laws were passed in 1999 giving the police and prosecution service the authority to investigate corruption cases. In 2002, law No.30/2002 provided the legal basis for the optimistically named Corruption Eradication Commission (in Bahasa: *Komisi Pemberantasan Korupsi*, abbreviated to KPK). Its responsibilities include investigating and prosecuting corruption cases and monitoring the governance of the state. It has the authority to request meetings and reports in the course of its investigations. It can also authorise wiretaps, impose travel bans, request financial information about suspects, freeze financial transactions and request the assistance of other law enforcement agencies. A 2009 anti-corruption law diluted the authority and independence of both the KPK and the Anti-corruption Court (Tipikor), allowing the creation of regional corruption courts. Tipikor had been established partly to counteract the acquittals commonly issued in regular, regional courts. Even those who are convicted in such courts often receive light sentences or benefit from mass pardons.²⁷ Provisions exist under Indonesian law for whistleblower protection, financial disclosure and freedom of information.

Japan

Japan is seen as a relatively clean country in terms of corruption perception, but deeply embedded cultural practices are conducive to corrupt behaviour and entrenched political corruption.

Problem areas

Corruption in the form of direct exchange of cash for favours is a very rare occurrence in Japan. Of greater prevalence, and concern is a more subtle form of institutionalised corruption. Ties among powerful figures and diverse institutions are uncomfortably close and operate as a tight-knit and closed network. Such ties between politicians, Japanese companies, universities, and government organisations, serve to institutionalise corrupt practices and heavily influence such things as bidding for government contracts.²⁸ Further, retired bureaucrats often join corporations or political parties - a traditional practice known as *amakudari* - where they continue to benefit from and act through close association with their successors. In some areas, such as construction, this has led to corruption.²⁹

Anti-corruption efforts

Japan has no single dedicated national anti-corruption agency and relies on a multi-agency approach to combat corruption. The conduct of officials is monitored by the National Public Service Ethics Board while the Public Prosecutors Office (PPO) is tasked to undertake corruption-related investigations. The special investigation departments of Tokyo and Osaka have investigated many cases, including cases concerning bribery and tax evasion.

The government is well aware of institutionalised corruption, mentioned above, and has taken certain steps to address. Legislative measures have been taken to provide provisions and mechanisms aimed at making the government and business activities more transparent. For example, the Act on Elimination and Prevention of Involvement in Bid-Rigging, National Public Service Act and Anti-Monopoly Act were all created or amended to counteract institutionalised corruption and to meet international standards in order to create a fair environment for all businesses. However, given the recurrence of bid-rigging and the fact that few cases of foreign bribery have been prosecuted and handed convictions, it raises questions about enforcement.³⁰ The OECD evaluation in 2011 of Japan's compliance with the Anti-Bribery Convention was highly critical, noting that prosecutions in just two foreign bribery cases in 12 years appeared very low in view of the size of the Japanese economy, "and the Working Group continues to have

serious concerns that Japan still does not appear to be actively enforcing its foreign bribery offence”, urging Japan to ensure that sanctions for individuals and corporations are “effective, proportionate and dissuasive.”³¹ Whistleblower protection, financial disclosure and freedom of information are all addressed under Japanese law.

South Korea

Despite some significant anti-corruption efforts by the government, bribery, influence peddling, and extortion persist in politics, business, and everyday life. Corruption has become a matter of serious public concern in South Korea, and a series of high-profile corruption cases drove former President Lee Myung-Bak in 2012 to publicly apologize for scandals implicating his relatives and allies that undermined his last year in office.³² But the apology did little to stem the flow of new corruption cases coming to light. In 2013, the former head of the National Intelligence Service (NIS) was arrested on bribery charges and in another case, investigations revealed that substandard parts and fabricated testing certificates had been supplied to nuclear power plants, which led to the shutdown of two reactors. It resulted in criminal charges against almost 100 high-ranking officials linked to the nuclear power industry.³³

Problem areas

Political corruption is by far the biggest problem. In 2013, 43 percent of surveyed households in Transparency International’s Global Corruption Barometer perceived the government’s anti-corruption efforts to be “ineffective”, while 39 percent thought the level of corruption in Korea had increased in the past two years. Moreover, 70 percent of households in the same survey evaluated Korean political parties as being “corrupt” or “extremely corrupt”, making political parties the sector considered to be the most affected by corruption. International media reports in 2013 highlighted how South Korea’s large family-owned conglomerates, such as Samsung, LG and Hyundai, were so powerful and influential that the country’s anti-corruption agency had no jurisdiction over them even though they were involved in cases of tax evasion, bribery and price-fixing.³⁴

Anti-corruption efforts

In 2008, the government merged the Korea Independent Commission Against Corruption (KICAC) with the ombudsman of Korea and Administrative Appeals Commission to establish a combined agency called the Anti-Corruption & Civil Rights Commission (ACRC). The decision drew criticism from Transparency International, which called it “an unfortunate move” that undermined the independence of the KICAC and diluted its focus on corruption.³⁵ The Anti-Corruption and Civil Rights Commission remains South Korea’s main anti-corruption agency, but its jurisdiction extends only over the public sector. It cannot initiate investigations, and questions have been raised about its political independence.³⁶ South Korea has also attracted criticism for its inadequate enforcement of the OECD Anti-Bribery Convention, in particular the low-level of sanctions as well as the absence of confiscation that have been applied in Korea’s foreign bribery cases to present. Another area of concern is that investigation and prosecution authorities do not receive adequate resources.³⁷

In 2011, the Act on the Protection of Public Interest Whistleblowers came into force, designed to protect whistleblowers in both the public and private sectors and equally extends to reports on foreign bribery. South Korean law also provides for financial disclosure and freedom of information.

On leaving office in 2013, President Lee Myung-Bak sent precisely the wrong anti-corruption message when he granted special pardons to political allies, a longtime friend and dozens of others who have been convicted of corruption and other crimes.³⁸

Table 6.2: TI Global Corruption Barometer 2010-11 Comparisons

Country	Paid a bribe in 2010 %	Anti- Corruption is effective %	Anti- Corruption not effective %	Corruption getting worse 2007-2010 %	Most corrupt insti- tution
Australia	2	36	21	54	Political parties
China	9	36	35	46	Business and private sector
India	54	25	44	74	Political parties
Indonesia	18	33	35	43	Parliament and legislature
Japan	9	20	45	46	Political parties
South Korea	2	26	54	32	Parliament and legislature/ Political parties

Source: Transparency International

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Chapter 7

Survey:

Corruption in the Asia-Pacific region

The region we now know as Asia-Pacific is a vast, sprawling geographical zone of great ethnic, social, economic and political diversity. Since the late 1980s, despite the heterogeneity of the regions' economies, many individual nations within the region are characterised as emerging markets experiencing rapid growth. And rapid growth, despite its obvious benefits, brings its own problems, corruption being one of the most prominent. But just as each country within the region is a product of its own history, there is no common thread in identifying the types and prevalence of corruption – and this poses significant difficulties for transnational initiatives such as the G20 Anti-Corruption plan which can really hope only to prescribe broad principles and objectives that can be adapted to correspond with local circumstances. This, in turn, relies on not just political will at the national level, but a commitment to research the problem and properly resource the policy response.

The survey that follows offers a snapshot of each country, seeking to highlight identified areas of corruption and the policy response, if any. Reliable data are not always easy to obtain and a wide variety of sources have been consulted to present a composite picture. *Control of corruption* reflects perceptions of the extent to which public power is exercised for private gain. This includes both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Control of corruption is one of the six dimensions of the World Bank's Worldwide Governance Indicators. Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

The Open Budget Index¹ assesses the availability in each country of eight key budget documents, as well as the comprehensiveness of the data contained in them. It also examines the extent of effective oversight provided by legislatures and supreme audit institutions, as

well as the opportunities available to the public to participate in national budget decision-making processes.

Scores work on a scale ranging from 0 (denoting scant or no information) to 100 (extensive information).

