



TRANSPARENCY INTERNATIONAL MALAYSIA

NEWSLETTER

A Nation Without Corruption, A Society with Integrity



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PRESIDENT'S MESSAGE

With the Unity government's full cabinet in place, Prime Minister Dato' Seri Anwar Ibrahim has been focusing on the key issues related to the economy, addressing the cost of living issue faced by the rakyat and engaging with his counterparts within the ASEAN regions for new investments. However, he has not lost sight of the issues related to good governance, transparency, integrity and democratic accountability.



The recent announcement on the appointment the Prime Minister's daughter Nurul Izzah as a Senior adviser on Economics and Finance to the finance minister raised eyebrows among civil society groups, opposition law makers and also among the Prime Minister's own party members. Some accused the government for bringing back the culture of nepotism. However, after getting feedback and suggestions including from TI-Malaysia, Nurul Izzah has been redesignated and reassigned to report to the Senior Advisor Tan Sri Hassan Merican. We hope this controversy will end and the government focus on institutional reforms and continue the fight against corruption.

Results of the 2022 Corruption Perception Index (CPI) was disappointing with Malaysia scoring 47 points compared to 48 points in 2021. Malaysia has dropped 6 points over the past 3 years which is statistically significant. Issues like the Littoral Combat Ship (LCS) scandal, slow progress on institutional reforms, political instability and lack of commitment from the government to push for legislative changes were some of the factors for Malaysia's continued decline in the CPI score. However, the conviction of the former Prime Minister in the SRC case and MOU (Memorandum of Understanding) signed between the Perikatan Nasional government and Pakatan Harapan to push for several reforms, were some of the likely mitigating factors that prevented a drastic plunge of the CPI scores for Malaysia.

Going forward we hope under the leadership of Dato' Seri Anwar Ibrahim, practice of good governance, transparency, integrity and democratic accountability will be applied widely in the public sector and we will be able to see some tangible improvements under the Malaysia Madani concept.

Dr Muhammad Mohan

President

Transparency International-Malaysia

EDITORIAL

On Tuesday, January 31, 2023, TI (Malaysia) released the 28th Annual Corruption Perception Index. I was quite surprised that many of the people I spoke to after its release had very little understanding of it and its importance. Thus, it could be the reason why Malaysians do not pay much cognizance to the gravity of the issue at hand that all we Malaysians are facing.

The CPI, first launched in 1995, has become the single most effective advocacy tool in the global fight against corruption and other abuses of public office for private gain. This is in line with TI's mission which is to create change towards a world free of corruption.

There was improvement between 2018 to 2020 where the score rose to 53 and then it declined to the earlier score of 47 of 2017 and 2018. What could be the reason or reasons for this?

In May 2018, Pakatan Harapan won GE 14 and formed the Federal Government. It immediately started addressing the grand corruption connected with 1MDB and other scandals implicating high level ministers and high-level officials. This enhanced the confidence of the investors as well as that of the Malaysians.

In 2019, the National Anti-Corruption Plan (NACP) was launched to bring offenders to justice, and to ensure past mistakes are not repeated. It was targeted mainly to the Civil Service and GLCs. It was fairly holistic and had all the makings of the transformation needed to make Malaysia a 'corrupt free' nation. It was set into action and was gaining the initial traction when disaster struck.

In February 2020, the Pakatan Harapan Government fell. With the years of power struggle that followed and to add further to the malady we were hit by the Covid-19 Pandemic. Accountability and good governance were cast aside in favour of "clinging to power". And the foundations that were laid for the implementation of the NACP conveniently fell through the cracks.

A question for the naysayers – "Isn't the CPI Scores reflective of all of these?"

Therefore, the Government of the day should pay some attention to the CPI Scores. The government is not fighting corruption to impress TI or to earn the body's favourable corruption ranking but to boost its public trust and lead to higher productivity and quality of living for all of its citizens. It could refer to the CPI Score to benchmark the success of its Anti-Corruption initiatives implemented. It would be prudent on their part to set up an independent body consisting of experts to regularly measure the success of its own anti-corruption initiatives' performance.

Malaysians have now put their trust and hope in the hands of the newly appointed Prime Minister, Dato' Seri Anwar bin Ibrahim and his team to transform Malaysia into a corrupt free nation. We all understand that it's not going to be an easy task taking into consideration the fragile coalition as well as the fact that it comprises of some strange bed fellows. The Prime Minister would need to be able to run the Government for the full term, while keeping the Judiciary independent at all times, in order for him implement some of these critical anti-corruption initiatives. Only then he would be able to meet the rakyat's aspiration.

