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into the 2012 campaign is a result of the elimination of spending caps on political campaigning by corporations and unions. More in this cycle has come from individuals and corporations than ever before.

Outside the United States, an increase in legislation aimed at limiting the influence of private money in campaigns has done little to prevent more and more wealthy individuals from spreading money around the political world to protect themselves and their interests. Increased regulation across many industries has also spurred more corporations to donate to political parties in an effort to protect profits.

Based on our analysis of 25 European countries, only 13 states have implemented ceilings for donations by private individuals. Where restrictions exist, they vary significantly. Moreover, only 10 countries have opted in favour of making the identity of donors and amounts donated publicly available.

## The business of politics

As evident from other countries, unchecked and unaccountable political spending can pave the way for grand corruption in politics. For individuals who get elected through massive private contributions from a few companies or individuals, political favours for favourable regulation or legislation can often be called upon later. And too often, the laws that are passed reflect these private interests rather than those of the public.

In the United States, new figures released suggest that super-wealthy donors have raised 20 per cent of the money being channelled privately through what are known as “super” PACs – independent political action committees that face less stringent restrictions on political fundraising and spending.

Fortunately for the United States, such information must be publicly reported to the Federal Election Commission. But in other countries, there often are limited laws and/or lax enforcement to get individuals and companies to report on whom and what they are politically funding. Based on our research, about half of the world’s 105 biggest companies do not disclose information about their political contributions.

## Calculating the political costs

According to our global public opinion poll, political parties are seen as the most corrupt institution among the 100 countries and 100,000 people surveyed.

The same survey findings for the United States show that 82 per cent and 70 per cent of respondents classified US political parties and the Congress as being corrupt or extremely corrupt.

Such results were similar for many European countries that have recently gone through political and/or financial crises. In Greece, Ireland, Italy, Romania and Spain, more than 80 per cent of those surveyed viewed political parties in their countries in the same light.

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A large part of these perceptions are based on facts: there are weak political financing laws in many countries, and there is a general need for reforms to set the systems straight. A recent study of 25 European countries found this to be an area of concern in all countries. Even Sweden and Switzerland lack regulation to control party financing, while many other countries – including Germany, Denmark and the United Kingdom – suffer from legislative loopholes and weak enforcement mechanisms.

And the change in legislation in the United States following the Supreme Court’s decision has led to everything from calls for reform by both parties to rap songs condemning the current state of affairs.

## Resetting the dial

There are best practice standards for political finance. At the very least, political parties should:

- disclose audited financial statements, itemizing income and expenditure, with identification of specific donors
- be fined for not providing such documentation

And once elected, individual politicians should submit regular interest and asset declarations.

Such rendering of accounts can help to ensure that no politician is unduly benefiting from his or her public service role. They can also help to make sure that politicians are not involved in outside activities or ventures that could compromise their impartiality when it comes time to vote on legislation or related measures.

But it is also crucial that companies operating globally start to come clean about their role in national politics. All companies should report on their political donations and lobbying in an accessible and timely manner.

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# 14th Annual General Meeting of Transparency International-Malaysia

The 14th Annual General Meeting of the Society was held on Saturday 17 March 2012 at the Grand Dorsett Subang Hotel. Dr. Srirak Plipat (Director for TI Asia Pacific) and Ms. Samantha Grant (Coordinator Southeast Asia, TI-S) attended the AGM as well.

The President in his opening address proposed several priority areas for TI-M to focus on, in the coming years. These include expanding membership, recruiting professional staff and engaging the public using social media. The Secretary General in presenting the Annual Report highlighted TI-M's major project activities in 2011 such as the Forest Governance Integrity (FGI) Programme, Business Integrity Programme (BIP), Political Financing (PF) and Transparency

## Transparency International – Malaysia Executive Committee: 2011 – 2012

Datuk Paul Low Seng Kuan	<i>President</i>
Prof. Datuk Haji Mohamad Ali Hasan	<i>Deputy President</i>
Ms. Josie M. Fernandez	<i>Secretary-General</i>
Mr. Brian Fong Wai Kheong	<i>Treasurer</i>
Mr. Ngooi Chiu Ing	<i>Member</i>
Dr. Chin Yoong Kheong	<i>Member</i>
Mr. Mohamed Raslan Abdul Rahman	<i>Member</i>
Mr. Chew Phye Keat	<i>Member</i>
Datuk Akhbar Satar	<i>Member</i>
Haji Sabtu Md. Ali	<i>Member</i>
Dr. Loi Kheng Min	<i>Member</i>
Major (B) Rozni Hashim	<i>Member</i>
Professor Dr. James Ung Ho Chin	<i>Member</i>



The President addressing the meeting

in the Defence sector. Three index results were released in 2011 – Bribe Payers Index (BPI), Corruption Perception Index (CPI) and Corruption Barometer (CB). The announcements received wide media coverage.

