

Executive Summary

The international financial crisis of the late 1990s demonstrated that corruption has devastating effects on both political stability and economic prosperity and growth. Asian and Pacific countries have felt these impacts particularly strongly, and thus view the fight against corruption as a high priority. Consequently, in a workshop on Combating Corruption in Asian and Pacific Economies held in Manila in September 1999, representatives of more than 30 of the region's countries called upon the Asian Development Bank (ADB) and the Organisation for Economic Co-operation and Development (OECD) to support national and regional anti-corruption efforts.

Subsequently, on 11-13 December 2000, the ADB and OECD organized a conference on Fighting Corruption in the New Millennium, at which the participants formally endorsed the ADB/OECD Anti-Corruption Initiative for Asia-Pacific. The conference, held in Seoul, was hosted by the Office of the Prime Minister of the Republic of Korea and sponsored by the ADB and the OECD (the Centre for Co-operation with Non-Members; the Anti-Corruption Division of the Directorate for Financial, Fiscal, and Enterprise Affairs; and the Public Management Service). Associated partners in the conference included the UK's Department for International Development, the Konrad Adenauer Foundation, the Pacific Basin Economic Council, the United Nations Development Programme, the US Agency for International Development, Transparency International (TI), and the World Bank Group.

The aim of the Seoul conference was to review progress made in the fight against corruption in the region based on the policy recommendations adopted at the Manila workshop and to foster regional policy dialogue and exchange of information and experience between the different stakeholders in the fight against corruption, including governments, businesses, the media, and civil society. Presentations and subsequent discussions focused on case studies and sought to identify concrete actions against corruption.

In the first plenary session (Part I) participants reviewed progress made since the Manila workshop in four countries: the People's Republic of China (PRC), the Republic of Korea, Pakistan, and Thailand. They also discussed such major issues as the bribery of public officials and the role of the media and education programs in the fight against corruption. The second session (Part II) focused on three areas particularly prone to corruption: police forces,

public procurement, and tax administration, while the third session (Part III) analyzed anti-corruption strategies and presented success stories in the private sector. In session four (Part IV) the participants discussed the need to embed anti-corruption strategies in a cooperative partnership approach involving both the public and private sectors. Conference participants welcomed the proposal made by Key-Chong Park of the Prime Minister's Office of the Republic of Korea for the region's countries to develop an anti-corruption action plan to be endorsed at the next annual conference of the ADB/OECD Initiative. During the final session the concrete measures recommended during the focus groups were presented, and subsequently constituted the basis for the conference's conclusions and policy recommendations drafted by chairmen Rainer Geiger of the OECD and Shoji Nishimoto of the ADB.

The various accounts given by participants were proof of important progress made in some countries and sectors, but at the same time identified a number of major gaps and problems in current approaches and strategies. The participants felt that there was a continuous need to further support the involvement of the public—including civil society organizations, the media, and the private sector—in the fight against corruption. Particular attention must be paid to corruption-prone areas that call for specific measures to attack systemic corruption and prevent it from undermining economic growth and the functioning of public administration. In the private sector, participants called for honest business practices and the development of ethical corporate cultures to diminish opportunities for bribe giving and to render private enterprises more accountable for their actions.

TAKING STOCK OF PROGRESS IN THE FIGHT AGAINST CORRUPTION IN THE REGION

Even though corruption is a global phenomenon, successful countermeasures have to be designed at the national and regional levels and take into account a society's and country's particular economic, historical, and cultural characteristics. In this context regional initiatives like the ADB/OECD Initiative can help countries understand the issues at stake in a regional and global context by providing a forum for the exchange of experience, giving guidance, and offering technical expertise for the development of effective anti-corruption strategies. To this end section A reviews countries' concrete, national anti-corruption programs. The selected case studies can serve as examples for other countries that might wish to develop similar anti-corruption strategies.

National Efforts

Four specific anti-corruption programs developed in the PRC, the Republic of Korea, Pakistan, and Thailand were presented. The diversity of strategies presented illustrates the different levels at which corruption needs to be attacked, including increasing the transparency of procedures in the public administration; encouraging active involvement of civil society; improving law enforcement and the investigation and prosecution of corruption cases; and allowing no exceptions from the rules, which includes those at the highest political levels, thereby fostering a culture of honesty and transparency.