Afghanistan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
175	8	1	59	Signed 2004, ratified 2008

Afghanistan, weakened by war and insurgency, continues to be one of the most corrupt countries in the world. Corruption, nepotism, and cronyism remain rampant at all levels of government, and woefully inadequate salaries encourage corrupt behavior by public employees, according to Freedom House.² While Afghans continue to regard corruption as one of the most urgent challenges, corruption is becoming increasingly embedded in social practices, with patronage and bribery being an acceptable part of daily life.³

The US-led anti-insurgency effort also contributed to the corruption programme, according to a report for the US Joint Chiefs of Staff.⁴ The report said the US inadvertently “created an environment that fostered corruption” by supporting warlords, relying on private trucking contracts and providing billions of dollars in aid. Corruption directly threatened the viability and legitimacy of the Afghan state after a “large-scale culture of impunity” took hold, it said.

The drugs trade has also contributed to corruption at many levels, including in the judiciary, police, legislature and the executive, with high-ranking government officials allegedly being involved with narcotics traffickers.⁵

Problem areas

Findings by the 2013 Global Corruption Barometer found that roughly half of the Afghans surveyed reported paying a bribe in the past year. In terms of institutions, Afghans see the judiciary and civil service as the most corrupt, with religious bodies and the media as least corrupt. A 2012 study by the United Nations Office on Drugs and Crime (UNODC)⁶ noted that both the frequency and average cost of bribes were increasing, with education emerging as one of the most vulnerable sectors. Other sectors prone to high levels of corruption include the judiciary, customs services and local authorities. Bribery also affects the non-public sector in Afghanistan. For example, private bank employees may demand bribes for approving loans to farmers or shopkeepers.

Anti-corruption efforts

The government of Afghanistan has been under strong pressure from the international community to fight corruption in the country, but has so far made little headway. The government adopted the 2008-2013 Afghanistan National Development Strategy, included in which was a focus on anti-corruption, involving raising an awareness of corruption, mainstreaming anti-corruption into government reforms and national development, and strengthening the legal framework for fighting corruption.

Bangladesh

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
136	27	16	58	Not signed, acceded 2007

Bangladesh has consistently ranked across various indices as one of the most corrupt nations. Despite repeated attempts to bring corruption under control, such as the establishment of an anti-corruption agency, reforms have repeatedly stalled and political will is noticeably absent. A 2014 assessment of the country's national integrity system by

Transparency International characterised it as having a strong legal framework (albeit with a few exceptions) as opposed to a considerably weak practice profile: despite a generally sound legal base, implementation of the laws is largely inadequate and/or absent with a culture of non-compliance generally prevailing. Other major weaknesses highlighted include weak oversight functions, insufficient resources, lack of incentives, dearth of technical and professional competence of concerned actors, politicization, nepotism, and corruption and an absence of exemplary punishment for corruption leading to a culture of impunity/denial. This is exacerbated by low awareness of citizens of their rights and inadequate access to information.⁷

Problem areas

A lack of political action to curb the serious corruption in public procurement, tax and customs collection and in regulatory authorities means Bangladesh continues to languish near the bottom of the CPI table. Companies report being subjected to costly and unnecessary licence and permit requirements, while e-governance is not yet developed in Bangladesh. Awards of public and private tenders are frequently marred by corruption allegations, while political leaders, who themselves are often actively involved in businesses, collude with officials in public contracting to favour particular bidders at the expense of other investors.⁸

Anti-corruption efforts

The government bowed to international pressure in setting up the Anti-Corruption Commission in 2004. The commission is mandated as independent, self-governed and neutral, and comprises three commissioners, each appointed for a non-renewable term of four years. Despite some apparent progress after it was reconstituted in 2007, amendments to the law in 2013 hobbled the commission's independence by requiring it to seek government permission before filing charges against public officials or politicians.

Bhutan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Budget Transparency/ score	UNCAC status
31	63	75	Not rated	Signed 2005, not ratified

Bhutan has long been known as one of the least corrupt countries in the south-Asian region. However, with restrictions on the freedom of the press combined with the tight governmental control over the judiciary, conditions favour an environment prone to grand corruption.

Problem areas

Bribery is reported in connection with public tenders and procurement, and many companies also complain about being faced with demands for facilitation payments when obtaining licenses and permits.⁹ According to an official survey in 2007, the main forms of corruption in the country identified by Bhutanese are nepotism, favouritism, and the misuse of public funds.¹⁰

Anti-corruption efforts

Bhutan established an Anti-Corruption Commission in 2005, and it has been active in seeking to reduce the discretionary power of officials by reducing administrative requirements and generally streamlining procedures for public sector paperwork. An amended Anti-Corruption Bill 2010 imposes harsher prison terms for both active and passive bribery in relation to public tender bids. The Anti-Corruption Commission established a website that enables the filing of online reports of alleged corruption. It has been hailed by the United Nations Development Programme (UNDP) as a model in the region “for putting in place effective checks and balances, public outreach and overall curbing corruption.”¹¹

Brunei

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Budget Transparency/ score	UNCAC status
38	60	78	Not rated	Signed 2003, ratified 2008

Brunei is a small wealthy country with revenues from the petroleum sector accounting for over half of GDP. The government claims to have a zero-tolerance policy on corruption, and its Anti-Corruption Bureau has successfully prosecuted a number of lower-level officials in recent years. The sultan's brother and former finance minister, Prince Jefri Bolkiah, has faced a number of legal issues, including a 2008 arrest warrant, over accusations that he misappropriated state funds, and he was ordered to return personal assets to the state.¹²

Problem areas

Bribery and graft cases have been given prominence in media coverage. They have extended across a range of sectors, but customs has been especially vulnerable. In 2009, 24 Brunei Customs officials were suspended from duty over a fuel smuggling racket. In 2010, a career diplomat was prosecuted for accepting bribes in return for issuing Indonesian labour agents with hundreds of work visas while working in the Brunei embassy in Jakarta.¹³

Anti-corruption efforts

The Anti-Corruption Bureau (ACB) has the responsibility to ensure a corruption-free public service. Corrupt practices are punishable under the Prevention of Corruption Act, which also applies to Brunei citizens abroad. The Director of Anti-Corruption Bureau reports directly to the Sultan. There are perceptions that corruption in the private sector is higher compared to the public sector, which has prompted the ACB to focus on the private sector, given that sector's critical role in Brunei's economic diversification.¹⁴

In 2013, the courts successfully prosecuted a key vendor of Brunei Shell

Petroleum (BSP), whose owner was convicted of providing bribes worth more than \$US100,000, in exchange for over \$US3 million worth of contracts from BSP. David Chong, owner of Musfada Enterprise, was jailed for six years and four months, for 96 counts relating to corruption, which the High Court called “syndicated corruption on a large scale.” Recovery of Chong’s assets from various foreign bank accounts has also been a key component of the case, with new legislation, such as the Criminal Asset Recovery Order, as well as the United Nations Convention against Corruption (UNCAC), allowing the government to freeze and recover his assets.¹⁵ There is no provision for financial disclosure by government officials.

Cambodia

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
160	20	8	15	Acceded 2007, not signed

Regionally, Cambodia is ranked the most corrupt among its Association of Southeast Asian Nations counterparts. Despite recent legislative efforts to expand the legal base to deal with corruption, little progress has been made with corruption still pervading most levels of society and government. Corruption, according to the US State Department, constitutes the main deterrent to doing business in Cambodia.¹⁶ Elizabeth Johnson from Transparency International’s Cambodian chapter has described the entire public sector as “centralised and controlled by a narrow group of ruling party aligned power-holders under the tight control of the Prime Minister,” with very limited separation across institutions in the sector.¹⁷ Similarly, both business and government in Cambodia are controlled by a narrow and nepotistic network of families, operating through an intra-elite patronage network. The result is that business and government executives are inextricably interrelated and dependent on one another to succeed within the existing system.