Dorai Balasundarum Sinnadu

TI-MALAYSIA BOOTH AT EPF FIESTA INTEGRITI 2022 COMMUNICATION AND EDUCATION PLATFORM FROM INTERGRITY AND GOVERNANCE

TI-Malaysia manned a booth at EPF's Fiesta Integriti 2022 event on November 29. The booth promoted TI-Malaysia publications and EPF employees were informed about our work on good governance and anti-corruption initiatives.

A simple quiz was administered to EPF employees to educate them on Section 17A, a provision that establishes a corporate liability principle under which a commercial organisation can be held liable if any of its employees or associates commit corruption for the benefit of the organisation. Attendees were then directed to TI-Guidance Malaysia's on Good Practice and Checklist for Adequate Procedures to learn more about how organisations and their boards can defend themselves by demonstrating that adequate procedures were in place to prohibit, prevent, and detect such behaviour. The attendees were curious and enthusiastic in asking probing questions about the state of corruption in Malaysia and the work of TI-Malaysia.

TI-Malaysia would like to express gratitude to EPF for inviting TI-Malaysia to participate in Fiesta Integriti.



Justin, Izzati & Nadine at TI-Malaysia's Booth

FIESTA INTEGRITI 2022

FIT22 HAWKERS DAY

Program Integrity Hawkers Day merupakan platform komunikasi dan pendidikan menerusi pameran oleh agensi luar untuk berkongsi maklumat dan pengalaman mereka dalam menguruskan perkara-perkara berkaitan integriti dan governans dengan Anggota KWSP.

JOM SERTAI!!!

*Door gift adalah terhad kepada 300 anggota yang pertama sahaja

Tempat : Dewan Perdana, Tingkat 10, Menara KWSP
Tarikh : 29 November 2022
Masa : 9:00 pagi - 4:30 petang

Booth

- ▶ 6 agensi luar daripada bidang penguatkuasa, membuat polisi dan pertubuhan bukan kerajaan (NGO).
- ▶ Seksyen Pengurusan Psikologi & Kaunseling dan JITU juga akan turut membuka booth pada hari tersebut.
- ▶ Aktiviti booth pameran - perkongsian informasi berkaitan agensi termasuk pelbagai aktiviti yang akan diadakan oleh agensi kepada pengunjung pameran.
- ▶ Anggota perlu melawat ke setiap booth dan menjawab soalan atau melakukan aktiviti yang disediakan. Anggota akan menerima satu *stamp* sebagai tanda tugas/aktiviti berkenaan telah diselesaikan. Anggota layak menebus ganjaran berbentuk *door gift* sekiranya berjaya mengumpul semua *stamp* yang disyaratkan. Ganjaran ini hanya diberikan kepada 300 anggota yang pertama sahaja.

AGENSI YANG TERLIBAT

Sekretariat Integriti - Syikraz 0142331557 | Ishaq - 0145790425

INTEGRITI TERAS KEJAYAAN KWSP

KWSP | EPF



Participants at the EPF Fiesta Integriti 2022

DR. MOHAN AND KAREN CHEAH ON THE BFM BREAKFAST GRILLE REVERSE ANTI-CORRUPTION DECLINE, REV UP INSTITUTIONAL REFORM

Dr. Muhammad Mohan, president of Transparency International Malaysia, and Karen Cheah, president of the Malaysian Bar, were guests on the BFM Breakfast Grille with host Shazana Mokhtar on International Anti-Corruption Day. "Reverse Anti-Corruption Decline, Rev Up Institutional Reforms," was the topic. Despite repeated promises from successive governments to combat corruption, Malaysia continues to fall in Transparency International's Corruption Perception Index (CPI) rankings and the topic follows on the institutional changes required to turn promises into actions.

According to Dr. Mohan, the decline in Malaysia's CPI is due to the government's lack of political will. Dr. Mohan suggests that the task of implementing the National Anti-Corruption Plan, which was introduced from 2019 to 2023, be assigned to the Chief Secretary of the government to ensure better implementation.

During the podcast, Karen Cheah stressed the lack of institutional reforms in Malaysia as well as agrees on Dr Mohan's point on the lack of political will to move forward on key issues such as the political financing bill. Karen and Dr. Mohan both emphasized the importance of the Malaysian Anti-Corruption Commission having independent leadership and being empowered to investigate corruption. They also discussed the importance of allocating more resources to the MACC in order to properly staff it, as

well as the separation of the roles of the attorney general and public prosecutor.