Corruption in public administration is often due to over-regulation of the public service and inappropriate discretion in decision making and budget management brought about by a lack of regular staff rotations, and thus insufficient transparency of administrative procedures. The Metropolitan Government of Seoul has responded to these challenges by developing a systematic approach to cleaning up the city government. It consists of staff transfers and reassigned duties and giving citizens a choice of offices at which to conduct their business, along with radical deregulation that has resulted in the abolition or revision of 80 percent of regulations. The introduction of the Internet-based Online Procedures Enhancement for Civil Applications rendered more open and transparent those administrative practices particularly vulnerable to corruption and increased public knowledge about administrative procedures. In consequence, opportunities for extortion were reduced and a drastic change, widely recognized by both citizens as well as international organizations, seems to have taken place in the city government.

The example of Thailand showcases the importance of a determined and active civil society—including university staff and nongovernment organizations (NGOs)—in prompting changes in the government’s attitude toward the fight against corruption. The results of this positive development in Thailand include modifications to the constitution and the creation of stronger governmental bodies to fight corruption.

The report from the PRC discussed the need to design an inclusive and comprehensive anti-corruption strategy that focuses on both prevention as well as investigation and prosecution. In the PRC, the People’s Procuratorates are in charge of all three elements. In most other countries, these functions are exercised by separate bodies.

The failure of Pakistan's past efforts to combat corruption was considered largely to be the result of a lack of political will, a cumbersome criminal justice system, and an imperfect accountability structure. With the recently established National Accountability Bureau, the government aims to solve these problems by prosecuting high-profile cases at every level of society to give a clear sign that corruption will not be tolerated. One of the main concerns of the speaker from Pakistan, further emphasized by other participants throughout the conference, related to the need for past political leaders convicted of fraud and corruption to return their corrupt gains to the country and its people. Conference participants encouraged the development of legislation in OECD countries that would make it harder to invest corruptly gained assets and would facilitate the repatriation of such proceeds of crimes to their rightful owners.

Effective Deterrence and Punishment of Corrupt Public Officials

An effective investigation process, the functioning of the legal system, the provision of protection for whistle-blowers, and the need for strong political will to provide good examples at the top level of public administration are key when attempting to reduce corruption among public officials. The crucial point was considered to be sincerity and determination in enforcing whatever measures were chosen to fight corruption.¹ Other prerequisites include the effective separation of powers and the provision for independent oversight institutions, such as Singapore's Corrupt Practices Investigation Bureau and similar bodies in other countries of the region.

Conference participants also emphasized that, while effective prosecution and adequate punishment of corruption of public officials are key, it is essential that the root causes of corruption and bribery are analyzed for each country and sector, and that administrative and economic measures to fight them are developed based on the specific findings.

The Media, Education, and Public Awareness

Effective prevention strategies play a key role in combating corruption. Educational institutions can help prevent corruption and create an anti-corruption culture that can become ingrained in society. If education and awareness raising campaigns begin at the school level and accompany citizens throughout their

¹ Only an abstract of Chua Cher Yak's paper is available, but this provides a crisp summary of successful measures.

professional activities, young people will develop positive values such as honesty and integrity.

The media are a second important component of an effective public awareness campaign. Reports of corruption by ministers and other top-level decisionmakers in the public administration have become frequent, and have certainly contributed to increased public awareness of the seriousness of the issue. However, when journalists respond to their responsibility of making up for a possible lack of transparency and accountability in public administrations and political systems and expose high-level corruption scandals, they face a number of major difficulties, including repression and threats of physical harm. Furthermore, while in many countries most people are particularly concerned about petty corruption, reporting on this kind of systemic problems accurately and pointing fingers at the root cause of corruption is difficult, and public complaints in this respect achieve only minor results if politicians are not willing to admit that immediate reforms are necessary.

MEASURES TO PREVENT CORRUPTION IN CORRUPTION-PRONE AREAS

Participants in three parallel focus groups discussed specific and concrete measures governments and public institutions can take to reduce corruption in three areas particularly prone to corruption: law enforcement, government procurement, and tax administration. ADB and OECD work on good public governance and tax evasion were an important point of reference during the discussions.

Preventing Corruption in Police Forces

Corruption among law enforcement officials—who in some cases engage in petty corruption as a matter of course—imposes a direct threat to the rule of law. To reduce this phenomenon the participants proposed a number of measures, including using higher recruitment standards, enforcing high standards of conduct in law enforcement officials' day-to-day activities, and defining the role of internal watchdog and external supervisory organizations (ombudsmen, prosecutors).

Success stories were discussed, for instance, the establishment of internal control mechanisms in London's Metropolitan Police Service in 1998, which has led to successes in tackling corruption at all levels of the police force. The tools used by this service include integrity tests or quality assurance tests, in which agents equipped with recorders and cameras pose as citizens to check

whether, for example, racial minorities receive fair service and whether police officers accept bribes.