The members endorsed the TI-M Strategic Plan (2012-2015).

Dr. Srirak Plipat, TI's new Director for Asia Pacific addressed the meeting. He commended TI-M on its achievements in Malaysia. He said that TI-M's approach of working with the government, private sector and key stakeholders is strategic as it has a higher chance of bringing about change. Dr. Srirak outlined three main focus areas for TI Asia Pacific – Institutional reforms, People engagement and Strengthening internal competencies and capacity of chapters.

At the conclusion of the meeting, TI-M officially launched the Integrity Pledge for Candidates website (<http://timalaysia-electionpledge.org.my>). •



Questions from the Floor



Questions from the Floor



Members at the AGM



Moreover, company decisions about public policy engagement and political spending should involve board and shareholders to ensure the maximum oversight and controls possible.

The money that has flowed into the 2012 US election is already spent. Once the ballots are cast, citizens need to be able to see if those elected act in the public interest or solely in the interests of those with deep pockets who funded their campaigns. (Source: *TI Features Nov 2, 2012*)

## Political Funding: Regulation is the Only Option

The crucial importance of political funding and campaign financing has been contextualized thus:

*All the undertakings necessary to bring democracy to life, certainly a most noble ambition of human society, turn indispensably on the most base of commodities: money.*

*No matter how lofty the political ambition, democracy in mass society requires resources, and not just resources in the abstract, but the ability to raise money and spend it further to political aims. (Ewing, K.D. and Isacharoff, S. 2006)*

The debates on political financing cannot occur independently of the institutions that govern the electoral system, the nature of political parties, their access to the media, the rules that govern party funding and the stakeholders who are affected by the outcomes of political decision.

Among the salient points of this discussion are the issues of justice, equal opportunity and equitable resource allocation and how these principles are eroded by political corruption and money politics. Notwithstanding the avowed idealism of the actors in the democratic system, it is necessary to put a premium on transparency and accountability about party finances, donors and spending to ensure that all parties and candidates can benefit from fair electoral competition.

It is important to equip voters with information about the sources of backing of a candidate or party in order to help voters have a clearer idea of the interests that the candidate or party is likely to identify with or support. For this,



*"Political corruption is the mother of all corruption," Fernandez said.*

information on all areas of financing of political parties or candidates needs to be placed in the public domain. A review of studies of the subject covering Canada, France, German, Israel, Japan, South Korea, Taiwan and the United Kingdom shows a diversity of approaches to regulation.

These take three basic forms: a hands-off stance, self-regulation and the close regulation of political financing. The first two are, however, the least viable, because they can only work where there is adherence to a core set of values, including integrity, transparency and the practice of good governance. Regulation is the only option (Source: *Reforming Political Financing in Malaysia, TI-M, 2010*).

## Reveal sources of RM40mil 'contribution', gov't told



Transparency International Malaysia (TI-M) is calling for authorities to reveal the sources of the RM40 million "political contribution" to Sabah Umno, that a state businessman was caught trying to smuggle into the country from Hong Kong.

Referring to Minister in the Prime Minister's Department Mohd Nazri Abdul Aziz's parliamentary written reply to Batu MP Tian Chua, its secretary-general Josie M Fernandez said TI-M was "appalled" that Nazri has stated "no elements of corruption was proven" in the case.

"Nazri has stated that the funds were contributions to the Sabah Umno liaison body.

"He further stated that the MACC has concluded that 'no element of corruption was proven' in the case.

"However, the MACC must investigate if corruption was a factor in the political contribution of RM40 million," she said in a statement.

Nazri's written response, she pointed out, raises many serious questions on the transparency and accountability of party finances.

She added that TI-M has been urging the Malaysian government to regulate political financing and to fully disclose financing of politics in the country, even submitting a memorandum on reforming political financing to Prime Minister Najib Abdul Razak last year.

## Mother of corruption

"TI-M calls for the full disclosure of the sources of the RM40 million as a 'political contribution' to Sabah Umno.

"Absolute transparency is essential in political contributions to rule out the possibility of influence peddling in the political process.

"Money politics contributes to the cancer of corruption.

# Conference on the United Nations Arms Trade Treaty: Tackling Corruption, Saving Lives

**A** half-day conference was organised on 19 April 2012 to publicise the need to push for a robust UN Arms Trade Treaty which was scheduled to be tabled at the UN General Assembly in July 2012.

The conference brought together advocates of arms trade regulation from the Asean region and defence and security experts from Transparency International's (TI) Defence and Security Programme based at TI UK, and 100 participants from a cross-section of public interest groups. The conference was supported by the Royal Netherlands Embassy.