Problem areas

Cambodia is plagued by both petty and grand corruption, with high-level political corruption underpinning the entire system. Abuse of power and grand corruption pervade the highest spheres of the political and administrative systems, with the Ministry of Justice, the Ministry of Interior and the Ministry of Economics and Finance perceived as the most corrupt. Appointments, promotions and dismissals of civil servants are opaque and not based on merit, with a large proportion of civil servants recruited within the two main political parties.¹⁸ The July 2013 National Assembly elections were riddled with irregularities.¹⁹

Bribery occurs at every level of activity, and the extensive regulatory requirements for business provide lucrative returns for extortion. At the everyday level for most Cambodians, examples of areas of rampant corruption include obtaining medical services, dealing with alleged traffic violation and pursuing fair court verdicts.²⁰

Anti-corruption efforts

The Cambodian government passed the Anti-Corruption Law in March 2010 with the objective of combating corruption through education, prevention, and law enforcement. Under the new law, any official found guilty of corruption can face up to 15 years in prison. Under this law, all civil servants are required to declare their financial assets to the government every two years. The newly formed Anti-Corruption Unit has launched several high-profile prosecutions against public officials, including members of the police and judiciary, since its inception in 2010.

East Timor (Timor Leste)

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
119	30	18	36	Signed 2003, ratified 2009

East Timor gained independence in May 2002 after three years of UN interim administration after its bloody separation from Indonesia which had annexed the former Portuguese colony in 1975. A small and impoverished nation still hampered by post-conflict issues, East Timor is still coming to terms with modernisation and its implications. A lack of capacity, low education attainment and weak institutions all create significant problems for governance.

Problem areas

While hard information about corruption is not available, public perceptions of corruption are widespread and growing. Petty corruption in East Timor is pervasive but not yet systemic. Allegations of high level corruption are common, though unsubstantiated. The issue is complicated by a small population, a small ruling elite, and the importance of Timorese family connections.²¹ One of the main openings for corruption in East Timor has been identified as the lack of follow-up capacity of the government concerning all the big development and construction projects that have been initiated.²²

Anti-corruption efforts

A law creating a new Anti-Corruption Commission became effective in August 2009. The Commission is responsible for corruption prevention, education, and investigation.

Hong Kong

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
15	75	95	Not rated	As with China. Signed 2003, ratified 2006

Hong Kong is generally regarded as having low rates of corruption, though business interests exercise a strong influence in the government.²³

Problem areas

Graft and bribery continue to dominate the corruption agenda with a number of high-profile cases prosecuted in recent years. In 2014, two billionaire brothers who control Asia's biggest property development company went on trial in Hong Kong's biggest ever corruption case. Sun Hung Kai Properties (SHKP) co-chairmen Thomas and Raymond Kwok were among five people charged with a total of eight offences, including conspiracy to offer advantages to a public servant and misconduct in public office. The former Hong Kong Chief Secretary Rafael Hui, banker Francis Kwan and Thomas Chan – responsible for land acquisitions for SHKP – were the others charged after one of the biggest anti-graft probes in the banking hub's history.²⁴

Anti-corruption efforts

The Independent Commission Against Corruption (ICAC) is rightly regarded as one of the world's most powerful and most effective Anti-Corruption agencies. It has served as a model for many other agencies around the world. The ICAC uses a three pronged approach to combating corruption: investigation, prevention and community education. The most high profile of aspect of its work has been its investigative work, however as important if not more so has been its work in prevention and education. Prevention wise the ICAC offers advice and practical help to enable companies and organisations to introduce systems and procedures that are resistant to corruption. Since its inception the ICAC has worked to change the public's perception that bribes and kickbacks are an expected and normal part of everyday life, and to reassure citizens that if they face a demand for an illegal payment that the ICAC will be there to investigate.

In 2013, the commission was widely criticized after an independent review found that former ICAC chief Timothy Tong had breached spending rules on 42 occasions during his 2007–12 tenure.²⁵

Kazakhstan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
140	26	15	48	Not signed, acceded 2008

Corruption is systemic in Kazakhstan and firmly entrenched. While the legal system formally upholds principles of justice and impartial inquiry, in practice it protects the privileges of the incumbent elite over the rights of citizens, journalists, or non-governmental bodies. Inquiries into official corruption are handled by the presidentially appointed prosecutor general and the financial police, working in conjunction with the Ministries of Justice and Internal Affairs and National Security.²⁶

Problem areas

While customs corruption is a key area and major concern for business, and facilitation payments are rife, corruption is also widespread at all levels of government and the judicial system. Investigations are handled by the presidentially appointed prosecutor general and financial police (FinPol), in conjunction with the Ministries of Justice and Internal Affairs and the National Security Committee of the Republic of Kazakhstan (KNB). These entities press corruption charges against critics of the government, including political opponents, journalists, and NGOs. High-level officials typically only face charges after they have fallen out of favour with the regime. In 2013, the state continued to pursue corruption charges against former officials who have fled the country.²⁷

Anti-corruption efforts

To fight official corruption and red tape, the government adopted the Strategic Anti-Corruption Plan 2011-2015 and the Sectoral Anti-Corruption Programme 2011-2015 aimed at expanding Anti-Corruption legislation and improving business regulations. However, Kazakhstan's Anti-Corruption policy and other public Anti-Corruption initiatives have yet to show any substantial results, due to weak state institutions and lack of enforcement.²⁸

Kyrgyzstan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
150	24	13	20	Signed 2003, ratified 2005

Corruption is deeply entrenched in Kyrgyzstan in all sectors of the economy and at all levels of the state apparatus, including infiltration of state institutions by criminal groups. Corruption and years of cronyism and clientelistic practices have fuelled citizen discontent and political instability, leading to a popular uprising in 2010, and to the election of a new government in 2011, which has vowed to step up the fight against corruption.²⁹

Problem areas

The judiciary is not independent and remains dominated by the executive branch. Corruption among judges, who are underpaid, is widespread.³⁰ Bribery is rampant with a 2013 survey showing almost half of firms reporting that unofficial payments are needed in dealing with public officials, up from 37 percent in 2008. Taxation and public procurement continue to be corruption hot spots.³¹

Anti-corruption efforts

Under pressure from international aid donors, the National Agency for the Prevention of Corruption was established in 2005 with a preventative and educational mandate, but was disbanded in 2010. After the change of government, a new body was established in 2011, the Anticorruption Service of the State Committee on National Security, with the aim of further strengthening the country's law enforcement capacities to fight corruption. However, with the abolition of the national Anti-Corruption agency, the country lacks an effective institutional mechanism for corruption prevention and awareness-raising. Since 2011, the Public Prosecutor's Office has been the body responsible for all corruption-related investigations. However, the office lacks technical skills to enable investigations of corruption-related cases or for cross-border

asset identification and recovery.³² Civil society organisations, notably the Anti-Corruption Business Council and the NGO, Citizens Against Corruption, have recently joined the Anti-Corruption effort.

Laos

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
140	26	14	Not rated	Signed 2003, ratified 2009

The Lao Peoples Democratic Republic remains a Least Developed Country (LDC) with 80 percent of the people subsistence farmers and 4 million of its 6.7 million people living on US\$2 or less per day. Corruption, along with drug smuggling and crime, constitute real obstacles to social progress and development.³³ While the law provides criminal penalties for official corruption, the government does little to implement the law effectively, and corruption continues to be a serious problem. Officials often engage in corrupt practices with impunity.³⁴

Problem areas

Police and judicial corruption continue to be areas of concern, but corruption pervades the entire state bureaucracy at every level and is staffed with officials whose job descriptions are very often unclear.³⁵ Political corruption is rife and the one-party state allows no independence for the judiciary or oversighting bodies, hence weak checks and balances and a lack of transparency in decision-making.

Anti-corruption efforts

In March 2006, the government requested UNDP to assist them in developing a national anti-corruption strategy that would support the implementation of the Law on Anti-Corruption. In theory, the Government Inspection and Anti-Corruption Committee, which was established in June 2011, carries authority equal to a government ministry and has responsibility for uncovering corruption in all government ministries, including the Ministry of Public Security.