Examples of how to strengthen a culture of integrity among the police by providing additional training, ensuring the ethical evaluation of those up for promotion, and increasing interaction between the public and the police were also provided. The call for rigid recruitment criteria and the need for continuous training to create an environment enabling and promoting honesty and integrity is also highlighted in the theoretical analysis of the major problems underlying police corruption provided by a former advisor on police matters to the Government of the Philippines.

Preventing Corruption in Government Procurement

Devolved management with sufficient flexibility is a key feature of public management reforms. However, it also requires mechanisms to control the use of discretionary powers. Corruption in government procurement wastes government funds, reduces corporate productivity, and creates structures of systemic corruption. The end result is a decline in national competitiveness. Simplified procedures and efficient implementation and enforcement of such regulations and rules are key measures to ensure the transparency of and equity in procurement procedures.

In Korea, the gist of the reform programs is to make all systems and procedures customer oriented. Moving the entire procurement process on-line should leave little room for irregularities and wrongdoing, and is expected to simplify public procurement procedures and help enhance transparency and fairness.

The description of Korea's endeavors in the field of government procurement was supplemented by a presentation by a representative of the World Trade Organization that set such national efforts within the global context. This presentation noted that further emphasis will have to be put on capacity building to ensure that relevant laws, institutions, training, and enforcement build a framework in which procurement procedures are efficient, transparent, and fair.

Preventing Corruption in Tax Administration

Tax administration is another sector particularly vulnerable to corruption and where administrative reforms are therefore crucial. Corruption of tax

officials causes many problems: governments lose revenues, and so taxes on those who pay must rise to fill the gap, and taxpayers lose confidence in the fairness of tax systems, thereby threatening voluntary compliance.

Corruption in tax administration is often the result of the complexity of a tax system and of unclear tax regulations and standards that provide much room for personal judgments by tax officials in the process of levying taxes. The low level of compensation of tax officials also contributes to corruption. The lack of transparency of tax audits and a tendency among tax officers to consult with citizens out of convenience may also encourage taxpayers to seek collusive links with tax officials.

Where there is less face-to-face contact between taxpayers and officials and procedures have been clarified, the risk of corruption decreases. The use of credit cards for tax payments in Korea seems to have addressed these issues, and has managed to reduce corruption and increase the country's tax revenues. The Australian Taxation Office focuses on improving its risk management, an approach endorsed by other participants. The participants also supported the use of training and staff awareness using, for example, interactive programs on CD-ROMs, and of computer technology to detect and deter unauthorized access to taxpayer information housed in tax administration computer databases, as illustrated by a representative of the US Treasury Inspector General for Tax Administration.

ANTI-CORRUPTION STRATEGIES IN THE PRIVATE SECTOR

Governments cannot combat corruption alone, and as is becoming increasingly apparent, the involvement of other actors is crucial. Businesses—often both the victims and the instigators of corruption—play a fundamental role, along with the media and NGOs. Emphasizing the role of businesses and civil society in combating corruption is particularly important in the light of today's growing interconnectedness of the private and public sectors.

Prevention of Corruption in the Private Sector: Success Stories

With the growing acknowledgment that corruption is not a necessary evil for profit making, but seriously harms business, the private sector has come to understand that it has a major role to play in the fight against corruption and bribery. However, if the private sector came to this realization mainly as a result of economic calculations, it also has to understand that corporate life is not only about managing risks and making sound investment decisions.

Corporate life is also about what the public, and in particular the business community, can do to help create an overall level playing field on which business can take place fairly and in a transparent manner.

Speakers with business experience and from NGOs and the media showcased the many different challenges facing the private sector when it attempts to implement fair and transparent business practices, and thus contribute to the fight against corruption. These include introducing measures to minimize opportunities for employees to be exposed to and become involved in corrupt practices and setting clear rules for ethical behavior. The account given by a journalist from Thailand explains that the media and the private sector need to work together to ensure that their respective efforts do indeed have the intended effect. The exposure of corrupt practices and corruption scandals in the media has increased shareholders' awareness of the negative effects of bribery and corruption on businesses and has increased the demand for greater access to company information and for board accountability. Thus there is a growing need for investigative journalism and for better protection for reporters, and for the press in general, if it is to continue its important work and support both the public and private sectors in the fight against corruption. The discussion furthermore suggested that alongside the media and bodies such as Hong Kong, China's, Independent Commission against Corruption, private companies have a major role to play in raising awareness and preventing corruption by advising, investigating, and helping to protect other companies from the risks of corruption.