Dr. Mohan believes that Parliament can play a larger role in controlling government spending and that parliamentary reforms are required. He also suggests limiting individual contributions to political parties and prohibiting foreign funding, GLCs, and political donations. To improve transparency in government procurement processes, Dr. Mohan suggests prioritizing initiatives outlined in the National Strategic Communications Plan and pushing for amendments to the Whistleblower Protection Act 2010.



Karen Cheah & Dr Muhammad Mohan

RANCANGAN MALAYSIA KE 12 (RMK 12): TI-MALAYSIA PROVIDES INPUTS TO ECONOMIC PLANNING UNIT



Representing TI-Malaysia is our exco member Mr Alan Kirupakaran to be part of the RMK 12 Inter Agency Planning Group on

Strengthening Public Sector Service Delivery for Governance. The Technical Working Group (TWG) for this initiative was chaired by GIACC and focuses on Governance, Integrity & Transparency and Political Literacy. Among the recommendations made by TI-Malaysia are as follows:

- Mandating OACP (Organizational Anti-Corruption Plan) for government ministries and agencies.

- Having the OACPs regularly reviewed and include measurable indicators.

- The proposed Malaysian Governance Index (MGI) should realistically capture the national governance picture.

- Review the ambitious revised national CPI (Corruption Perception Index) target of top 30 ranking by 2025 which is challenging.

- Engage directly with institutions conducting the CPI surveys for Malaysia and the stakeholders who provide input for these surveys.

- Prioritize the NACP (National Anti-Corruption Plan) and report on its achievements.

- Improve budget transparency for high value projects (especially those defined as “off-budget “ by making reports publicly available e.g. Needs and Cost Benefit Analysis.

- Requiring Parliamentary approval and conducting mid-stream audits for high value projects.

Other government agencies also participated and the following are the updates on their Government Linked Initiatives:

BHEUU (Bahagian Hal Ehwal Undang) -The draft of the Freedom of Information Act will be finalized in February 2023. A public briefing is scheduled to follow.

AGC (Attorney Generals Chambers)-Currently studying the separation of powers between the AG and Public Prosecutor (PP). Initial feedback mentioned that this will require substantial financial commitment to set up a PP’s office. Currently studying countries with similar setup -UK, Australia, Kenya. The target is to implement by 2025.

- BPA ()-The draft Ombudsman Act will address maladministration at the federal level. It’s aim will be preventive (similar to the EAIC Act) where it will make recommendations on necessary actions to the relevant agencies. Currently engaging with stakeholders and target for June 2023 parliamentary sitting for 1st reading.

PRESIDENT OF TI-MALAYSIA'S VISIT TO THE CHAIRMAN SIME DARBY PLANTATION

The President of TI-Malaysia, Dr. Muhammad Mohan, paid a courtesy visit to the Chairman of Sime Darby Plantation, Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr. Haji Megat Khas, to share thoughts on the new corporate liability provision and welcome Sime Darby Plantation as a new member into TI-Malaysia. The visit was a vital step in developing a strong collaboration between the two organisations and expanding the implementation of anti-corruption programs in Sime Darby Plantation. Tan Sri Najammuddin also informed that the group's Integrity Day is planned to be held in January 2023.



Tan Sri Megat Najammuddin & Dr Mohan

KWSP AND KWAP VISIT TO TI-MALAYSIA'S SECRETARIAT OFFICE

On 29 December 2022, a meeting between members of the Employees Provident Fund (KWSP) and the Retirement Fund Incorporated (KWAP) and the team at TI-Malaysia was held to discuss the possibility of future partnerships between the three organizations. The dire financial situation of Pembinaan PFI Sdn Bhd, a firm that has racked up a huge debt of approximately RM50 Million, was the primary topic of conversation throughout the meeting.

Fruitful discussions were held between KWSP, KWAP and TI-Malaysia for GLICs to practice good governance and conduct proper due diligence before any funding is recommended to their respective boards.



En Nasir (KWAP), Dr Mohan, Pn Arifah (KWAP) & Pn Liza (EPF)

SIME DARBY PLANTATION BERHAD INTEGRITY SUMMIT 2023 ANNUAL CELEBRATION OF CORPORATE COMMITMENT TO INTEGRITY

Sime Darby Plantation Berhad (SDP), our new corporate member, invited TI-Malaysia to participate in its annual Integrity Day Summit to reaffirm its commitment against corruption in the business in January 2023.

The key event of the summit was the forum on "Building a Strong Company with Integrity," with Dr. Mark Lovatt, Secretary-General of Business Integrity Alliance as moderator. Dr. Muhammad Mohan joined to offer his insights as a panellist with Tan Sri Lee Lam Thye, a former MP and social activist, and Puan Nurhayati Nordin, from #RasuahBusters, Yayasan Sinar Untuk Malaysia Chief Executive Officer.

