

Chapter 5

Working together to combat corruption: International and regional initiatives

With the growth of multinational enterprises and transnational economic ties, governments and businesses have created regional and global alliances to respond to corruption and related crimes. Through these initiatives, governments and businesses seek to jointly address common challenges and to minimize risks in a sensitive environment. These programs can address corruption in general, or on industry-specific issues. These international initiatives play an important role in driving reform. However, their impact largely depends on implementation at the country level, which is often driven or supported by civil society.

Joint government action at the regional level

The ADB/OECD Anti-Corruption Initiative for Asia and the Pacific is an example of regional dialogue on anti-corruption in Asia and the Pacific. Its work is supported by the Asia-Pacific Group on Money Laundering (APG), an Initiative partner, which pursues regional cooperation in the fight against money laundering—a crime with close links to corruption. A recent APG study on the links between corruption and money laundering shows these offenses may have mutually reinforcing effects: corruption undermines anti-money-laundering efforts, and money laundering helps the corrupt benefit from the crime. In turn, efforts to reduce vulnerabilities for money laundering or corruption are doubly beneficial. Closer cooperation between financial intelligence units and anti-corruption bodies will therefore lead to even more effective efforts.

Joint anti-bribery programs in the business sector

Businesses also work together on the regional level to fight bribery and corruption. The APEC Business Advisory Council (ABAC) has developed a Code of Conduct for Business based on work by civil society and the international business community (notably TI, the ICC, and the WEF). The code, which APEC leaders endorsed in September 2007, sets out comprehensive yet concise standards addressing bribery risks. It is also intended to assist small and medium-sized enterprises, which typically have fewer resources for integrity measures.

The Global Compact operates at the international level. It is open to companies in all industries from all countries. Participating companies commit to respect 10 principles in their business operations, including to “work against corruption in all its forms, including extortion and bribery”. The Extractive Industries Transparency Initiative (EITI) is another global effort focuses on the extractive Industries, where corruption is particularly rife and damaging.

Implementation of regional programs at the country level

Regional Initiatives are a catalyst for reform and change, but countries must translate these regional programs’ into local action in order to enjoy their full benefits. For example, the K-PACT, a joint effort by all stakeholders of Korean society and government to counter corruption in the country, facilitated Korean companies’ involvement in the Global Compact. A national network for the Global Compact was also created.

The EITI also requires efforts at the country level to achieve its goals. In Timor-Leste, a country rich in natural resources and a participant in EITI, all parts of society and government cooperate in implementing the EITI work program. EITI provides a framework for this cooperation and the international exchange of experience, while leaving ownership and responsibility to the country level. EITI is a tool in a process rather than an end in itself. Working toward its goals provided Timor-Leste with an opportunity to build a multi-stakeholder collaboration.

The 13th IACC

The IACC is a biennial event that brings together governments, private sector entities, civil society organizations, academia, the media and international organizations in the fight against corruption. The 13th IACC held in Athens, Greece, was designed around four themes: peace and security, corruption in the natural resources and energy sectors, climate change and corruption, and sustainable globalization. The 14th IACC, which will be held in Thailand in 2010, will be an opportunity to showcase best practices in Asia and the Pacific.

The APG and its Role in Combating Corruption in Asia and the Pacific

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First of all, I would like to thank the Asian Development Bank and the Organisation for Economic Co-operation and Development for inviting me to speak at this conference. It is indeed an honor for me to share my thoughts on pertinent issues with regard to combating corruption in my capacity as the Co-Chairman of The Asia-Pacific Group on Money Laundering (APG).

Background on the APG

The APG is an international organization consisting of 38 member countries/jurisdictions and a number of international and regional observers including the United Nations, International Monetary Fund (IMF), and World Bank. The APG is closely affiliated with the Financial Action Task Force (FATF), an inter-governmental body that develops and promotes policies to combat money laundering and terrorist financing. All APG members commit to effectively implement the FATF's 40+9 Recommendations,¹ which essentially encompass guidelines to put together a basic framework to detect, prevent, and suppress money laundering and the financing of terrorism.