Discussions in and presentations to the focus groups that concentrated on specific questions in the context of private sector anti-corruption strategies draw some similar conclusions, namely, the private sector has a dual incentive in fostering an anti-corruption corporate culture and developing and enforcing self-regulation strategies. This dual incentive incorporates the promotion of fair competition and ethical standards and the minimization of opportunities for employees to be exposed to and become involved in corrupt practices.

Developing an Anti-Corruption Corporate Culture

The notion of an anti-corruption corporate culture involves regulations ruling private-to-private and private-to-public interactions in business and integrity standards within an enterprise. Certainly the private sector itself is in the best position to design and enforce such a culture; however, accounts in this section show that governments are equally responsible in supporting

integrity efforts in the private sector, especially in connection with business conducted between the private and public sectors.

Best practices in this respect were discussed. One particular example involves “one-stop services” facilities, which aim to limit the discretion exercised by governments and their agents and the number of direct contacts between government agents and private sector representatives. In Indonesia such measures seem to have increased transparency, professionalism, accuracy, and cost efficiency. However, the establishment of such offices needs to be carried out in parallel with reducing regulations; increasing government officials’ salaries; and involving local institutions, NGOs, local governments, the mass media, and the general public.

In Korea, increased exposure to the global market has brought the recognition that collusive politico-economic structures backed by corruption harm competitiveness. In response, the government has taken a number of concrete measures, such as ratifying and implementing the OECD Bribery Convention, and businesses, of their own volition, have started to develop and adopt codes of business ethics. Furthermore, associations such as the Federation of Korean Industries have initiated the development of a manual for business ethics practices aimed at promoting business ethics in the industrial sector.

Improving Corporate Governance

The discussion of codes of conduct revealed that if codes of conduct are to be true expressions of organizations’ ethical culture and effective tools in governing employee behavior, they must provide for an effective compliance program. This requires education and training at all levels, including agents and sales representatives. The idea was raised that employees be required to sign an acknowledgment that they have made a personal commitment to integrity, have reviewed and understood the policy, and will comply and report concerns. “Red flags” as indicators of concern were discussed, along with mechanisms for dealing with such concerns. In a second set of discussions, it was proposed that approaches to corporate governance used by multinational companies active in the region be highlighted and shared with key stakeholders so that other countries and companies might adopt them as guidelines, taking into account country- and sector-specific conditions.

As an illustration of this, the work of Japan’s Anti-Racketeering Committee was discussed. The growing tendency of companies in Japan to pay protection

money to criminal syndicates had strongly undermined their performance, their standards of service, and their returns to shareholders and has strengthened the hold of organized crime. While the practices described may be unique to Japan, the methods used to fight them, including the equivalent of a corporate amnesty to help companies escape from corrupt networks, could have application elsewhere.

Discussion in this focus group led to several recommendations. Companies were advised to develop their own standards of conduct, possibly making use of existing standards such as those developed by the OECD (the Principles on Corporate Governance or the Guidelines for Multinational Enterprises), and to cover ethical issues in their annual reports. For the public sector, it was recommended that public officials should have less discretionary authority to extract legal payments from firms in order to avoid the extraction of illegal payments. Furthermore, it was stressed that local legal reforms of investment should be promoted. It was recommended that after careful consideration of the compatibility of systems, existing laws from other countries could be used as guidelines.

Ensuring Disclosure and Accountability in Business Operations

Korea's rapid economic growth has been attributed to an economic system of regulated capitalism, in which the government either directly participated or indirectly rendered guidance. The pattern of regulations underlying this system is considered to be among the root causes of corruption in Korea. In this regard, the Seoul Institute for Transparency has developed a number of quantitative measurements to evaluate the level of corruption in the business sector and the level of integrity of individual firms to better understand the phenomenon, and, based on this knowledge, to develop effective countermeasures.

To ensure disclosure and accountability in business operations, companies have to follow and enforce rules and standards of financial accountability and transparency and of internal control and recordkeeping, and must establish policies for approving expenses and for setting up systems for financial reporting. Internal and external auditors have to be in place to observe the implementation of such rules and regulations. Governments and international or regional institutions can support businesses by providing guidance and requiring that accounting, auditing and financial control standards be part of a company's overall anti-bribery and anti-corruption policy. The accounting provisions of intergovernmental agreements such as the OECD

Anti-Bribery Convention, or of business and professional associations such as the Pacific Basin Economic Council, the International Chamber of Commerce, and the International Federation of Accountants, can be a point of reference for companies.