A booth was also set up to share knowledge and inform event participants on the activities of TI-Malaysia. Onlookers enthusiastically joined and took pictures with the "Speak Up Against Corruption" frame to join in the cause for integrity and anti-corruption.



TI-MALAYSIA IN COLLABORATION WITH UNODC AND ASIA PACIFIC UNIVERSITY, CELEBRATES 20TH ANNIVERSARY OF UNCAC

"UNITING THE WORLD AGAINST CORRUPTION: GLOBAL IDEAS, LOCAL APPROACHES" AT APU CAMPUS

To commemorate the 20th anniversary of the UN Convention Against Corruption (UNCAC) and International Anti-Corruption Day, TI-Malaysia, in collaboration with the UN Office on Drugs and Crime (UNODC) and the Asia Pacific University of Technology and Information (APU), organised an event to raise awareness of the theme "Uniting the World Against Corruption: Global Ideas, Local Approaches."

The event began with an introduction by APU, followed by a keynote speech by Asma Sainkoudje, Head of the UNODC Programme Office in Malaysia. The President of TI-Malaysia, Dr. Muhammad Mohan, then gave a presentation on "Youth and Integrity," which was followed by a presentation from Tuan Mohd Nur Lokman bin Samingan, the MACC Section Head of Education and Community Education Division. Each presentation was followed by a Q&A session in which the audience could ask any questions they had.

The event continued with a parliamentary debate on the topic "Neoliberalism and its potential contributes to corruption" by the APU students. The debate's goal was to educate and engage students in commemorating the 20th anniversary of International Anti-Corruption Day. The winning team was honoured for their efforts, and the event concluded with a photo shot.

Similar events could be held this when additional funds are available.



COMMUNITY INTEGRITY BUILDING (CIB) PROJECT PROPOSED TO TRENGGANU STATE GOVERNMENT

A physical meeting was held on the 12 February 2023 with the Unit Integriti, SUK Trengganu to discuss TI-Malaysia's proposal. TI-Malaysia was represented by exco member Alan, Rezaidi (member), Justin (Senior Executive) and Prof Said. Prof Said is our external resource who will be assisting to analyze the collected data and produce the final report.

CIB is a United Nations Development Program recognized methodology and tool for building integrity and anti-corruption monitoring through the involvement of the community.

The project will be implemented in several districts once the state government approves the project to be implemented in partnership with TI-Malaysia.



MALAYSIA CORRUPTION PERCEPTION INDEX (CPI) 2022 RESULTS CONTINUED DECLINE IN MALAYSIA'S SCORE

TI-Malaysia hosted an event on January 31st to announce the results of the 2022 Corruption Perceptions Index (CPI). TI-Malaysia Members, media representatives, MACC officials and other relevant parties attended the event at the Royal Selangor Club.

Malaysia's score dropped from 48 in 2021 to 47 in 2022, due to factors such as lack of political will from the government in power in combating institutional corruption, patronage in appointments, rolling out huge COVID-19 stimulus packages without parliamentary debate or scrutiny, governance failures, and slow progress in the implementation of the National Anti-Corruption Plan.

Despite these challenges, there were some positive developments, such as the Memorandum of Understanding (MOU) signed between the previous government and the opposition. Among the important achievements were the lowering of the voting age to 18, introducing the anti-hopping law for law makers and substantial progress was made on the Malaysia Agreement (MA) 63.

Under the Unity government, the Prime Minister's emphasis on good governance, fighting corruption, and judicial independence augurs well for the future of the country. To address corruption concerns and attract

foreign investment, the government has also announced mandatory competitive bidding for procurement contracts, as well as a review of high-value projects.

TI-Malaysia has provided a comprehensive list of recommendations to improve Malaysia's CPI score, including information transparency in awarding public contracts, strengthening governance through legislation, and making the Malaysian Anti-Corruption Commission (MACC) independent and report to a Parliamentary Select Committee. Separate funding, direct reporting to Parliament, and amendments to the MACC Act and the Federal Constitution were among the MACC recommendations. These recommendations are intended to improve Malaysia's transparency and governance, reduce corruption, and hold public officials accountable.

TI-Malaysia has advocated for broadening the scope of the Official Secrets Act, transparent information sharing, and close monitoring of the National Anti-Corruption Plan. The recommendations also include empowering the KSN to oversee implementation of the NACP.