Authorities have arrested and administratively punished lower-level officials on occasion for corruption, but there are no reports of criminal cases brought to trial. The government-controlled press rarely reports cases of official corruption. Prior to taking their designated positions, senior officials were required by party policy to disclose their personal assets to the Laos People's Revolutionary Party's inspection committee. The committee inspects the officials' assets before and after the officials have been in their positions. However, the party uses its control of government authorities and media to block public censure of corrupt officials who are party members.³⁶

Malaysia

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
53	60	51	39	Signed 2003, ratified 2008

The level of corruption in Malaysia is considered to be relatively low in the region of South East Asia, and the government has recognised corruption as an important problem and is taking steps to address it. Nevertheless, much remains to be done with corruption deeply ingrained in the political culture and with government shrouded in obsessive secrecy.

Problem areas

Political corruption remains a largely unaddressed issue in Malaysia. Donations to political parties, both from individuals and corporations, are unregulated. As a consequence, this has shaped the political landscape to the advantage of the party that has ruled Malaysia for more than half a century, with its funding greatly disproportionate to that of other parties. A highly fluid "revolving door" culture in which individuals regularly switch between the public and private sectors contributes to a blurring of the distinction, and significantly raising the risk of corruption and making regulation problematic.³⁷

Government procurement continues to be area subject to corruption, with marked government favouritism towards *Bumiputera* (ethnic Malays and other Malaysian indigenous peoples) companies in closed door tender processes for small public contracts. Moreover, the policies of awarding huge infrastructure projects to selected *Bumiputera* companies without open tender and of giving special licences to the same group has encouraged corruption between public officials and domestic and foreign companies.³⁸ Lack of freedom of information laws inhibit transparency in governance. A 2013 survey by KPMG revealed fraud to be a major concern for organisations, especially insider fraud perpetrated by management and employees.³⁹

Anti-corruption efforts

The Malaysian Anti-Corruption Commission (MACC), set up by legislation in 2009, investigates and prosecutes corruption in the public and private sectors. Five independent bodies monitor the MACC: the Anti-Corruption Advisory Board, the Special Committee on Corruption, the Complaints Committee, the Operations Review Panel, and the Corruption Consultation and Prevention Panel. Regarding financial disclosure, public officials are required to declare their assets on an annual basis. In 2010, legislation provided for the protection of whistleblowers. Another initiative is the dissemination of anti-corruption messages through songs, commercials, radio and television shows, print media and the internet. In 2010, for example, the MACC worked with TV2 to produce a drama series *Ops SPRM*.

Maldives

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
134 (2011 rating)	NA	32	Not rated	Not signed, acceded 2008

Although the law provides criminal penalties for official corruption, enforcement is weak, and according to a US State Department report, officials regularly engage in corrupt practices with impunity.⁴⁰ No laws

provide for access to government information.

Problem areas

The largest industry is tourism, accounting for around 70 percent of GDP. It has close links with the government and bureaucracy with some local resort owners in parliament, and some who have served as ministers, leading to potential conflicts of interest. Public procurement is also a risk area, with nepotism and cronyism prominent. Workers are trafficked, often illegally, from India and Bangladesh and forced to live in degrading conditions, with Transparency International's Maldives chapter noting that "corruption and exploitation go hand in hand."⁴¹ Existing legislation in Maldives does not criminalise money laundering, apart from a small provision in the Drugs Act.

Anti-corruption efforts

The law on corruption was passed in 2000, defining bribery and improper pecuniary advantage and prescribing punishments. Under the new 2008 constitution, an Anti-Corruption Commission was established. The Commission's mandate includes the investigation of corruption offences, creating public awareness, promotion of integrity in all spheres of governance and recommendation of best practices, but it has no power over the private sector. In 2014, Transparency International conducted a National Integrity System assessment, examining the core government agencies of Legislature, the Executive and the Judiciary; the public sector agencies, the Civil Service and law enforcement agencies; the Elections Commission, Anti-Corruption Commission, and Auditor General's Office; the media, civil society organisations, political parties and private sector businesses. The assessment noted that while there were strengths associated with some of the institutions intellectually, "the interconnectedness in their formation and functioning entails a considerable number of institutional shortcomings that weaken the overall National Integrity System of the Maldives." The report drew attention to a pronounced political bias created through intermingled political thinking and practices embedded in key political institutions, thus diminishing the level of accountability, transparency and integrity functions of almost all the institutions.⁴²

Mongolia

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
83	38	28	51	Signed 2006, ratified 2006

While Mongolia is seen as having basic legal provisions criminalising the main forms of corruption, they fall short of international standards, according to an OECD report.⁴³ Several mandatory elements of bribery offences, offences of corruption in the private sector and trafficking in influence, as well as foreign bribery, are not criminalised, and the definition of “bribe” does not include non-pecuniary and intangible advantages. Members of parliament are immune from prosecution during their tenure. Mongolia has no whistleblower protection law.

Problem areas

Corruption remains a serious problem in Mongolia and is viewed as pervasive.⁴⁴ The rapid economic transformation of Mongolia led by the exploitation of vast mineral deposits has brought with it significant governance and corruption challenges.⁴⁵ Major contracts have been awarded to foreign companies in 2009 and 2011 for the exploitation of the Oyu Tolgoi copper and gold mining complex and the Tavan Tolgoi coal mine, and Transparency International has raised concerns over lack of transparency and corruption surrounding the negotiation process as well as the distribution of mining royalties.⁴⁶

Anti-corruption efforts

Mongolia first incorporated anti-corruption initiatives in its public policy in 1996 when it enacted the Anti-Corruption Law. In 2002, the Parliament implemented the National Anti-Corruption Program, establishing the National Anti-Corruption Council to implement the programme and monitor its execution. However, the range of activities covered by the National Anti-Corruption Council was narrow. In 2007, the Independent Anti-Corruption Agency was set up. Asset declaration is mandatory for all civil servants, and certain political and

administrative office holders are required to should annually submit declarations to the ACA.

Myanmar (Burma)

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
157	21	0	0	Signed 2005, ratified 2012

Myanmar, despite the end of military rule in 2010 and some small steps towards democracy, continues to be regarded as one of the most corrupt countries anywhere. Myanmar generally lacks regulatory and legal transparency, and relatively little is known about the extent and form of corruption, but there is a broad consensus that corruption in the country is both rampant and endemic. The military retains the right to administer its own affairs, and members of the outgoing military government receive blanket immunity for all official acts. Freedom House, in its 2011 report *Worst of the Worst*, observed that given the lack of transparency and accountability, corruption and economic mismanagement are rampant at both the national and local levels.⁴⁷ There are no known whistleblower protections, or requirements for financial disclosure by public officials.

Problem areas

Widespread corruption remains a problem, particularly in the judiciary. Police reportedly often require victims to pay substantial sums for crime investigations and routinely extort money from the civilian population.⁴⁸ Key industries have long been controlled by the military, and corruption is reportedly rife. The military has also been accused of large-scale trafficking in heroin, of which Burma is a major exporter. The prominence of major drug traffickers has enabled them to penetrate other sectors of the economy, including the banking, airline, hotel and infrastructure industries.⁴⁹

Anti-corruption efforts

In 2013, the national Anti-Corruption Law went into effect, providing criminal penalties for corruption by officials. In July the government announced the formation of a high-level Anti-Corruption commission and invited the public to submit complaints of bribery or corruption. However, the commission is headed by several former senior military officers, and this may well limit the scope of its operations. The Ministry of Home Affairs, responsible for anti-corruption measures, set up the Special Investigation Bureau and Financial Intelligence Unit in co-operation with international organisations and established public complaint system in November to engage public participation in combating corruption.

