



Transparency

Malaysian Society for Transparency and Integrity (Transparency International Malaysia)

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The Malaysian Government's Anti Corruption Drive

Malaysia's history of fighting corruption is an unfolding saga from its independence in 1957 until today, 49 years later. The Malaysian Government has taken various measures to combat corruption.

In 1957, the then-Prime Minister, Tunku Abdul Rahman Putra commissioned a report on corruption in newly independent Malaya.

The report "The Problem of Corruption in the Federation of Malaya", led to the setting up of a special force to investigate corruption.

The Anti-corruption Agency (ACA) was formed to enforce the Prevention of Corruption Act, 1961.

In 1998, the then-Prime Minister, Dato' Seri Dr Mahathir Mohamad instituted further measures to continue the fight against corruption. He directed that Integrity Management Committees (IMCs) be estab-

lished in all Federal and State departments and agencies. The function of these committees is to look into matters relating to good governance, abuse of power and mismanagement.

When Dato' Seri Abdullah Badawi took office as the Prime Minister in November 2003, the level of corruption in the country was aptly described by certain quarters as pandemic. Even the former Prime Minister, Tun Dr Mahathir Mohamad, was reported to have said that corruption may have become part of Malaysian culture.

The Barisan Nasional gave top priority to eradicate corruption in its party manifesto at the last general election.

Following widespread concerns of corruption and abuse of power in the police force, a Royal Commission to Enhance the Operation and Management of the

Royal Malaysian Police was set up in December 2003.

The seventeen-member Commission delivered its 607-page report on May

16, 2005 with 125 recommendations for improvements to the police force including sweeping reforms to eliminate corruption and human rights abuses. On the same day, the Prime Minister announced that he would head a task force to implement the recommendations.

In January 2004, the Prime Minister announced that govern-



Current PM, Yang Amat Berhormat Dato' Seri Abdullah bin Haji Ahmad Badawi

EDITORIAL

Corruption not only plunders economies, but also distorts and stunts them. Corruption hijacks resources better spent on worthy causes such as poverty eradication, better education, health care and protection of the environment.

Corruption in public procurement is a major concern as governments purchase goods and services for their ministries and agencies, and build large infrastructural projects.

Government procurement of goods and services is more than big business. It can amount to 10-15% of GDP for developed countries; and possibly more for developing countries.

In Malaysia, in 2003, it is estimated that government procurement could have been about RM38 billion.

On 26th April 2006, Dato Seri Abdullah Ahmad Badawi, the Prime Minister of Malaysia, launched the *Red Book* and the *Green Book* to improve the procurement process of Government Linked Companies (GLCs).

According to the Prime Minister, the top 15 GLCs can potentially save RM15 billion if they adopt best practices, and better governance, transparency and accountability.

The launch of the *Red* and *Green* books signals the Government's commitment towards achieving the vision of the National Integrity Plan: zero corruption. The National Workshop on May 22 & 23 on "Preventing Corruption in Public Procurement : Capacity Building

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ment contracts and procurement will be done through open tenders to limit opportunities for corruption. This is done so that open tendering will be the norm, and direct negotiations with contractors will be limited to special cases. He said that efficient and transparent processes will reduce uncertainty as well as limit the opportunities for corruption.

In April 2004, soon after the formation of the cabinet the Prime Minister directed all the Barisan Nasional members of Parliament to declare their assets to him and thereafter periodically every two years.

Also in April 2004 the Prime Minister launched the National Integrity Plan (NIP) (or Pelan Integriti Nasional (PIN)) for the purpose "... to develop a society, which is morally and ethically strong, with its members possessing religious and spiritual values that are strong and steadfast, and is supported with good values".

The Integrity Institute of Malaysia (IIM) was established as a company limited by guarantee, and is among other things to ensure that it carries out all the planning implementation, coordination, monitoring and evaluation related to the implementation of the NIP carried by it. The core business of IIM includes research, reporting, communication and training in relation to integrity. (TI Malaysia works closely with IIM.)

IIM attempts to create space for citizens to voice their concerns about corruption as well as the promotion of transparency and integrity in Malaysia. They have organized seminars and workshops to involve the public, eg the World Ethics and Integrity Forum (April 2005) and the Forum on the Construction Industry (September 2005).

In December 2004, the Treasury issued new guidelines for public procurement on infrastructure maintenance projects that outline the selection process for contractors, the use of open tenders and the participation of a broader group of public officials to ensure transparency. Though the guidelines cover only one area of public procurement, they apply to all government departments.