There are also several other recommendations including complying to International Standards for the Integrity Pact implementation in government procurement, and amendments to laws such as the Whistleblower Protection Act, Election Offences Act, and introduce Asset Declaration Act. If these measures are successfully implemented, they have the potential to significantly improve Malaysia's CPI score and reputation.

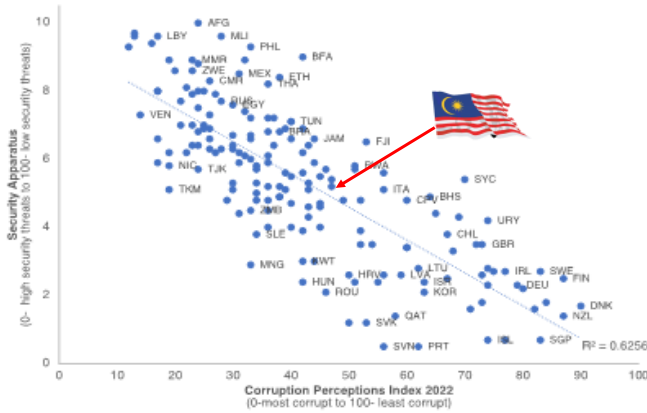
MALAYSIA'S SCORE

YEAR	SCORE ¹
2019	53
2020	51
2021	48
2022	47

Note: 1. 100 (very clean) to 0 (highly corrupt)



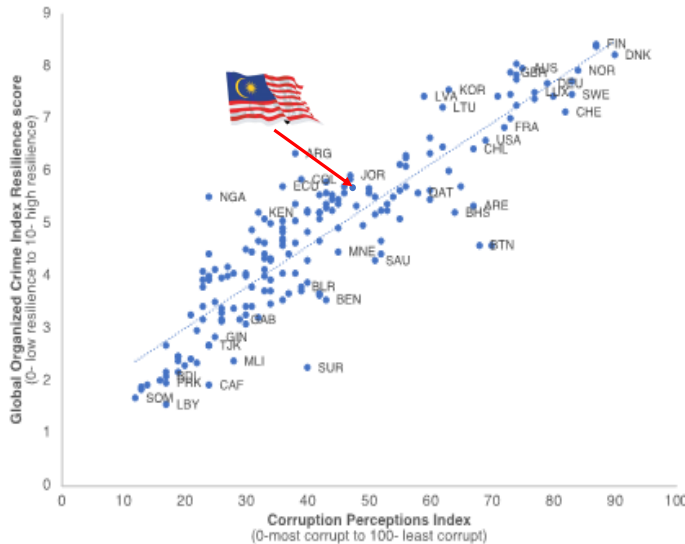
CORRUPTION MAKES SECURITY THREATS MORE LIKELY



The Security Apparatus indicator considers the security threats to a state, such as bombings, attacks and battle-related deaths, rebel movements, mutinies, coups, or terrorism. It also takes into account serious criminal factors, such as organized crime and homicides, and perceived trust of citizens in domestic security.

Source: Fund for Peace Fragile States Index

CORRUPTION MAKES CRIME RESPONSE HARDER



Resilience scores represent the political, legal, economic and social spheres of society that when taken together, have the potential to provide holistic and effective responses to organized crime. The higher the resilience score, the more effective the response to organized crime.

Source: Global Initiative Against Transnational Organized Crime (2021), Global Organized Crime Index.

Baring the fangs against corruption

Malpractices will discourage investments and limit economic growth, say observers

ECONOMY

By GANESHWARAN KANA
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ANY country with a score of below 50 in the Corruption Perception Index (CPI) has "serious corruption problems", according to Transparency International (TI).

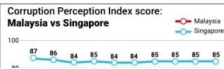
Malaysia unfortunately falls into that category. Its CPI score has consistently deteriorated in recent years, down from 53 in 2019 to 47 in 2022.



Muhammad Mohan: What is needed is a strong political will to turn this commitment into firm action that produces results.

Cheah: The perception is that corruption has now become endemic in this country.

Naveenram: Corruption also results in the loss of revenue for the government, causing it to raise the taxes.



Corruption (IGACI) in June 2018, as the secretary of the special Cabinet committee for anti-corruption reporting directly to the prime minister.

However, Anwar recently said that a proposal to dilute the IGACI is being scrutinised to reduce redundancies and high costs.

The introduction of the corporate liability law or the Section 17A of the MACC Act that came into effect on June 1, 2020 has also boosted Malaysia's fight against corruption.

Section 17A holds companies and their directors as personally liable if an associated person such as an employee or subcontractor (which is involved in corruption for the benefit of the commercial organisation) has committed an offence.