Nepal

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
116	31	29	44	Signed 2003, ratified 2011

Long isolated from political, social and economic developments that were shaping the modern world, Nepal in some ways still retains key features of a traditional, clan-based society in which informal practices of governance are prevalent and sustain corruption. Factors that contribute to corruption in Nepal today include a social order that maintains client-patron relations and the obligations to one's network in a way that directly contravenes rule of law. Power continues to be concentrated in a small ruling elite, which is supported by a growing, intermediate-sized group of government officials, growing upper middle class, and merchants, with little input from workers and peasants, who constitute the vast majority of the population.⁵⁰

Problem areas

Corruption is widespread, and all reports suggest officials act with impunity. Police corruption is especially prevalent. Corruption in relation to the granting of permits, procurement of goods and services, and the

award of contracts present significant obstacles to doing business, and Kathmandu airport, customs, land-revenue, and transportation management continue to be “hotbeds” of both petty and heavy corruption.⁵¹ Laws and regulations pertaining to property registration, ownership and transfer are unclear, and the interpretations of these laws are highly inconsistent. Lawsuits concerning property rights can take years to settle. Public procurement is reportedly rife with corruption in the form of commissioning of agents, padding the costs by buying from specific companies, using money on unnecessary travel and consulting projects, or giving gifts to public officials as appreciation of their services.⁵²

Anti-corruption efforts

Initiatives to combat corruption include the establishment of a National Vigilance Center and the Commission for Investigation of Abuse of Authority (CIAA), but while enforcement and prevention have improved, considerable work remains in improving the capacity, professionalism, and outreach in these units.⁵³ A private sector anti-corruption legal framework was established by the Competition Promotion and Market Protection Act 2006, and a Right to Information Act was passed in 2007. A new procurement law enacted in 2007 explicitly addresses conflict of interest and provides for periodical rotation of public procurement officials. The act also includes a debarment system for companies found guilty of corruption or other anti-competitive practices. Information about public tenders can now be accessed online. The law provides for whistleblower confidentiality and 2012 legislation provided for financial disclosure by officials.

An earlier attempt to involve civil society in the Anti-Corruption cause failed when the Federation of Nepalese Chambers of Commerce and Industries (FNCCI) set up a national Anti-Corruption project in 2004, funded by the British government for two years, but the project failed to gain sufficient momentum to continue beyond the foreign funding period. Since donor support ended, not a single Anti-Corruption activity has been continued by the FNCCI.⁵⁴

Pakistan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
127	28	12	58	Signed 2003, ratified 2007

Pakistan has been in a permanent state of crisis since it was created in 1947. Chief among the many factors responsible for this is the resounding failure to establish a democratic system of governance and viable democratic institutions. For more than half of Pakistan's existence, the military has dominated politics and national life, and corruption has flourished at all levels of politics and the bureaucracy. Oversight mechanisms to ensure transparency and accountability remain weak. Even during the interregnums that have punctuated direct military rule, when civilian governments have been in power, the military has cast a long shadow over politics and the national agenda.⁵⁵

Problem areas

The law provides for criminal penalties for official corruption; however, the government does not implement the law effectively, and officials frequently engage in corrupt practices. Corruption is pervasive in politics and government, and includes bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement. Corruption within the lower levels of police is common. For example, some police charge fees to register genuine complaints and accept bribes for registering false complaints. Bribes to avoid charges are commonplace.⁵⁶

Anti-corruption efforts

Hundreds of politicians, diplomats, and officials, including President Asif Ali Zardari, were granted immunity in ongoing corruption cases under the 2007 National Reconciliation Ordinance (NRO). Though the Supreme Court revoked the NRO in 2009 and upheld this decision in a 2011 ruling, prosecution of reopened cases remains uneven and ineffective.⁵⁷ There is no legal protection for whistleblowers, and while financial disclosure of some public officials is provided for, the information is not

always publicly available. No disclosure applies to the president.⁵⁸ A National Accountability Bureau (NAB) was set up in 1999 to fight corruption.

Papua New Guinea

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
144	25	10	56	Signed 2004, ratified 2007

Political corruption in Papua New Guinea is largely enforced by political nepotism and the patronage system of governance, involving customs and practices deeply embedded in Melanesian traditions. The credibility and popularity of a leader among his followers is defined to a large extent by the largesse he is able to distribute and the power he is able to wield. The closely entwined relationships between politics and business blur any meaningful separation between public and private and is highly conducive to corruption.

Problem areas

In 2012, Prime Minister Peter O'Neill introduced a twenty-year corruption strategy, citing a range of common corrupt acts by government officials and bureaucrats that had to be addressed, including paying bribes to acquire preferential service or treatment; theft of public money and illegal acquisition of assets by abusing a position of authority; breaching procurement processes; conflict of interest in decision making; and nepotism resulting in the recruitment and retention of unqualified staff.⁵⁹ Illegal logging, illegal land clearing and police corruption continue to be major problems. Despite the country's abundant resource potential through mineral deposits, petroleum, forestry, fishing and tourism, little of the wealth created finds its way to the people. A 2010 report by the NGO Human Rights Watch⁶⁰ found that national revenues from the extractive industries had been widely dissipated through official corruption, without leaving any discernible positive impact on the wider population.

Anti-corruption efforts

Papua New Guinea's anti-corruption effort is hampered by unclear and overlapping legislation and a lack of adequate financial resources, according to a report by Transparency International. There is also a lack of witness and whistleblower protection.⁶¹ The National Anti-Corruption Authority (NACA) was established in 2004 and is chaired by the Police Commissioner, but has had little conspicuous success. Legislation, such as the Proceeds of Crime Act (2005) and the Mutual Assistance in Criminal Matters Act (2005), criminalises active and passive bribery and other forms of corrupt behaviour by public officials. In 2011, Task Force Sweep (TFS) was established to fight corruption as part of a national Anti-Corruption strategy, and launched investigations into many current and former officials. In November 2012, the TFS reported that it had investigated 52 cases of corruption and recovered some \$27 million, while dozens of politicians and businesspeople had been arrested. According to the TFS, almost half of the country's development budget from 2009 through 2011 had been lost to corrupt practices.⁶²

The Philippines

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
94	36	22	48	Signed 2003, ratified 2006

The Philippines became notorious for corruption in public life at the end of the Marcos regime (1965-86). Despite international attention and an ongoing media focus, corruption remains a pervasive and long-standing problem in the Philippines which, despite serious efforts by the government, still persists across many areas of society. Grand corruption presents a real problem, with two living former presidents being charged with corruption offences. In July 2013, media in the Philippines published a series of stories claiming that five senators and 23 members of the House of Representatives were involved in a fraud involving the diversion of 10 billion pesos (\$228 million) in public funds over the past 10 years.⁶³

Problem areas

Corruption exists in all levels of the government, especially among high-level officials, servants, according to the US Department of State Investment Climate Statement 2013.⁶⁴ While the judiciary is constitutionally independent of the executive and legislative branches, it faces many problems including understaffing and corruption; uncertainty and delays in the legal process are seen as impediments to business. Bribery is widespread and local government is particularly prone to corruption. The extensive forestry sector is also riddled with rent-seeking and corrupt practices.⁶⁵ The military also has been implicated in a number of corruption scandals with senior and retired military officials accused of siphoning off military funds to personal accounts.⁶⁶ A 2011 survey found that almost 50 percent of the population believes the Armed Forces of the Philippines to be the most corrupt institution in the country's government.⁶⁷

Anti-corruption efforts

A culture of impunity, stemming in part from a case backlog in the judicial system, hampers the fight against corruption in the Philippines. Corruption is addressed in several legal statutes, notably the Philippine Revised Penal Code, the Anti-Graft and Corrupt Practices Act, and the Code of Ethical Conduct for Public Officials. Soliciting/accepting and offering/giving bribes are criminal offences, punishable by imprisonment, a fine, and/or disqualification from public office or business dealings with the government. Under the Anti-Graft and Corrupt Practices Act public officials must file a declaration of assets every two years. There is no specific whistleblower protection law in the Philippines.

Primary responsibility investigating official corruption rests with the Office of the Ombudsman, but it is hampered by political interference, according to Global Integrity.⁶⁸ The same report evaluates the overall effectiveness of the anti-corruption agencies in the Philippines as very weak. In 2011, Ombudsman Merceditas Gutierrez resigned after politicians voted to impeach her over allegedly failing to investigate corruption allegations against former President Gloria Arroyo and her administration. Cases against high-ranking officials are brought before a special Anti-Corruption court, while cases against low-ranking officials

are filed before regional trial courts. The government's 2012-2016 Good Governance and Anti-Corruption Cluster Plan further identifies specific measures to curb corruption through greater transparency and accountability in government transactions.