In February 2005, the Central Bank set up a website, LINK, to facilitate a rapid response to the public, as well as small and medium enterprises, on matters relating to the financial sector. LINK also has the potential to encourage internal and external whistleblowers to disclose corruption in the financial sector.

The Anti-Corruption Academy, first announced in December 2003, became operational in September 2005. Its main role is to train officials of the national Anti-Corruption Agency and function as a regional centre for anti-corruption capacity-building, promoting best practices in investigation, monitoring and enforcement, as well as forensic accounting and engineering.

In November 2004, the Malaysian media carried a front-page story on defective buildings and roads that had cost the taxpayer an estimated RM2 billion (US \$500 million). The public works minister disclaimed responsibility for the fiasco, and blamed a group of contractors known as Project Management Consultants (PMC), set up in the 1990s and registered with the Treasury. Following this fiasco, the government abolished the PMC in March 2005.

On April 26, 2006, Datuk Seri Abdullah Ahmad Badawi, the Prime Minister of Malaysia, launched two books – the *Red Book* and the *Green Book* – as part of the government's drive to improve the procurement process of Government Linked Companies (GLCs)

(Compiled by Josie Fernandez & Aloysius Selvam)

Film : The Constant Gardener

Based on the best-selling John le Carré novel, the film is a gripping thriller that exposes the shadowy war against the poor and the powerless that is driven by corporate greed and political amorality.

It is an intellectual, socio-political film with a strong message. Directed by Fernando Meirrelles, starring Ralph Fiennes and Rachel Weisz and filmed on location in remote parts of Kenya, Berlin and London; it is a film for all engaged in the battle against corruption.



A scene from the Constant Gardener

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and *Networking for Civil Society and Local Government*" jointly organized by Transparency International Malaysia and Institut Integriti Malaysia is therefore timely.

The Malaysian procurement policy also has an important social objective, considering the social and political reality in Malaysia. Its stage of development warrants some flexibility to accommodate its national interests and promotion of socio-economic development. Government procurement is seen as a necessary instrument to promote social and national development.

Malaysia's national interests can best be achieved through better governance, transparency and accountability in all government transactions. A more transparent procurement policy will bring gains through open, fair and ethical competition and attract foreign investors.

Importantly, the potential savings referred to by the Prime Minister from transparency in national procurement policies can be used not only for national development but also to reduce the growing socio-economic gap between the poor and the rich in Malaysia.

- Josie Fernandez



Mark of a developed state

Transparency and accountability are the trademarks of a First World culture.

By: *Jacqueline Ann Surin (TheSun 06 Apr 2006)*

It's not hard to know when one is in a developed country. At the most basic level, the state of public transportation and toilets are always good indicators. But more than the physical infrastructure and services that are available to people, an obvious indicator of a developed nation is transparency and accountability. On a media trip, sponsored by the recently-launched Australia-Malaysia Institute to Sydney, Canberra and Melbourne which ended last week, every single public toilet I walked into was clean. The public transportation system was a breeze to navigate.

But what struck us most noticeably was the level of corporate governance involved in local councils and the organisation of events using public funds. The City of Melbourne, for example, has a corporate performance department that specifically tackles governance issues within the city council. Its corporate performance director Linda Weatherson heads a department staffed by 100 people. That's 10% of the council's entire workforce dedicated to good governance.

"We ensure that the processes in place are the ones which allow for maximum transparency between departments in the council and for the outside community," she tells the delegation of Malaysian journalists.

That entails ensuring that the council abides by the law including the Freedom of Information Act and adheres to council policies in carrying out its work.

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World Bank steps up anti graft fight

The World Bank recently announced that it was stepping the fight against corruption by beefing up its internal investments department and redirecting funds to projects that promote good governance.

Paul Wolfowitz, the bank's president said during a visit to Indonesia that the institution would deploy additional resources including anti-graft teams based in developing countries as increase in investments in areas of freedom of information and judicial and civil service reform.

The World Bank is working on a strategy to blacklist firms that engage in corruption. Huguette Labelle, President of Transparency International, the anti-graft watchdog said regional organizations like Asian Development Bank should follow suit by publishing their internal black lists of corrupt companies.

By not publishing these lists, development banks are giving corrupt companies the chance to receive new loans from commercial lenders.

Transparency International also welcomed the World Bank's drive to prevent the flow of stolen funds into tax havens and private banking accounts. Mr Wolfowitz, also the former US ambassador (1986-89) said "Corruption contributed significantly to (Indonesia's) economic collapse in the 1990s."