The companies and directors, however, can defend themselves against prosecution if they have implemented "adequate procedures" such as internal guidelines of staff training on anti-corruption.

"When asked about the impact of corruption on public finances, Ferida does not think it plays a major role in Malaysia's continued fiscal deficits.

"The real reason behind fiscal deficits is the excessive incidence of operation expenses in too big public... saying with a fragile

By GURMEET KAUR
gurmeet@thestar.com.my

Impact on the costs of doing business

Corruption is a global issue but fighting it has become all the more important with governments playing a larger role to help grow the economy after Covid-19.



"Greed is the motivation for accumulating ill-gotten gains through corrupt means."
Graham Dawes

Tan: There is growing awareness by governments worldwide that corruption is a global problem.

There is growing awareness by governments worldwide that corruption is a global problem. It is not because of corruption, but because they do not respond to the market logic," he says.

"Where GLCS fail, it is not because of corruption, but because they do not respond to the market logic," he says.

"The real reason behind fiscal deficits is the excessive incidence of operation expenses in too big public... saying with a fragile

"(These) anti-corruption and governance reforms must be implemented without (carried out without) any watering down," he said in a statement.

"In addition, all the targets set in the National Anti-Corruption Plan (NACP) must be completed or reinstated without watering them down or rebranding, as seen in Independent Police Complaints and Misconduct Commission (IPCC) and Independent Police Conduct Commission (IPCC).

"We welcome this new chapter in Malaysian politics, but civil society and the public must keep a close watch on the performance of this unity government in the coming days."

Nurul Izzah's appointment will affect corruption perception index, says Transparency International

By MARTIN CARVALHO

NATION
Tuesday, 31 Jan 2023
5:24 PM MYT

Related News

NATION 11h ago
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NATION 22h ago
No elements of nepotism, cronyism in the appointment of...

NATION 11h ago
Time to progress by turning graf's downward curve around



KUALA LUMPUR: The appointment of Nurul Izzah Anwar as economics and finance senior adviser to the Prime Minister will have a bearing on Malaysia's standing in the Corruption Perception Index (CPI), says Transparency International Malaysia (TI-M).

"Our view is that it gives the wrong signal and if not rectified, it will be a factor that will show up on the CPI," said TI-M president Dr Muhammad Mohan (pic) when announcing the CPI Report 2022 on Tuesday (Jan 31).

He said that the appointment is seen as a problem as it could give rise to issues of conflict of interest and nepotism.

He was asked to give his views on Nurul Izzah's recent appointment to the post on Jan 31.

Malaysia slips in corruption perception index score

By MARTIN CARVALHO

NATION
Tuesday, 31 Jan 2023
2:52 PM MYT



President of Transparency International Malaysia Dr. Muhammad Mohan showing the Malaysia's score in Corruption Perceptions Index 2022. —AZHAR MAHFOE/The Star

KUALA LUMPUR: Malaysia has slipped one point in the global Corruption Perception Index (CPI) score from 48 points in 2021 to 47 points out of 180 countries, says Transparency International Malaysia (TI-M).

TI-M president Dr Muhammad Mohan said that although the drop may seem small, the implication is that the nation was regressing in efforts to tackle corruption.

"It is not a good sign as it shows that we are moving in the wrong directions.

"We have dropped six points in the last three years which is statistically significant.

Enforcement 2023

By Frank Vogl

Co-founder of Transparency International and the Partnership for Transparency Fund, Chair of the PTF Board and Adjunct Professor at Georgetown University

Dear Friends:

Inspired by the excellence of so many contributions and conversations at the IACC I thought I would just share a few perspectives on the fight against money laundering as we start 2023.

The politicians, their cronies and oligarch accomplices, who steal public funds are no better than common criminals. As John Gleeson, a former New York public prosecutor of mafia mobsters, has written: “Once people decided they weren’t going to obey the law, there were so many ways for them to get rich.”

The ways in which money is laundered are becoming more complicated as the gangsters and their enablers find new pathways in addition to traditional ones to invest their stolen assets across the globe. New insights and information, however, can help to counter what at times appears to be an avalanche of illicit financial transfers from emerging market and developing countries into assets in the world’s richest nations.

Congratulations to Maíra Martini on winning the 2202 Transparency International Amalia Award for Professional Excellence for her leadership on TI’s global beneficial ownership campaign. TI’s progress on establishing beneficial ownership rules and regulations in so many countries was the hallmark of anti-money-laundering developments last year and underscored the productive virtues of activists working closely together on a key objective across many national borders.