The APG's key roles include

- Assessing compliance by APG member jurisdictions with the global AML/CFT standards through a robust mutual evaluation program.

The purpose of the mutual evaluation program is to monitor the degree of compliance by member countries with the FATF's 40+9 Recommendations through periodic on-site evaluations by a panel of legal, financial and law enforcement experts. It provides feedback on the robustness and effectiveness of a country's domestic anti-money laundering and counter-financing of terrorism framework.

- Coordinating technical assistance and training with donor agencies and countries in Asia and the Pacific to improve compliance by APG members with the global AML/CFT standards.

The APG organizes capacity-building workshops and technical assistance forums to encourage countries to implement the FATF's 40+9 Recommendations.

- Participating in and cooperating with the international anti-money laundering network, primarily with the FATF and with other regional anti-money laundering groups.

The APG, the FATF and the other regional anti-money laundering bodies constitute an affiliated global network to combat money laundering and the financing of terrorism.

- To contribute to the global development of anti-money laundering and counter-terrorism financing standards by active Associate Membership status in the FATF.

In June 2006, APG was granted Associate Membership in FATF to deepen the cooperation between APG and FATF. This membership gives APG direct access to the policy-making and standard-setting process of FATF.

Another key APG work area is research and analysis into money laundering and terrorist financing trends and methods, to better inform APG members of systemic and other associated risks and vulnerabilities.

This includes studying typologies on corruption, on which APG has conducted extensive research since 2003. In fact, FATF and APG are currently co-drafting a research paper on anti-corruption. This paper focuses on the links between corruption and money laundering, which traditionally have been studied in isolation.

You may be wondering what a regional anti-money laundering body has to do with combating corruption. Corruption is actually inextricably linked to money laundering. It has become increasingly obvious that despite the distinct nature of these two forms of criminality, they are in fact inseparable.

The link between corruption and money laundering

The APG has identified three main areas² of crossover between corruption and money laundering. They are:

1. Corruption generates enormous profits to be laundered.

Corruption generates more than USD 1trillion of illicit funds annually, which are laundered both domestically and increasingly in the international financial system.

2. Corruption facilitates numerous money laundering and terrorist financing methods and supports predicate criminal activities.

The machine of money laundering often requires the lubricant of corruption to function effectively. An example of corrupt assistance to facilitate money laundering is when corrupted public officials provide identification documents that establish false identities. Such identities are then used to operate bank accounts and conduct other financial transactions.

3. Systemic corruption undermines effectiveness of legislation, regulations, and enforcement of anti-money laundering and counterterrorism-financing matters.

Systemic corruption may block AML investigations, impede suspicious transacting reporting systems, and undermine good governance standards. For the most serious and large-scale instances of corruption-related money laundering, there is a real danger that high-ranking political officials will be able to sabotage the proper functioning of the AML system. This might take the form of cabinet-level officials withholding permission to prosecute even once sufficient evidence for a prosecution has been gathered.

Corruption-related money laundering: Methods and trends in Asia and the Pacific

According to a typology study conducted by the APG,³ laundering the proceeds of corruption in Asia and the Pacific was achieved in a myriad of ways, particularly the common use of cash for bribes, with proceeds of corruption remaining in the form of cash and concealed in homes or business premises. In fact, third parties are also commonly used, including family members or affiliated companies which receive corrupt payments in a variety of forms and subsequently deposit proceeds of corruption into financial institutions.

APG research also reveals a trend that gatekeepers—such as accountants and lawyers—are being used to conceal the origin of corrupt payments, including disguising such payments as consultancy fees. Gatekeepers are also being used to manage the subsequent investment of corrupt funds into assets including real estate, stocks, bonds, or mingling within legitimate businesses.