It now looms as a major obstacle to achieving the development successes the country is capable and which the Indonesian people deserve" - **Financial Times 12 April 2006**

World Press Freedom Day

The UNESCO "Media, Development & Poverty Eradication Theme" for 2006 was observed at the annual commemoration of the World Press Day on 3rd May 2006 in Jakarta.

It was noted that free press and freedom of expression are the foundations for a strong democracy that will improve the everyday welfare of citizens.

As stated by Nobel laureate Amartya Sen no substantial famine has ever occurred in a country with a relatively free press.

In addition French philosopher Albert Camus noted that freedom of the press can be both good and bad but without a free press only bad things can come.

In this aspect the press should allocate space, time and personnel to issues of democracy and human welfare rather than be singly focussed on big scoops and entertaining news.

The press should not forget its role in overseeing, promoting and campaigning for poverty and corruption eradication, budget allocation and development planning.

This would create an active and informed public acting as the premier auditors of policies that affect human welfare and democracy. Merely going for big scoops and entertainment issues will render the press to irrelevancy and betray its noble profession. - **Jakarta Post 4th 2006**

PM: Better procurement can save GLCs billions.

At the launch of the Red and Green Books in Kuala Lumpur, the Prime Minister Datuk Seri Abdullah Ahmad Badawi said that the top government linked companies (GLC) would save about RM10 billion by improving procurement processes.

Procurement improvement would be the cornerstone of the GLCs transformation to leaner and more efficient corporations making them more competitive.

This would lead to greater transparency and more parties in the supply chain.

The Green Book spells how to improve board effectiveness and the Red Book provides the guide lines on the best practices for procurement spending.

The procurement guidelines will edge on Bumiputra vendors to become a resilient and a competitive commercial and industrial community not through handout but by measures to build capacity, scale and performance.

It would also increase local content which would assist local suppliers to move up the value added ladder.

The main objective of this programme is to create a competitive, resilient and sustainable corporations that are rooted in best management practices and exemplary corporate governance.

A sustainable competitive procurement practice will minimise total cost ownership ensure efficient procurement cycle time, enhance transparency, capacity, governance and reduce corruption while increasing higher value supplier base.— **The New Straits Times 21 April 2006**

TI-M Press Releases

INTEGRITY IN PARLIAMENT

TI commends YB Lim Kit Siang for the proposed Resolution in Parliament to defend the Integrity of Parliament and its MP's and for YB Datuk Shahrir in supporting the resolution.

The Government's commitment to combat corruption should be shown at the highest level of Governance and that is the Parliament.

The Government ought not to be seen to be condoning with wrong doing by its Party mem-

bers. The Resolution to refer the allegation of corruption against an MP should have been adopted to enable the Committee of Privileges to investigate the truth in the interests of



TI-M President
Tan Sri Ramon Navaratnam

transparency, integrity and good governance.

TI hopes that the appropriate disciplinary action will be taken against the MP who persuaded the Customs officers to close one eye in

doing their job!

TAN SRI RAMON NAVARATNAM
President

The Government's
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"The department is empowered to give frank and fearless advice to the council," says Weatherson.

Theoretically, the council can choose to reject the advice but that would mean it would have to justify its decision to others, including the media. Councillor Brian Shanahan, who is the chair of the financial and corporate performance committee, describes the corporate performance department as an "internal watchdog" that prevents "shortcuts" from being taken in the council's day-to-day running.

"The very fact that it exists prevents a lot of corruption."

Still, the department is not the only anti-corruption measure in place. Good governance is also promoted by the existence of an independent auditor, the Victorian state ombudsman's office that answers to Parliament, and a free press. "It's still possible for corruption to occur but we hope that all these will reduce the probability of corruption happening and prevent it from being systemic," Shanahan explains.

Additionally, the council's detailed financial accounts are open to public scrutiny and published

in an annual report that among others reveals the expenses of the Lord Mayor, the Deputy Lord Mayor and the councillors. "Local council elections are held once every four years, and candidates do not have to be a member of a political party," Shanahan says.