Singapore

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
5	86	99	Not rated	Signed 2005, ratified 2009

Singapore occupies rather a unique position in the annals of the fight against corruption, having gone from a place where corruption was "a way of life" to a country that operates on "zero tolerance" and regularly comes in near the top of the table for being almost corruption clean, and the least corrupt country in Asia.⁶⁹ The clear message from the experience of Singapore is that corruption can be brought under control if the political will exists.

Problem areas

Systemic corruption is rare in Singapore. A number of high-profile public officials have been charged over theft or misappropriation of assets, and those convicted have received long prison terms. In 2014, a former senior official from Singapore's Anti-Corruption agency was jailed for ten years for having misappropriated money from the agency to repay his gambling debts.⁷⁰

Anti-corruption efforts

Singapore's anti-corruption framework relies on the rule of law which includes strong and effective laws, an independent judiciary, and vigorous enforcement. The Corrupt Practices Investigation Bureau (CPIB) is the sole agency responsible for combating corruption in Singapore. Its broad mandate is to investigate impartially all corruption offences as well as other criminal cases in which corruption may be involved, in both the public and private sectors. Incorporated within the

Prime Minister's Office (PMO), the Bureau is headed by a director who reports directly to the Prime Minister. CPIB is independent from the police force and other government agencies to prevent any undue interference in its investigations. It also has the utmost right, similar to the Singapore's Internal Security Department, to detain suspects of corrupt practices without legal proceedings.

While no law specifically protects whistleblowers, the law protects informants (so long as the court does not find the informant to have made a false complaint or acted with malice). Civil servants are required to make declarations of investments, properties, and indebtedness. Under the Code of Conduct for Ministers, ministers make financial disclosures to the prime minister. The salaries of senior officials are public information and political parties are required to report donations. Singapore is not a party to the OECD Convention on Combating Bribery, but the Prevention of Corruption Act makes it a crime for a Singapore citizen to bribe a foreign official or any other person, whether within or outside Singapore.

Sri Lanka

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
91	37	41	46	Signed and ratified 2004

While Sri Lanka has generally adequate laws and regulations to combat corruption, enforcement is considered weak and inconsistent, and corruption operates as a constraint on foreign investment. According to Transparency International (TI), corruption is a systemic problem threatening democratic and economic development in Sri Lanka.

Problem areas

Political corruption vulnerability is rated as high, with the strong presidential system centred on the President's family creating an executive power that undermines the potential for effective scrutiny or

transparency. According to Transparency International, reports suggest links between the military and organised crime, particularly in relation to drugs, but which have not been investigated.⁷¹ Petty corruption remains a significant problem, and public procurement is reported as one of the sectors where corruption is most prevalent: almost one-fifth of companies state that they expect to pay some kind of unofficial payment when securing government contracts. This, coupled with cumbersome bureaucracy and unpredictable government policy, render Sri Lanka at times a challenging place to do business. Facilitation payments are allegedly common and a way of getting jobs done. Public servants and ministry officials are often bribed.⁷² According to the World Bank, around 11 percent of rural enterprises that dealt with government agencies for registration, and 8 percent that dealt with agencies for licensing, reported making unofficial payments, equivalent to 5-6 percent of the official licensing or registration fee. Rural entrepreneurs also reported that laws and regulations are occasionally misinterpreted or manipulated by officials as a result of a lack of knowledge among officials or because of ethnic, social, or income biases.⁷³ There is also rampant corruption in the education sector forcing parents to pay bribes of up to 60,000 rupees (about \$475) for admission, materials, and unofficial projects.⁷⁴

Anti-corruption efforts

The Commission to Investigate Allegations of Bribery or Corruption was established in 1994, but is largely ineffective, and there is little evidence of political will to combat corruption. No high-ranking official or politician had been prosecuted for corruption or abuse of power while serving in office. According to Transparency International, the Commission is believed to be co-opted by the President, who also has strong control over the State Intelligence Service. The bribery commission does not have powers to initiate corruption investigations and must await a formal complaint before investigating reports of corruption. Members of the public are generally reluctant to submit complaints because of a lack of whistleblower protections. Financial disclosure laws are patchy and seldom enforced.⁷⁵

Taiwan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
36	61	74	Not rated	Under consideration

According to Freedom House, corruption remains an ongoing problem in Taiwan, despite being less pervasive than in the past. Political corruption is frequently reported in the mass media; however, corruption cases are prosecuted rigorously under the criminal law.

Problem areas

Political corruption continues to be a problem in Taiwan, and political parties have historical links with the underworld and the so-called “black gold” of illicit funding.⁷⁶ In 2010, the judiciary was hit by a string of corruption scandals that prompted President Ma Ying-jeou to establish a new Anti-Corruption agency (see below), but generally judicial corruption is not seen as a major problem. According to two surveys conducted in 2011, the three most intolerable forms of corruption listed by surveyed respondents were: bribery in elections, illegal lobbying and the “red envelope culture”, referring to bribes given in red envelopes.⁷⁷

Anti-corruption efforts

The Ministry of Justice’s Agency Against Corruption, the first organisation responsible for preventing and eradicating civil service corruption in Taiwan, opened in 2011. The Anti-Corruption Act provides protection to public and private employees for making internal disclosures or lawful public disclosures of evidence of illegality. The law requires civil servants to account for the sources of abnormal increases in their assets and makes failure to do so a punishable offense. The law also requires ranking government officials, including officials holding specified sensitive positions and elected officials, to declare their property to the Control Yuan, which makes the disclosures public. A number of high ranking officials including former president Chen Shui-bian, have been arraigned on corruption charges. Chen was

subsequently imprisoned. In one case he is alleged to have influenced the government to buy land from a company that bribed his wife, Wu Shu-chen. The couple was also charged with embezzlement from special presidential accounts, with forgery and with laundering ill-gotten money through Switzerland.⁷⁸

The prominence given to high-level political corruption has resulted in 25 percent of people in Taiwan believing that the government actually encourages corruption rather than fighting it.⁷⁹

Tajikistan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
154	22	9	17	Not signed, acceded 2006

Tajikistan is the poorest and most underdeveloped of the former Soviet states. President Emomali Rahmon and his People's Democratic Party (PDP) have dominated politics in the country since 1992, increasingly sidelining the opposition and presiding over a regime characterised by cronyism and patronage.⁸⁰ The state is used to push and promote the interests and private gain of leaders and their allies; ministries and sectors of direct interest to the political elites are favoured, such as the defence and security or the state-owned aluminium industry, whereas social services and other sectors are severely underfunded.⁸¹

Problem areas

Corruption permeates all areas of Tajik society. A wide range of activities—from dealing with the traffic police to settling a case in court, ensuring entry into university, or seeking a military draft waiver—require illegal payments. The proximity to Afghanistan and collusion between organised crime and elements of the Tajik security services have led to a lucrative drug trade (mostly heroin), estimated to equal one-third of Tajikistan's GDP. Exports by Tajikistan's state-controlled aluminum and cotton industries generated over US\$1 billion in 2011,

only a small fraction of which returned to the national budget. Aluminum sales were associated with two murky Caribbean-registered companies controlled by Tajikistan's ruling elite.⁸² According to the US Department of State's Human Rights Report on Tajikistan, corruption in the education sector is widespread, especially in universities and higher education institutions.

Anti-corruption efforts

While Tajikistan has taken steps forward in the fight against corruption, adopting the United Nations Convention against Corruption and an Anti-Corruption law, it still lacks many important anti-corruption mechanisms, such as an independent audit agency and effective access to information. Where laws are in place, their implementation remains weak and the lack of political will to fight corruption contributes to the country's continuing high levels of corruption.

Thailand

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
102	35	37	36	Signed 2003, ratified 2011

Corruption is deeply embedded in Thai society for both cultural and historical reasons. Traditionally, officials were entitled to a percentage of expenditures for rendering their services, rather than a salary. A tradition of giving gifts to high officials persists today even though officials are salaried and, while these practices are not directly corrupting, the continuation of gift-giving creates a climate highly conducive to corrupt practices.