The decision on beneficial ownership by the European Court of Justice in November was a set-back. It was a flawed decision as TI Board Director Francois Valerian eloquently writes in a new article that I strongly recommend. He notes, it “gives us the opportunity to precisely explain why we demand transparency to the public everywhere - opacity serves crime.” <https://bit.ly/3ikiSMY>

An even stronger focus on accountability and enforcement by anti-corruption campaigners is more essential than ever. The issues are complicated, yet I feel we are all compelled to learn about them. The stakes are high – from the damage of illicit outflows of enormous sums of cash from middle- and low-income countries at a time when the IMF now says that a large part of the world will dive into recession, to destabilization of the global financial system, to undermining sanctions on rogue individuals and governments, as well as to threats to the democracies.

For those of you who doubt the seriousness of the challenge of containing rising flows of dirty cash, then please consider purchasing the about-to-be-released book by Raymond Baker, founder of Global Financial Integrity – “[INVISIBLE TRILLIONS](#) - *How Financial Secrecy Is Imperiling Capitalism and Democracy—and the Way to Renew Our Broken System.*”

Opacity in financial markets, combined with opacity in many areas of sovereign international debt is formidable. Just consider the following three points:

1. **Banks:** It is difficult to make the case that FATF and national bank regulatory authorities are making a significant difference in reducing illicit financial flows. The U.S. Treasury/Justice Department have probably a better record of investigating and prosecuting cases involving illicit finance than other national authorities. Nevertheless, according to the December 13, 2022, U.S. [Justice Department](#) press release on its settlement of charges against Danske Bank, that bank's Estonian branch processed \$160 billion of funds for non-resident persons through U.S. banks. I believe this is the first time the authorities in the U.S. or elsewhere have identified the dirty cash flows from Danske amounting to such a total to the U.S. – I think it is by far the largest amount of dirty cash ever highlighted by U.S. authorities with regard to a single bank. The sum may represent two-thirds of the illicit funds that moved through Danske Bank's Estonian branch – where has the rest gone?

Lies and fraud perpetrated by Danske Bank fooled the U.S. banks into accepting the massive inflows of dirty cash. The full indictment of Danske Bank shows that the U.S. banks were slow to raise questions. The Justice Department's disclosure raises questions about how bank regulators could be so incompetent as to allow such massive illicit inflows to the U.S. from just one source. More generally, we need to place money laundering through banks as the single largest area of continuing concern – an area that is unlikely to be impacted by new rules on beneficial ownership and where, given repeated offenders, such as Deutsche Bank and Credit Suisse, one needs to worry that current systems of fines by European and U.S. authorities are just failing to be a sufficient deterrent.



2. **Non-banks.** For quite some time, colleagues at the FACT Coalition, TI-USA and other expert anti-corruption organizations, have been increasingly concerned about the uses of hedge funds, private equity firms and other non-bank financial institutions by suspicious persons to invest illicit finance. In many cases the non-bank financial institutions work with wealth management departments of major international banks, which in turn take deposits from clients using multitudes of holding companies registered in diverse jurisdictions to hide beneficial ownership. Often, the hedge funds and private equity firms may not know the true beneficial owners of portfolios that they manage. The same may be true for other asset managers. The same may apply with regard to the uses by independent wealth managers as they operate in highly sophisticated and complex financial instruments in the markets, including crypto-currencies. Following a tightening of overall regulation on banks as a result of the 2008 global financial crisis, the non-bank financial institutions moved to create seize new opportunities for developing attractive and creative financial investment instruments – ones that have largely been absent of regulation and involve substantial risk. The increase in this activity is highlighted in this graph from the Financial Stability Board.

It now seems likely – hastened by the latest crypto-currency scandals, plus problems in UK pension funds and other segments of the non-bank financial sector, that central bank governors and other regulatory authorities are coming together in unprecedented fashion to seek new regulatory frameworks. It does not appear from media reports that these authorities are taking illicit finance into consideration. They should. There is an opportunity now for anti-corruption activists to make the case to these authorities.

3. **Debt Distress.** The International Monetary Fund has been ringing alarm bells for some time about the rising number of middle- and low-income countries that face “debt distress.” The IMF has been encouraging countries to come to the Fund for cash before they default on their external debts. It has recently, for example, provided such funds to Pakistan and Egypt. At the same time, as has been seen for Argentina, Sri Lanka, Zambia and most recently Ghana, the IMF seems willing to provide new lines of credit before the debt countries have finalized restructuring deals with their private creditors. This raises fundamental issues of moral hazard. The current system, in effect, is bailing-out the borrowing countries and the private creditors, who should be forced (as used to be the case) to take formidable losses.