Common corruption vulnerabilities in Asia and the Pacific

APG also found in a study that countries in the region face nine common vulnerabilities:

1. Low pay and poor conditions of those in the public sector produce a systematic vulnerability to corruption.
2. Financial expertise in identifying corruption typologies is lacking.
3. APG member jurisdictions with cash-based economies face great difficulties in distinguishing money from legitimate and illegitimate sources.
4. Absence of a dedicated anti-corruption body and a lack of vigorous media scrutiny keep corrupt acts hidden.
5. Weak political will of senior managers and the government to develop a robust anti-corruption culture lead to low levels of prevention and enforcement.
6. Concerns exist that Politically Exposed Persons (PEPs) may block anti-money laundering investigations, impede the suspicious transaction reporting system, and undermine good governance standards.
7. It is difficult to keep investigations secret in small jurisdictions where tipping off is a constant danger.
8. Law enforcement and prosecutors are often more interested in pursuing the predicate crime rather than money laundering or corruption offenses.
9. Finally, because corruption-related money laundering often necessitates international action, such investigations tend to be complex, time-consuming, and expensive—and require considerable expertise.

The corruption/money laundering paradigm of international cooperation is similar to the problem of investigating transnational financial crimes in general. The multiple layers of obstacles and complexities arising from tracing, freezing, and recovering the proceeds of corruption internationally make this even more complicated. Given the significant sums of corrupt proceeds that have been laundered, there is an extra dimension to providing effective international cooperation in this field.

Facing these challenges, how can we protect our communities and businesses from the menace of corruption and money laundering in the new environment of pervasive exposure to international criminals?

APG strategies in combating corruption in the region

Improving international cooperation

APG has always advocated close international cooperation to combat the common threat of transnational corruption and money laundering. International cooperation could be promoted through benchmarking effective systems for mutual legal assistance, extradition, and seizure of assets and the denial of safe havens for criminals and the proceeds of their crime. APG also actively encourages its members to sign and ratify regional and global treaties and conventions aimed at facilitating international cooperation in fighting money laundering and corruption.

Improving coordination between financial intelligence units and anti-corruption bodies

AML/CFT systems hold considerable potential to counter corruption; this potential is currently underutilized. Legislation, establishment of financial intelligence systems, and creation of specialized anti-money laundering bodies equip countries with potent anti-corruption instruments. However, an excessively narrow conception of the proper function of the AML/CFT system that generally provides for little interaction between Financial Intelligence Units (FIUs) and anti-corruption bodies is largely responsible for missing this opportunity.

Using AML/CFT freezing and seizure provisions for asset recovery

AML/CFT provisions on asset freezing and seizure can be of use for anti-corruption purposes in both domestic and international cases. The ability to bring money laundering charges against corrupt officials and those abetting them can bring conviction-based asset confiscation procedures into play. Nonconviction based and civil mechanisms are perhaps even more effective; these mechanisms allow a reduced burden of proof for stripping illicit gains from those involved in money laundering and corruption. Confiscation in this manner acts as deterrent and penalty, and confiscated assets may provide resources to bolster capacity.

Aligning anti-corruption and AML/CFT strategies

The first step to capitalising on potential synergies between AML/CFT and anti-corruption measures is to encourage joint training and enhanced links between Financial Intelligence Units and anti-corruption bodies. UNODC and the Commonwealth have already adopted this principle in many of their technical

assistance programs, but further reinforcement along these lines is needed. In particular, anti-corruption bodies should be trained to know how to follow up financial intelligence gathered by FIUs.

Conclusion

Today I have shared with you information on APG's work, its research findings on trends and vulnerabilities in respect to corruption-related money laundering issues in the region and some of its strategies to combat such crimes. The APG is working on training its member jurisdictions to prevent and detect corruption as well as to successfully prosecute those responsible for offering and accepting bribes and laundering the proceeds. However, there is still a strong sense that more needs to be done to promulgate an anti-corruption culture.

Of course, APG is not alone in the battle against corruption and money laundering, nor are the law enforcement agencies. Workshop 3 highlighted how the private sector can work on corporate compliance programs and integrity systems.⁴ To bring down crime, we need to work hand in hand together with the private sector. We have to act together as a group to fight against the criminals. Criminals in this new age are tenacious in probing our systems for gaps and creative in devising new methods to overcome safeguards.

Therefore, it is crucial that we keep abreast of the latest developments through more interaction and discussion. Indeed, active collaboration and partnership among the private sector, industry experts, and international enforcement agencies is critical to maintaining the integrity and credibility of Asia and the Pacific.