MAKING ANTI-CORRUPTION ACTIONS WORK

The common thread through many of the presentations and discussions at the conference was that where corruption is systemic, every member of society is involved to some extent, either as an instigator or a victim, and in consequence has a responsibility to combat it. Neither the public nor the private sectors can execute this task on their own, and the greater the cooperation between these groups, the more effective their action. Thus in an attempt to identify measures to better coordinate diverse anti-corruption activities and actors and help countries develop comprehensive anti-corruption strategies, the final session of the conference summarized the findings of the focus groups by discussing best practices in public-private partnership and the work of other involved institutions, such as aid agencies.

Creating a Supportive Environment and Ensuring Integrity at the Public-Private Interface

To overcome the mutual lack of confidence between the private and public sectors, and thus their unwillingness to share information and possibly cooperate in some of their activities, both parties have to earn each other's trust and clearly signal their willingness to work with the other. This is the intent of Japan's new National Public Service Ethics Law, which became effective in April 2000. Under this law, the National Public Service Officials Ethics Code prohibits and regulates actions that might possibly induce suspicion or distrust among the general public.

Australia has found it essential to motivate the private sector to come into line with the public sector to ensure that the interface between the public and private sectors is corruption free. To convince the private sector that this is in its interests, Australia has combined coercion and incentives (sticks and carrots) and involved professional and trade organizations and unions, and thereby ensured community support. The participants suggested that to effectively change perceptions and attitudes and to foster a feeling of responsibility in every member of society, a sense of urgency needs to be created, a vision and strategy needs to be communicated, and possible obstacles resulting from a lack of will or incentives must be removed.

At the international level, the development and implementation of anti-corruption instruments such as the Inter-American Convention against Corruption, the OECD Anti-Bribery Convention, and the Criminal Law Convention of the Council of Europe indicate that a real change in attitudes has taken place. Experience in the United States suggests that to effectively implement these instruments, policies must be consciously directed at building public support. When publics are informed, are confident that corrective measures are possible, and, especially, come to understand that their overall welfare is profoundly affected by corruption, they support reformers and anti-corruption measures.

Developing Public-Private Partnerships

Once confidence and mutual trust between the public and private sectors has been established, people need to be empowered to join the fight against corruption. This requires access to and sharing of information and access to appropriate education, so that civil society and the media develop greater awareness of the issues and can sway public opinion. In this regard, the use of the Internet as a complementary tool to traditional informative and educational devices was highlighted because of its wide geographic spread, its capacity to instantly make information available to a large number of people at low cost, and its interactive characteristics, which make it an ideal tool for active exchanges of information and experience and the creation of partnerships between the different stakeholders.

New Zealand is consistently rated as one of the least corrupt countries in the world, but the government has nevertheless acknowledged that despite the small number of cases, anti-corruption measures need to be taken. The reasoning behind this is the understanding that corruption undermines citizens' confidence in public institutions on a scale disproportionate to the offense. In a country that relies largely on voluntary compliance with tax laws, benefit administration, and a wide range of licensing and registration arrangements, citizens' compliance is directly related to their trust in the way in which their personal information is held, the honesty of the officials administering the law, and their perception that all are treated equitably. This public confidence is fundamental to a successful civil society. In addition to a number of important measures to ensure accountable and good government and administration, the Government of New Zealand aims at maintaining close links with the private sector and encourages the latter to engage in similar measures related to business conduct.

Enlisting NGOs, the Media, and Aid Agencies

Mobilizing NGOs and the mass media is critical for raising awareness. Civil society not only needs to assume its responsibility for monitoring good governance and integrity in business operations, but it needs to be enabled to do so. While the two previous focus groups discussed how to create an environment in which civil society and the media are encouraged to take up their role as watchdog institutions, this focus group proposed a number of concrete actions that NGOs can undertake. These include close monitoring of government action by NGOs, such as during elections, and local surveys on the perception and level of corruption in order to better focus concrete countermeasures.

However, corruption is not merely an internal problem within a country, but is a problem of international relevance and with international roots. Bilateral and international aid agencies, the main international actors in developing countries, therefore need to share the burden of anti-corruption efforts with NGOs, the media, and governments. However, development agencies' current efforts to help countries can often be fragmented through different agency mandates and perspectives and insufficient collaboration at the country level. The ways in which development agencies could best respond collectively depend on the local context: whether the national government is determined and proactive, whether the government is ambivalent, or whether current circumstances are not conducive to involvement by the development agencies.

In the discussions, there were calls to articulate an Asian agenda for fighting corruption and to develop partnerships between civil society, the private sector, governments, and external agencies. In this context, participants welcomed the proposal to develop a regional anti-corruption action plan to better coordinate anti-corruption action in the region, and to effectively combat corruption through a number of concrete measures that governments should take in cooperation with other stakeholders. Participants called for the submission of such an action plan to the next annual conference of the ADB/OECD Initiative for formal endorsement.