Problem areas

Bribery and conflicts of interest are prevalent within the private and public sectors. In addition, facilitation payments are common in most business sectors. Political corruption in Thailand is considered to be the most serious problem with money politics – that is, the flow of money

within the political process - stemming from the close interconnectedness between the business sector and the political system.⁸³ Both major political parties include numerous lawmakers who have faced persistent allegations of corruption. While the military has significantly less involvement in the economy than previously, there is evidence of illicit private enterprise by individual military men in industries such as Thai boxing.⁸⁴ In the 2013 Global Corruption Barometer study, conducted by Transparency International, 71 percent of Thai respondents perceived the police to be corrupt/extremely corrupt, 68 percent expressed a feeling that political parties were corrupt/extremely corrupt and 45 percent identified corruption in the parliament/legislature. Additionally, 37 percent reported paying a bribe to police, while this figure is 14 percent in regard to the judiciary.

Anti-corruption efforts

Thailand's legal framework for combating corruption has largely been in place since the late 1990s, but enforcement of Anti-Corruption laws remains weak. Petty corruption is dealt with regularly and is also used to demonstrate to the public that the government is taking its Anti-Corruption efforts seriously – especially as public concern about corruption in Thailand runs high. The 2007 Constitution empowered the National Anti-Corruption Commission (NACC) to investigate and prosecute, including cases involving politicians and state officials, and shifts the burden of proof to the defendant. Its mandate is to carry out inspections and investigations of cases of "unusual wealth." It receives many complaints about corruption in local governments. However, investigations proceed at a very slow pace and only a few officials have been punished.⁸⁵ Whistleblower protection is provided under Thai law and public officials are required to lodge financial disclosures.

Turkmenistan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
168	17	2	Not rated	Not signed, acceded 2005

Although the constitution declares Turkmenistan to be a secular democracy and a presidential republic, the country has an authoritarian government controlled by the president, Gurbanguly Berdimuhamedov, and the Democratic Party. The president presides over a system that enables him to control and use at his own discretion revenues from hydrocarbons sales, which form the country's primary source of income.⁸⁶ According to Freedom House and the World Bank's Worldwide Governance Indicators, Turkmenistan has a severe corruption problem.

Problem areas

Corruption exists in the security forces and in all social and economic sectors. Factors encouraging corruption include the existence of patronage networks, a lack of transparency and accountability, and the fear that the government will retaliate against a citizen who chooses to highlight a corrupt act.⁸⁷

Anti-corruption efforts

The Prosecutor General's Office and Ministry of National Security lead government efforts to combat corruption. In 2013, a number of high-profile corruption cases came to light with the president reprimanding and dismissing a number of ministers and government officials from their positions over allegations of corruption. In August, the Ashgabat prosecutor general was dismissed for soliciting bribes and using his official position for personal gain. In September, authorities fired the chairmen of the state agencies of cotton, wheat, and the main tax service for using public office for private gain, bribery, and nepotism. Authorities investigated and arrested officials in other ministries for alleged malfeasance, although, according to the US Bureau of Democracy, Human Rights and Labor, a lack of information about their cases made it difficult to determine whether their arrests were politically motivated. No provisions exist for whistleblower protection or financial disclosure by officials.

Uzbekistan

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
168	17	6	Not rated	Not signed, acceded 2008

Uzbekistan is consistently ranked as one of the most corrupt countries in the world, comparable regionally only to Afghanistan. Freedom House in 2011 rated it in its list of the world's most repressive societies.

Problem areas

Uzbekistan's judicial system is tainted with corruption. The US Department of State reported in 2013 that the judiciary is not independent or impartial in civil matters; there have been several instances when bribing judges has influenced civil court decisions. Bribery is common at all levels, and payments to win tenders and gain government employment are reportedly common.

Anti-corruption efforts

The Criminal Code in Uzbekistan establishes the offences of active and passive bribery in public and private sectors, but there is no dedicated Anti-Corruption agency. The Ministry of Interior's Department for Combating Corruption, Extortion, and Racketeering and the Office of the Prosecutor General's Department for Combating Economic Crimes and Corruption are responsible for preventing, investigating, and prosecuting corruption cases. Although there were reports of an increased number of corruption-related arrests in 2013, officials continued to engage frequently in corrupt practices with impunity, according to the US Bureau of Democracy, Human Rights and Labor. According to Transparency International UK, there is currently no criminal liability for illicit enrichment, and non-public officials influencing the discretion of public officials is not a criminal offence. No legal protection exists for whistleblower and public officials are required only to lodge declarations from outside employment.

Vietnam

CPI (TI) Rank 2013 of 177	Score/100	Corruption control (percentile)	Open Budget Index	UNCAC status
116	31	33	19	Signed 2003, ratified 2005

Despite improvements in recent years, corruption and abuse of office remain serious problems in Vietnam. Although senior Communist Party and government officials have acknowledged growing public discontent, the response has been more concerned with a few high-profile prosecutions of corrupt officials and private individuals rather than comprehensive reforms.⁸⁸ Surveys reveal that while petty corruption has decreased significantly throughout the country, high-level corruption has increased,⁸⁹ and continues to be a major problem in state-owned enterprises.

Problem areas

Bribery, gifts and facilitation payments are ubiquitous. The Business Anti-Corruption Portal cites several sources indicating land management as the most corrupt sector in Vietnam. Policies and laws on land are incoherent and have many deficiencies, while supervision and enforcement of the law within land administration is fairly lax and allows for corruption. Corruption related to land use has been widely publicised in the press, apparently in an officially orchestrated effort to bring pressure on local officials to reduce abuses. Corruption among police remains a significant problem at all levels, and members of the police often act with impunity. Internal police oversight structures exist but are subject to political influence.⁹⁰ Other areas susceptible to corruption are the education, health, and construction sectors.

Anti-corruption efforts

Corruption and the need for reform have become high political issues in Vietnam, and the legal framework for addressing corruption is now better developed. The National Assembly in Vietnam passed the revised law on Anti-Corruption in December 2012, indicating the Government's

political will to fight corruption. The revised Anti-Corruption law also requires public officials to disclose their assets and income. There is no whistleblower protection. The Office of the Steering Committee for Anti-Corruption (OSCAC) is responsible for coordinating, examining and supervising the fight against corruption and has the power to suspend deputy ministers and senior officials.

The Government Inspectorate (GI) is the main Anti-Corruption institution in Vietnam and also functions as the ombudsman, receiving citizen complaints and denunciations. It is charged with investigating cases of corruption and has an anti-corruption department. However, it does not have powers to prosecute.

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Chapter 8

What can the G20 do?

The plan and its goals

What is to be done?

Prospects of success

The entry of the G20 grouping of the world's major economies into the anti-corruption project represents perhaps the most significant step yet in the widening recognition of corruption as a global issue and the determination to address it with concerted action. It is significant not just for the prominence accorded in a powerful and influential international forum but for the explicit acknowledgement of the *global* nature of the threat posed by corruption. This was a conceptual shift – neatly encapsulated in the St Petersburg declaration in 2013¹ that “corruption is a severe impediment to sustainable economic growth and poverty reduction and can threaten financial stability and the economy as a whole” – from seeing corruption as localized to seeing it as a disrupting influence on the global economy as a whole, no matter where it took place.