NOTES

¹ See www.fatf-gafi.org

² APG Scoping Paper.

³ APG Scoping Paper.

⁴ See these presentations on p. 99 and following in this volume.

APEC Business Principles and UN Global Compact as Examples of Regional and Global Cooperation in the Fight against Corruption

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APEC Code of Conduct for Business

The Asia Pacific Economic Cooperation (APEC) is an inter-governmental economic organization bringing together leading economies on both sides of the Pacific. Many of the countries that are members of the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific are APEC members.

APEC was slow to address corruption directly; it starting instead with work on developing transparency principles for general application and then adapting them to specific situations, from customs to clearance to direct investment and procurement. However, partly in response to pressure from the APEC Business Advisory Council (ABAC), which was advocating development of an APEC Anti-Corruption Convention, APEC Leaders agreed in 2004 to endorse the APEC Course of Action on Fighting Corruption and Ensuring Transparency. One of the key priorities of the Action Plan is to encourage APEC member economies to ratify the UNCAC. APEC Leaders also decided to establish the APEC Anti-Corruption and Transparency Task Force (ACT). ACT meets twice a year at Senior Officials Meetings leading up to the Leaders meeting late in the calendar year.

TI has participated as an observer in all ACT meetings. When Australia hosted APEC in 2007, TI was actively involved in the development of the APEC Code of Conduct for Business, which APEC Leaders endorsed in September that year. The Code of Conduct used as a basis the TI Business Principles for Combating Bribery, the ICC Rules on Combating Bribery and Extortion, and the World Economic Forum Partnering Against Corruption (PACI) principles as well as brief principles developed by ABAC. TI successfully advocated for the Code to

include strong provisions on implementation. TI is also very pleased to see that the Code contains a clear prohibition on facilitation payments, on the ground that they are illegal under the domestic laws of most countries although not expressly prohibited by the United States Foreign Corrupt Practices Act (FCPA) or the OECD Anti-Bribery Convention.

The Code — which fits on one page of paper — is titled “Business Integrity and Transparency Principles for the Private Sector” and begins with the statement: “The enterprise shall prohibit bribery in any form.”¹ It requires enterprises to develop a comprehensive program to counter bribery.

The Scope and Guidelines address:

- charitable contributions;
- gifts, hospitality, and expenses;
- facilitation payments (as I mentioned); and
- political contributions.

The Program Implementation Requirements cover

- business relationships;
- communication;
- leadership;
- financial recording and auditing;
- human resources;
- monitoring and review;
- raising concerns and seeking guidance;
- training; and
- organization and responsibilities.

The ACT plans a pilot rollout of the Code in Australia, Chile, and Vietnam, focusing on the SME sector. SMEs are considered to need particular help in addressing integrity issues due to their relative lack of resources and their greater vulnerability to corruption pressures in many cases.

UN Global Compact

An example of a global initiative with great resonance in Asia and the Pacific is the UN Global Compact.

The Global Compact is an initiative of former UN Secretary-General Kofi Annan. Launched in July 2000 as a policy platform and framework for companies committed to sustainability and responsible business practices, the Global

Compact originally consisted of nine principles covering human rights, labor and environmental issues. On 9 December 2004, International Anti-Corruption Day, a Tenth anti-corruption Principle was added, following advocacy by TI and others. The Tenth Principle reads:

“Business should work against corruption in all its forms, including extortion and bribery”.

The Global Compact membership consists currently of around 4,700 businesses and 1,500 other stakeholders, including NGOs, academic and research institutions, and others. Many of the businesses are SMEs but they also include a large number of MNCs.

In Asia and the Pacific, membership is unevenly spread among countries. P.R. China tops the list with 187 members, India has 172, and Indonesia and the Republic of Korea have 142 each. However, there are only 18 Global Compact members in Malaysia, 16 each in Thailand and Vietnam, and 73 in Japan.