At an earlier meeting, Department for Victorian Communities executive director Meredith Sussex told us the accounts for the recently concluded Commonwealth Games in Melbourne was expected to be wrapped up, audited and made public after June but before the November election. "

We will provide a public audited report for the total expenditure against the original budget," she says. Sussex adds that being a government agency, her department will be subject to the state auditor-general's scrutiny. Additionally, both the department and Melbourne 2006, the company set up to jointly organise the games, are

Updates on TI-M current Projects

A. EU ASIA-URBS PROJECT

"Preventing Corruption in Public Procurement: Capacity Building and Networking for Civil Society and Local Government"

The Project aims at curbing corruption in public contracting in local governments in Asia. The Project is carried out in cooperation with local government authorities, private sectors and civil society. The Project is currently being implemented in Malaysia, Indonesia and Pakistan. It is funded by the EU and coordinated by the TI Secretariat in Berlin.

1. A 2-Day National Workshop on "Capacity Building and Training on Procurement", jointly organised by Transparency International Malaysia and Integrity Institute of Malaysia will be held on 22 & 23 May 2006 at the Sunway

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Transparency International Malaysia

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Lagoon Resort Hotel, Bandar Sunway, Selangor Darul Ehsan.

Speakers from the EU, Korea, Pakistan and Indonesia will share their experiences in public procurement policies. Local speakers include senior government officials and experts on public procurement.

Participants for the workshop include those from:

- local government
- other government agencies
- civil society
- NGOs
- the media.

2: **The Handbook on Preventing Corruption in Public Procurement: Capacity Building and Networking for Civil Society and Local Government.**

A handbook on understanding procurement policies, the Integrity Pacts, the workings of Local Government and the role of civil society will be published in July 2006 as part of the Asia URBs Project.

This Handbook is funded by the Canadian High Commission in Malaysia.

3: **Regional Meeting of the Asia URBs Project Partners will be held in Bali, 27-30 June 2006.**

B. The Tan Sri Azizan Zainul Abidin Integrity Circle for Young Malaysians

This residential course targets young professionals in their first or second year of working life. The ultimate goal of the course is to help inculcate values such as ethics, integrity, responsibility and accountability.

TI-M named this project after the late Tan Sri Azizan Zainul Abidin as he was a person well-known for his integrity.

The Steering Committee was given consent to use the late Tan Sri Azizan's name for this course by his wife, Puan Sri Noor Ainee Che Teh and his family members. A dry-run of the training was carried out on 25 & 26 March 2006 at the PERMATA Training Centre, Bangi. 13 persons comprising students and lecturers from Universiti Tun Abdul Razak (UNITAR) and Universiti Teknologi MARA (UiTM), representatives from Institut Integriti Malaysia (IIM) and Transparency International Malaysia (TI-M) participated in this training conducted by Ms Anushia Senthe and Ms Aneesa Alphonsus, the appointed consultants for the project.

Representatives from PERMATA and Petronas were present as observers, and provided invaluable feedback and comments on the pilot training. Participants were reminded of the different categories of values: moral values, pragmatic values and aesthetic values. They then went through an exercise of rating their own ethical opinions on different issues, and this was shared with the floor. Participants also shared their personal ethical encounters, ie observations and reflections on situations where ethical choices had to be made. This was followed by in-depth discussions with the other participants on how these situations could be overcome.

Participants went through a brainstorming session to discuss the aims of businesses in general, and the main ethical issues faced in conducting business. Businesses that were discussed included the construction and education industries, and fast food chains.

Reports by Justina Tan



Shahrir quits as Backbenchers Club chief - Integrity should begin in Parliament .

Datuk Sharir quit as chairman of the Backbenchers Club Chairman as he supported the opposition motion to refer to Parliament Rights and Privileges Committee MP reported in a newspaper to have allegedly t asked the Custom's department to be lenient to those importing timber from Indonesia. Shahrir said that the matter should be investigated to clear the air as "integrity should begin in Parliament" He continued " The problem with the civil service is that it has become an old body which refuses to take action against itself. The committee is a tool to manage our affairs. We need to be responsible for our conduct and actions." - **Star 5th May 2006**

Response from TI-M

The whip should be cracked to uphold integrity and good governance, and relaxed in cases where it is not vital to party discipline and political governance.

Transparency International Malaysia (TIM) president Ramon Navaratnam said :

Good conscience and integrity are interlinked, and Islam Hadhari reaffirms the fact that you cannot have one without the other. Your conscience must be transparent and therefore, it's important that your conscience reflects integrity. You cannot have a good conscience unless you have integrity.

The over-riding consideration in all matters of judgment and decision-making is integrity as it covers honesty, loyalty, best practices and the duty to serve the public with morality and religion as guidelines. Any other consideration can be regarded as violating the principles of good governance.

TI appeals to the PM to clear the air on this matter in a transparent way, otherwise it gets all hazy. His statement could be construed as a conflict of ideals which will cause confusion.