The shock of the Global Financial Crisis (GFC) that echoed through the entire world, and the exposure of lax financial controls and questionable commercial practices that set it off, served to bring issues of institutional integrity to the fore. The sheer scope and depth of the crisis met with an unprecedented response: a concerted global effort to provide fiscal and monetary stimulus and to return markets to an orderly state.² The Pittsburgh summit in 2009, for example, while focusing primarily on the need for macroeconomic stability and addressing structural impediments to growth, nevertheless saw a pressing need to improve integrity systems, and its Framework for Strong, Sustainable and Balanced Growth committed G20 members to working with the World Bank's Stolen Assets Recovery (StAR) programme to secure the return of stolen assets to developing countries; to asking the Financial Action Task Force (FATF) to help detect and deter the proceeds of corruption; to working together to

increase the transparency of international aid flows by 2010; and to adopting and enforcing laws against transnational bribery. The declaration laid heavy emphasis on close cooperation, saying: "The growth of the global economy and the success of our coordinated effort to respond to the recent crisis have increased the case for more sustained and systematic international cooperation."³

The G20 came into existence as a platform for governments and central bank governors to discuss matters integral to the international financial system with a specific focus on high-level policy issues that normally transcend the responsibilities of any single organisation. Various summits and working groups have to date grappled with issues as diverse as sustainable growth, global energy, reform of the World Bank and IMF, the implications of demographic change, and competition in financial markets. Corruption now joins that list of issues to be analysed, confronted and addressed in what might well be the most formidable challenge the G20 has faced in its 15 years of existence. Despite lacking any formal ability to enforce rules, the G20's prominent membership gives it a strong input on global policy, but it remains to be seen what impact it can have on reducing corruption, both at home and abroad, in what various surveys and indices suggest is a problem that continues to grow even after two decades of sporadic international action to try to bring it under control. Can the G20 make a global difference?

For the G20 to have any appreciable impact beyond its own immediate membership, its major weapon in the anti-corruption arsenal is influence. The sheer breadth of the G20 action plan goes way beyond its constituent governments and central banks; civil society, business, media and NGOs are key actors tasked in the broad brush scenario, and the effective and coordinated harnessing of such disparate players is in itself a gigantic and onerous task. But underlying the complex logistics of such an approach is an even more pressing issue: if the G20 is to have any moral suasion in countries where corruption is rampant and largely unchecked, its own members need to get – and be seen to be getting – their own houses in order. The diverse make-up of the world's largest economies is such that within its ranks are countries in which the incidence and extent of corruption are seen as relatively low, such as Australia and Japan, and also those that rate relatively higher, such

as China, India and Indonesia. However, various international report cards suggest that even those countries regarded as relatively “clean” are failing to fulfil their international obligations to combating corrupt practices as well as they might. Of the three G20 member countries in the Asia-Pacific region to have signed the OECD Anti-Bribery Convention, follow-up evaluations by the OECD of Australia, Japan and South Korea rate their efforts only as “moderate,” with lists of recommendations on how to boost their compliance; China, India and Indonesia are not signatories. While the two broad international covenants on anti-corruption – the OECD Anti-Bribery Convention and the United Nations Convention against Corruption (UNCAC) – have a global reach in theory, the reality is that uptake and compliance are patchy at best.

The limitations and shortcomings of both these international instruments need to be considered in light of the G20 initiative which clearly seeks to build on them, especially in the vital areas of harnessing cooperation and seeking to harmonize approaches to corruption. In the case of the OECD Convention, signatories are required to put in place legislation that criminalises the act of bribing a foreign public official. While the OECD has no authority to implement the convention, it does monitor implementation and subsequent enforcement by participating countries. In practical effect, the convention has a very specific focus: it deals with the bribery of foreign officials, but only criminalises the person or entity offering the bribe – the so-called “supply side” of corruption. The “demand side” of the bribing transaction is not covered by the OECD convention. Despite its attempt at universality, despite ambiguities of definition and wide variations in legal systems and practices, the convention is binding only on the 40 countries that have signed it; non-OECD countries such as China, India and Russia have become powerful international players and their companies figure prominently in the Bribe Payers’ Index published by Transparency International.

UNCAC with its 140 member states signing the convention and proceeding to various stages of accession and ratification, its reach is simultaneously far broader and its focus less specific than the OECD Convention, including as it does the demand side of bribery as well as

money laundering, asset recovery, international co-operation and assistance for corruption prevention. But it also lacks any capacity to enforce its provisions, and any glance at its list of signatories will show the names of countries with some of the worst corruption reputations. It also needs to be asked that merely by signing and ratifying the Convention, and observing some minimal protocols, will corruption somehow be reduced, as if by magic? Germany and Japan, two G20 members, have yet to ratify UNCAC for a number of reasons, yet neither country is seen as particularly corrupt. New Zealand, regularly among the top five of the “clean” countries is also a non-ratifier. The point here is that merely encouraging governments to sign and ratify is not enough unless real and committed action follows.

These comments are not to disparage or diminish very real achievements by both conventions. The OECD initiative saw a significant increase in the number of bribery cases prosecuted worldwide in the first decade of the century, including some very prominent corporate entities. UNCAC, for its part, has raised awareness of corruption issues and has been instrumental in encouraging the establishment of anti-corruption institutions, just as the World Bank, the IMF and Transparency International have been at the forefront in promoting transparency and accountability in government. But the unanswerable question is whether their combined efforts have in any meaningful way reduced the levels and extent of corruption, and whether the G20 can realistically, in such a broad programme, hope to make measureable progress in the fight against corruption.

Mission impossible?

There is no such thing as a quick fix in controlling corruption, and the declared aims of the G20, if they are to be achieved, will require not just resources and cooperation, but also patience and longer-term strategies.

A meeting in Rome in June 2014 of the Anti-Corruption Conference for G20 Governments and Business⁴ assessed the current anti-corruption agenda, and highlighted a number of action points. It stressed a *sectoral approach*, taking account of the specificities of different high-

risk sectors, such as natural resources. This is a good idea, but it will require considerable research to identify the extent and nature of corruption both across and within sectors. It also raised the emerging issue of *offsets* as “the next generation of bribes”, noting the need to promote and encourage disclosure, transparency and accountability to minimise risks. And, inevitably, the perennial issue of *bribery* was discussed, with the conference noting sharply that progress will be possible “only when all the key economies are on board.” Given that the G20 economies account for a large proportion of bribes paid, what can be done to intensify existing efforts among members to step up their vigilance and prosecution?

Civil society and business were urged to take greater responsibility as watchdogs and enforcers of corporate compliance programmes. No one doubts the key roles civil society and business can play, but all too often where civil society is most needed, it is weak or repressed, and all too often the private sector is found wanting in terms of integrity programmes and their effective enforcement. Certainly, in terms of checking *illegal financial flows*, greater transparency and disclosure, especially in the banking sector, is required, and the desired outcome as a first step here is having members legislate and implement public registers of beneficial ownership of companies and trusts. Similarly, tax avoidance can be addressed in the first instance by seeking greater standardisation of rules. But how much of this is wish list and how much is realistically achievable?

Conclusion

The G20, having committed to the anti-corruption drive, must now see it through to the stage where incremental improvements can be demonstrated. It will require patience, diligence and, above all, a collective political will to devote sufficient time and resources to a problem that verges on the intractable. But progress at home is a logical first step, and the G20 countries have to demonstrate genuine and sincere commitment to the high principles espoused if they are truly to lead by example.

There will be setbacks and disappointments, but even modest gains will

be worth the effort. A final word from Robert Klitgaard, the godfather of contemporary corruption studies:

Something is *wrong* in societies where corruption takes over. And just so, something is wrong when great wealth coexists with squalor, when human rights are squashed, or when racism denies our common humanity. We should not lose this sense of moral violation. But as we reflect on questions of why, we should also do our best on questions of how. We should not yield to the temptation to escape from the hardest and most ethically loaded problems on the grounds there is nothing we can do about them.⁵

NOTES

1. G20 Leaders Declaration, St Petersburg Summit, 5-6 September 2013 (Section 103). https://www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG.pdf (Accessed 8 October 2014)
2. Daniel Schwanen, "The G20 Framework for Strong, Sustainable and Balanced Growth: A Study in Credible Cooperation", CIGI G20 Papers, No. 4, June 2010. <http://www.cigionline.org/sites/default/files/g20no4.pdf> (Accessed 8 October 2014)
3. <http://www.ft.com/cms/s/0/5378959c-aa1d-11de-a3ce-00144feabdc0.html#axzz3F3yxp7k5> (Accessed 8 October 2014)
4. <http://www.oecd.org/governance/g20-anticorruption-2014.htm%20> (Accessed 26 September 2014)
5. Robert Klitgaard, *Controlling Corruption*, Berkeley and Los Angeles: University of California Press, 1991, p. 210.

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