Countries with larger numbers of members have established National Networks with designated Contact Points. My colleague Geo-Sung Kim from TI Korea will share the experience of establishing a National Network in Korea.²

Global Compact membership entails the obligation to uphold the Ten Principles and to report progress regularly to the Global Compact Secretariat. Failure to report over time leads to expulsion; several hundred members met this fate in 2007 and again in 2008. However, the fact that there are currently 4,700 members in good standing is encouraging.

The Global Compact gives guidance on implementation. In the case of the Tenth Principle on anti-corruption, suggested implementation steps are

- Introduce and implement effect zero-tolerance policies and programs, and adopt a company ethics code;
- Train employees to ensure that an ethical culture is developed within the company and integrated in management systems;
- Adopt internal reporting procedures;
- Be accountable and transparent in all company transactions;
- Cooperate with authorities investigating and prosecuting cases of corruption;
- Engage in collective business action with industry peers;
- Check with human resources and other relevant departments to see if the following exist:
 - an employee-training program on how to identify bribery and corruption;

- a code of business conduct and ethics that includes a requirement for employees to review and sign off on the code regularly;
- an ethics “hotline” for reporting suspected violations (as well as use statistics);
- an investigation procedure that addresses violations, including information on investigation results.

As David Lyman mentioned in his presentation,³ the Global Compact has signed a memorandum of understanding to cooperate with TI, the ICC and the World Economic Forum to promote anti-corruption standards, and it has also signed a memorandum of understanding with UNODC.

Such cooperation between the main international standard-setting bodies in relation to anti-corruption standards for business is essential to engage business effectively. As John Bray said so eloquently,⁴ companies need a clear business case to take action on corruption. One of the first fruits of the cooperation between the Global Compact, TI, the ICC, and the World Economic Forum is the booklet “Clean Business is Good Business: the Business Case Against Corruption”⁵.

Lastly, TI is working with the Global Compact to develop reporting indicators for the Tenth Principle so that Global Compact members can report appropriately on their anti-corruption compliance efforts in the sustainability reports, which more and more companies are issuing.

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- 1 The “Business Integrity and Transparency Principles for the Private Sector” are available at www.apec.org/apec/news___media/2007_media_releases/060907_au_bizcodeconduct.MedialibDownload.v1.html?url=/etc/medialib/apec_media_library/downloads/taskforce/act.Par.0002.File.v1.1
- 2 See Mr. Geo-Sung Kim’s presentation on p. 145 in this volume.
- 3 See Mr. Lyman’s presentation on p. 47 in this volume.
- 4 See Mr. Bray’s presentation on p. 38 in this volume
- 5 www.unglobalcompact.org/docs/news_events/8.1/clean_business_is_good_business.pdf

Translating Regional and Global Initiatives into Local Action—Insights from the Republic of Korea

Geo-Sung Kim, Chairperson, Transparency International Korea

Transparency International Korea has been inviting major players from the public and private sectors to build a coalition for promoting transparency and fighting against corruption. As a result, the Korean Pact on Anti-Corruption and Transparency, K-PACT, proposed by TI-Korea in 2004, was signed on 9 March 2005.

Article 16 of the K-PACT states: The private sector “should participate in the UN Global Compact based on ten principles of the human rights, labor standards, environment, and anti-corruption areas.” K-PACT aims to empower the movement for change in the private sector itself.¹

At the time of the K-PACT signing ceremony, not one single participant in the UN Global Compact came from Korea. Now, in the fourth year of K-PACT, 144 participants in the UN Global Compact come from the Republic of Korea. This result is partly due to the K-PACT Initiative, but other forces also contributed to this progress, such as the fact that the UN Secretary General, Mr. Ban Ki-Moon, is a Korean national.

As a board member of the UN Global Compact Korea Network, I am pleased to inform you that the Network’s major activities focus mainly on promoting anti-corruption strategies and enhancing transparency in the private sector. Korea has also witnessed some failure stories, including three bribery cases involving the chief executive officers of companies that participate in the UN Global Compact.