At the same time, the IMF has little knowledge about the scale of debts that the “debt distressed” countries owe to Chinese institutions, or the terms and conditions associated with these loans, including restructuring conditions.

Of greatest concern from an anti-corruption perspective, is that when negotiating new bail-outs for heavily indebted countries the IMF does not release (nor do the debtors) details of just what happened to the cash that these countries borrowed – including just how much was

stolen by public officials. The opacity in many areas of sovereign debt financing provides a serious concern for authorities that should be working to counter illicit financial flows. The political and economic crises that now confront the citizens of Sri Lanka, Argentina, Lebanon and Zambia, for example, need to provide clear lessons about the importance for anti-corruption activists to find better ways to end central banking opacity, to develop means to monitor how inflows of cash to their governments from abroad are used. It is no good discovering, as was the case in Lebanon, that billions of dollars were stolen from the central bank after the economy has collapsed and political chaos abounds – preventing actions are essential. At the national level, I suggest, anti-corruption activists should campaign for far more transparency and accountability by national treasuries and central banks on all aspects of official foreign cash inflows, and outflows as well (the source, after all, of possibly illicit financial transfers).

Improved beneficial ownership registers and systems can address some aspects of the problems noted above, but by no means all of them. While G20 authorities continue to declare opposition to money laundering and corruption, the levels of enforcement actions of existing laws and regulations is shamefully inadequate.

TI's report, [Exporting Corruption 2022](#), concluded that: "Twenty-five years after the adoption of the OECD Anti-Bribery Convention, most countries still fall far short of their obligations. The current report points to a continued decline in enforcement against foreign bribery in many countries, including some major exporters that were previously active enforcers."

There is, in fact, a crisis of enforcement across the board of anti-corruption. The pragmatic response demands far greater transnational cooperation by anti-corruption activists on this central topic – the exceptional cooperation seen on beneficial ownership sets an excellent model for this even larger challenge.

The core of the solution, as so often in meeting anti-corruption challenges, rests in justice. In most Western countries, and most others as well, law enforcement in the anti-corruption sphere is broken. As we strive to secure reforms it seems useful to recall the view expressed by Chinese artist Ai Weiwei in his 2022 memoir, *"1000 Years of Joys and Sorrows."* He wrote: "Corruption of the judiciary is the public face of a morally bankrupt body politic, a scar disfiguring the era in which we live."

Best wishes,

Frank Vogl, January 9, 2023.

MEET OUR TEAM-SENIOR PROJECT EXECUTIVE



Rosnazlina Rosali graduated from the University of Technology Mara with Bachelor's Degree in Communication and Media Studies (Advertising) in the year 2006. Having almost 12 years of working experience in various industries such as Editorial, Internal Auditor and Public Relations in EPF. She has served both in the private sector and in the government. She was also involved in the editorial committee of community for Youth Care Malaysia. In January 2023, she joined Transparency International Malaysia as a Senior Project Executive

Obituary

Tunku Abdul Aziz Ibrahim

1934-2023

AZ-Fatihah



On the 7 February 2023 afternoon Transparency International Malaysia received the sad news that our founding member and our first President Tunku Abdul Aziz Tunku Ibrahim had passed away. Tunku Aziz was born in Alor Setar, Kedah in 1934. He was a distant member of the Kedah royal family.

I first met Tunku Aziz for the first time at the Wisma Lee Rubber in Jalan Ampang which was then the Corporate Office of Sime Darby Holdings in 1981. Tunku Aziz was a board member of Sime Darby Holdings then. I was there to receive the Sime Darby scholarship from the Chairman, the late Tun Tan Siew Sin to pursue an engineering course.

Tunku Aziz helped found Transparency International-Malaysia, the local chapter of Berlin based Transparency International (TI) in 1998. In March that year, he was elected vice-

chairman of TI's board of directors, a position he held until October 2002.

Tunku Aziz played a significant role in fighting corruption and promoting good governance in Asia (including corporate governance). He served as a member of the World Bank High Level Advisory Group on Anti-Corruption in the East Asia and Pacific Region, served in the Asia Pacific Advisory Panel on Good Urban Governance, a Board member of the International Institute of Public Ethics and the United Nations Development Program and member of the Advisory Panel for the 2002 Human Development Report.

From February 2006 to January 2007, he served as special advisor to the Secretary General of the United Nations, Kofi Annan in New York. During his tenure, he set up the UN Ethics Office.

TI-Malaysia conveys its condolences to the family of Tunku Abdul Aziz Tunku Ibrahim.

Dr Muhammad Mohan