As a former civil servant, I can imagine the confusion that will lead to the creation of 'war' and Napoleons not just within the civil service, but also within the political system.

I can understand the need to have the Whip for political purposes and party discipline but the over-riding consideration should still be integrity.

The whip should be cracked to uphold integrity and good governance, and relaxed in cases where it is not vital to party discipline and political governance.

MPs should not be denied their freedom to exercise good judgment and conscience. Otherwise, these representatives of the rakyat would feel constrained and muzzled.

Greater discretion must be exercised in cracking the whip or it would throw MPs into a dilemma between their conscience and loyalty to the party.

People must exercise conscience or risk inhibiting progress and independent thinking especially at this stage of Malaysia's economic growth. .

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separately responsible to Parliament for the expenditure of those funds.

"We can't yet predict the final budget outcome because we are still counting final expenditure and the income from licensing and merchandising," Sussex explains. But she stresses that everything will be made public. Data on the sale of tickets, for example, was publicly available through the Internet throughout the event. Compare that to the many unanswered questions surrounding Sukom 98 Bhd's organisation of the 1998 Commonwealth Games in Kuala Lumpur. Though eight years have gone by, the accounts for the Kuala Lumpur games have yet to be made public, and the company has yet to settle a RM10 million loan from the government.

Transparency and accountability are hallmarks of a working democracy, and they are indicators of how developed a nation is. Our poor public toilets and public transportation are symptoms of a system that is Third World. But also, I'll wager that it is the high level of good governance that ensures public toilets and public transportation are well-run and maintained in developed countries such as Australia. And it is good governance that ensures the use of public funds for events are well accounted for.

Using these indicators as benchmarks, however, it is obvious Malaysia needs to learn that we cannot aspire to be a developed nation unless we are willing to invest in good governance.

Jacqueline Ann Surin believes that you cannot be neutral on a moving train. She is an assistant news editor at theSun.

March 29, 2006 19:04 PM

Transparency International M'sia Against Whipping For Corruption

KUALA LUMPUR, March 29 (Bernama) -- Transparency International Malaysia (TI-M) said Wednesday it was against the use of whipping as a method to curb corruption, adding that the penalty was an outdated method that did not have a place in modern society.

Its president, Tan Sri Ramon Navaratnam, said a more holistic, radical and long-term approach had to be adopted to eliminate the menace in society. "Whipping is not the solution to corruption. If whipping is introduced to combat corruption, a lot of people would be whipped!" he said in a statement issued here.

He said this in supporting a reported statement by Minister in the Prime Minister's Department Datuk Seri Mohamad Nazri Aziz today that whipping was not the solution to corruption. Navaratnam said instilling good values through education was one of the steps to curb corruption. "Children must be taught that corruption is very destructive and that the poor are the worst victims of corruption," he said, and suggested that ethics courses be introduced for young professionals to equip them with good work ethics.

He also proposed that the Anti-Corruption Agency (ACA) be made independent. Navaratnam said he hoped that the Whistleblower's Act, which is understood is being looked at by the attorney-general in a move to promote accountability and good governance, would be tabled in Parliament as soon as possible.

"Such an act will reassure the public and employees that it is safe and acceptable to raise concerns about corruption in the workplace, against politicians and leaders," he said. He said voters should not support government and corporate leaders who were corrupt, and these leaders must be made accountable to citizens, taxpayers and shareholders.

Dr. Devendra Raj Panday, Nepalese Anti-Corruption Activist, Released from Prison.

On April 26, 2006 Amnesty International reported that Dr Devendra Raj Panday, former president of Transparency International's Nepal, was among hundreds of civil society and political party activists who were released as King Gyanendra reinstated Nepal's parliament in a historic political transition.

Dr. Panday was imprisoned in late January as part of a massive crackdown on dissent waged by the king, who seized direct control of Nepal's government on February, 2005.

www.ethicsworld.org

Publications

- **Global Corruption Report, 2006 Special focus is on Corruption and Health.****

Corruption in the health sector can be a matter of life and death. *The Global Corruption Report 2006 maps the causes and effects of corruption in the health sector, from the influence of pharmaceutical companies on medical purchasing to hospital – level bribery for access to “free” health care. ***

**Copies available from TI-Malaysia.

- **Integrity Journal***

Integrity is the new journal published in English and Bahasa Malaysia by the Integrity Institute of Malaysia.

This journal contains articles on ethics and integrity, corruption, survey findings and provides a forum for views from civil society and the private sector.

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