As you may know, TI developed the concept of a “National Integrity System” (NIS) as part of its holistic approach to countering corruption. The NIS consists of the principal institutions and actors that contribute to integrity, transparency, and accountability in a society. A national integrity system includes several elements: the legislature, executive, judiciary, public sector, law enforcement, electoral management body, ombudsman, audit institution, anti-

corruption agencies, political parties, media, civil society, and business. Each element can be seen as a pillar underpinning rule of law, sustainable development, and quality of life.²

However, we also need to look at the foundation of the national integrity system—namely, the political-institutional, sociopolitical, and socioeconomic foundations. In that sense, TI-Korea emphasizes the importance and the need of youth integrity promotion. There are 13 NGOs and 13 academic institutions in the Korean participants of UN Global Compact. I hope those academic institutions can also play important roles for better corporate governance in the future.

In some countries, it is very difficult to find the ADB/OECD Anti-Corruption Action Plan for Asia and the Pacific in translation into the local languages. But more importantly, regional or global initiatives must be translated into local actions. For that purpose, I would like to stress the importance of building a coalition in each economy to implement those regional and global promises. Without those measures of implementation, these promises will remain useless.

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¹ More information on the K-PACT is available at www.pact.or.kr/english

² For a graphical depiction of this concept, please see www.transparency.org/policy_research/nis

Implementing the Extractive Industry Transparency Initiative (EITI) in Timor-Leste

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Timor-Leste, a petroleum-rich country, is expected to accrue substantial revenues from oil and gas production in the decades to come. In many countries, resource endowments resulted in poverty, corruption, and conflict. To avoid such a resource curse, and to utilize the potential revenues to foster growth and reduce poverty, the government of Timor-Leste was among the first to express its commitment to the Extractives Industry Transparency Initiative (EITI) at the first EITI Global Conference in London in June 2003.

In addition to more efficiently collecting the revenues from the exploitation of natural resources, the engagement in EITI demonstrates Timor-Leste's national commitment to transparency and good governance; promotes accountability; and is expected to improve sovereign ratings through EITI's systematic framework for collaboration. The engagement in EITI also underscores the government's acknowledgement of the important role civil society plays in these regards.

This contribution explains the concept and mechanisms of EITI¹ and describes the current status of Timor-Leste in this process.

Goals and concept of EITI

EITI was launched at the World Summit for Sustainable Development in Johannesburg in 2002 to improve transparency and accountability and to strengthen governance in the extractive industries, especially in petroleum, gas, and mining of mineral resources. For this purpose, EITI sets a global standard for companies to publish the tax and royalty payments they make and for governments to disclose the revenues they receive. EITI provides a robust mechanism for monitoring and reconciling the reported payments and revenues under the oversight of a multi-stakeholder group.

EITI builds on a coalition of governments, companies, civil society, investors, and international organizations. Institutionally, EITI is overseen by an Executive Board—with members who represent both implementing and

supporting governments, civil society, and companies—and assisted by a global Secretariat located in Oslo, Norway.

Reaching EITI compliance

A country that participates in EITI first undergoes a process of candidature that comprises a series of steps of preparation; disclosure of information of revenues and payments; and public dissemination of this information.

At the end of this process, which must be completed within 2 years, stands an external validation. Validation is an essential element of the EITI global standard. It provides an independent assessment of progress and identifies measures to strengthen the EITI process. Only countries that meet all Validation Indicators are awarded the EITI Compliant status. The Validation is carried out by an independent validator who applies a defined assessment methodology.

If the EITI International Board² considers a country to have met all the indicators in the Validation grid, the country will be recognized as EITI Compliant. If a country has made good progress, but does not meet all of EITI requirements, the country may apply to retain its Candidate status for a limited period. Where validation shows that no meaningful progress has been achieved, the Board will revoke the country's Candidate status.

Status of Timor-Leste in regard to EITI

The government of Timor-Leste was among the first to commit to the principles and criteria of EITI in June 2003. To guide the full implementation of EITI in Timor-Leste, a tripartite EITI Working Group was established comprised of representatives of relevant government ministries and agencies, extractive industry companies, and civil society. In September 2007, the Working Group agreed on and published its work plan³.

In late November 2008, the Timor-Leste EITI Working Group was in the process of finalizing a template for a first Timor-Leste EITI Report which is due to be released in early June 2009.

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- ¹ More detailed information on EITI, its mechanisms, and participants is available at <http://eitransparency.org>
- ² At the biannual EITI International Conference, held in Doha, Qatar on 16-19 February 2009, the Secretary of State of Timor-Leste, Mr. Alfredo Pires, has been

appointed member of the International Board of EITI for 2009-2011. Mr. Pires is the first member of the International Board from an Asian-Pacific country.

- ³ The work plan is available at [www.timor-leste.gov.tl/EMRD/ETTI/TL%20EITI%20Workplan%20Final%20\(English\).pdf](http://www.timor-leste.gov.tl/EMRD/ETTI/TL%20EITI%20Workplan%20Final%20(English).pdf)

13th International Anti-Corruption Conference—Global Transparency: Fighting Corruption for a Sustainable Future

Kathleen M. Moktan, Director, Public Management, Governance and Participation Division, Regional Sustainable Development Department, Asian Development Bank¹

We have just heard examples of regional and global initiatives that bring governments, the private sector, and civil society together in the fight against corruption. What is clear is that fighting corruption is everyone's problem; no one segment of society can solve this problem alone. The 13th International Anti-corruption Conference (IACC) is a biannual event that also recognizes this point and brings together governments, private sector entities, civil society organizations, academia, the media, and international organizations. The 13th IACC was held in Athens in early November 2008, just a few weeks prior to this 6th Regional Anti-Corruption Conference for Asia and the Pacific. This contribution brings the key messages emerging from the 13th IACC to Asia and the Pacific.

Exploring the threats of corruption to a sustainable future

The 13th IACC gathered 1,300 people from 135 countries to explore how corruption undermines all facets of sustainability by fostering conflict and violence, distorting natural resource use, aggravating climate change and hampering our response to it, and deepening global inequities. The conference was designed around four themes of particular current relevance:

- peace and security, including exploring linkages between human rights and the anti-corruption agenda;
- corruption in the natural resources and energy sectors;
- climate change and corruption; and
- sustainable globalization, recognizing that corruption is a core development issue and that efforts toward sustainable economic development are continuing to be undermined by corruption.

There was also considerable discussion around an emerging issue: the still-unfolding global financial crisis and impending recession.

Global Financial Crisis: Throughout the conference the looming threat of a prolonged and painful recession, particularly in developing countries, was a theme that permeated virtually every panel and discussion. It was recognized that the new level of interconnectivity between economies and the truly global nature of business in the 21st century has resulted in a crisis that began in the mortgage sector but has now impacted credit and equity markets and the global economy more broadly. The contagion has spread quickly to Asia and the Pacific, in spite of steps taken to strengthen financial market regulation following the 1997 Asian Currency Crisis. It was also noted that the poor are not able to bear the cost of greed and mismanagement by financial professionals half a world away.

Sustainable development, including strengthening governments and reducing vulnerability to corruption, must remain at the top of the global agenda. The conference concluded that the financial crisis and the climate change challenge have the same roots: humanity's unsustainable practices. The solution is to continue to strengthen governance, and reduce corruption, although the impact of the crisis may reduce the resources available to implement this solution.

Peace and Security: The conference recognized that corruption undermines stability; it keeps states from functioning effectively and promotes an unequal distribution of wealth and opportunities. Corruption also enables terrorism; organized crime; state capture; illegal trafficking in arms, drugs and human beings; and facilitates human rights violations.

The conference brought together the human rights and anti-corruption community, recognizing that there is an opportunity to gain from the natural synergy that exists between the two communities and their respective agendas. One speaker noted that the list of the 10 most corrupt countries in the world looks remarkably similar to the list of the 10 worst violators of basic human rights. It was noted that the human rights framework—including the rights to freedom of expression, freedom of association, and freedom of assembly—is underutilized in the fight against corruption, further concluding that an empowered citizen is the best actor to fight corruption.

Recognizing the difficulty faced by many anti-corruption advocates—whether working in civil society, or the private or public sector—a resolution was passed expressing deep concern and calling upon the Nigerian Government and the global community to take urgent action to guarantee the physical safety of Mr. Nuhu Ribadu, former Chair of Nigeria's Economic and Financial

Crimes Commission who fears for his life as a result of investigations that he has led. Mr. Ribadu inspired many delegates from member countries of the ADB/OECD Anti-Corruption Initiative when he addressed the Initiative's regional seminar on Asset Recovery and Mutual Legal Assistance in Bali last year². This is a stark reminder that much needs to be done to ensure the safety of all those who participate in anti-corruption activities.

Corruption in the Natural Resource and Energy Sectors: The oil and gas industry was identified as extremely vulnerable to corruption. It was also noted that, if left unchecked, corruption in this sector can have dire consequences, including quickly increasing rather than reducing poverty. Examples included the case of the President of Equatorial Guinea; records indicate he has purchased a home worth USD 36 million in the US, and one credit card receipt shows USD 250,000 for a single day's shopping... Equatorial Guinea has with the highest economic growth rate, and a significant portion of the population lives on less than USD 1 per day. Imagine the schools, hospitals, public health facilities that USD 36 million would finance. These consequences were discussed, along with strategies and partnerships available to mitigate them, including the EITI. Better enforcement and awareness of land and resource rights were identified as ways to improve the governance of natural resources.

Climate Change and Corruption: The climate change agenda is particularly vulnerable to corruption: carbon credit schemes; resettlement of displaced populations; protecting forests and biodiversity; managing increasingly strained water resources; and the impact of increasing competition for decreasing natural resources—corruption threatens to exacerbate environmental problems and to undermine attempts to manage them. Recognising the threat that corruption plays to the climate change agenda is a tremendous opportunity, and may lead to significant benefits.

In response, the 13th IACC recommended that anti-corruption mechanisms be built into both the governance and implementation procedures of any future Kyoto-based system. The conference also recognized that climate change is more than just an environmental or technical issue; it is also an issue of social justice. The conference recognized that there are convincing arguments to develop an active partnership between those with expertise and capacity in fighting corruption and those who are planning the global responses to climate change.

Sustainable Globalisation: The UNCAC was identified as the most promising available instrument to set common standards at the country level and to pursue cross-border corruption issues. There was a call for governments to adopt a transparent and participatory review mechanism at the next Conference of the

States Parties (to be held in Doha, Qatar in 2009), noting the decision of the government of Qatar to invite civil society to participate in the conference. The OECD Anti-Bribery Convention was also highlighted, noting the continuing fallout from the UK Government's decision to terminate the investigation into alleged corruption in the BAE-Saudi-Arabia Al-Yamamah arms deal.

The issue of asset recovery was discussed with a call for increased transparency as assets are recovered and returned. Conference participants also noted the corrosive effective of political corruption, and identified political corruption as the greatest threat to democratic governance in the 21st century. Disclosure and civil society oversight were identified as vital mitigating measures.

Conclusions: The conference identified four primary conclusions:

- the anti-corruption movement needs to strengthen interdisciplinary cooperation, to link, for example, corruption and human rights, or corruption and climate change;
- the long term importance of the UNCAC was stressed;
- there is a need for better resource governance; and
- greater civil society engagement is required.

As a participant, ADB took back three key messages:

- sustainable development requires not only economic growth but also respect for the environment, peace and security, and the recognition of basic human rights—and corruption undermines each of these;
- policy prescriptions with respect to climate change need to go beyond technical solutions to address the issues of people, power, equity, and accountability;
- there is scope to use supply chain management and voluntary programs to support ethical business behaviour.

The 14th IACC will be held in Bangkok in 2010. The conference will provide an excellent opportunity for Asia and the Pacific to showcase experience, lessons and progress made in the regional fight against corruption.

NOTES

- ¹ This presentation is based on the Summary Report from the 13th IACC as posted on the conference's website www.13iacc.org
- ² The website www.oecd.org/corruption/asiapacific/capacitybuilding provides information on this seminar and access to the proceedings that contain Mr. Rubadu's presentation.



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