The speakers and their topics were:

- **Defence Corruption, Tools and the UN Arms Trade Treaty**  
*Alan Waldron, Defence and Security Programme, Transparency International*
- **Why a robust Arms Trade Treaty needs strong anti-corruption mechanisms**  
*Tobias Bock, TI Defence and Security Programme*
- **Irregularities and overpriced purchase price in the Sukhoi Procurement**  
*Donal Fariz, Indonesian Corruption Watch*
- **Amazingly Armed Asia: ATT an Idea Whose Time Has Come Now for ASEAN!**  
*Cesar H. Villanueva, Pax Christi Pilipinas, TRANSCEND and the University of St. La Salle*

## Challenges to the ASEAN

- *Support a robust ATT that will have the capability to protect people and communities. It's a historic opportunity for the world to have an instrument that can save lives*
- *Freedom of information acts and anti-corruption mechanism should be supported within the ASEAN member states*
- *Possibility of a Legally binding ASEAN protocol on arms trade (a regional instrument to control arms)*

*Let us conspire in hope that with moral imagination and vision we can move away from an amazingly armed Asia through a Robust ATT ....so that one day we can have a commonly secured Asia.... Truly Asia. ... Cesar H. Villanueva*

The conference has seen excellent participation from foreign missions including ambassadors and senior officials, the United Nations, the government, including the Ministry of Foreign Affairs, the Malaysian Anti-Corruption Commission, Ministry of Finance, the Auditor-General's Department. It is hoped that they will pursue matters related to the ATT. There were also representatives from the private sector, civil society, including groups like the Angkatan Belia Islam Malaysia (ABIM), churches and peace-related organisations.



Participants at the conference





VIP Attendees - (l to r): Datuk Paul Low, Mr. Jan Soer (Deputy Ambassador, Royal Netherlands Embassy), H.E. Andrea Wicke (Austrian Ambassador to Malaysia)



Panellists - (left to right): Cesar H. Villanuev, Adnan Topan Husodo, Josie M. Fernandez (chair), Alan Waldron and Tobias Bock



Zahid Rastam, Principal Asst. Secretary, Ministry of Foreign Affairs responds to questions

The incidence of corruption in defence and security is reflected in various ways.

- A 2006 survey by the risk consultancy Control Risks showed that roughly **one third of international defence companies felt they had lost out on a contract in the previous year because of corruption by a competitor.**
- Another report from the US Department of Commerce claimed that **the defence sector accounted for 50 per cent of all bribery allegations in 1994 -1999, despite accounting for less than 1 per cent of the world trade.**
- It has been estimated that **bribes accounted for as much as 15 per cent of the total spending on weapons acquisitions in the 1990s.**
- TI estimates the **global cost of corruption in the defence sector to be at a minimum of US\$20 billion per year, based on data from the World Bank and SIPRI. This equates to the combined global official development assistance provided to Iraq, Afghanistan, Congo (DRC), Pakistan, and Bangladesh in 2008, or the total sum pledged by the G8 in L'Aquila in 2009 to fight world hunger.**

## “Disappointed but not discouraged” – Battle for a United Nations Arms Trade Treaty (ATT) continues as Governments opt to delay final deal

“We are disappointed, but we are not discouraged” were the words of the Control Arms Coalition, as delegates at the United Nations failed to reach consensus and agree on an Arms Trade Treaty. More than 90 UN member states echoed these words in a statement made immediately after it was clear the fight to end illegal and irresponsible arms trade is yet to be continued. Transparency International’s Defence and Security Programme was one the many NGOs in the Control Arms Coalition that lobbied for a robust ATT to be negotiated at the four-week “Conference on the Arms Trade Treaty” in New York in July.

In spite of the lack of agreement, momentum has been gathering for an international and legally-binding treaty to bring the arms trade under control. Governments now have a second chance to make the treaty a reality by taking the text forward to the General Assembly, starting in September. As the statement from the 90 states mentioned above continued to say, “We are determined to secure an Arms Trade Treaty as soon as possible. One that would bring about a safer world for the sake of all humanity”.

Throughout the month there was majority support for the Arms Trade Treaty to cover all conventional arms including ammunition, and to be based around tough rules on

international human rights and humanitarian law. In the final hours of negotiations consensus was procedurally blocked by the United States, Russia, DPRK, Cuba and Venezuela who all asked for more time. The General Assembly must now act quickly to improve the text and establish a process for its agreement.

Since its involvement in the ATT process, Transparency International has been lobbying for a robust ATT that includes strong anti-corruption measures. In this regard, we and our partners in the NGO coalition were delighted to see the unprecedented support that the inclusion of anti-corruption mechanisms enjoyed throughout July. This included more than 60 UN member states as well as regional organisations such as the EU and ECOWAS.

The inclusion of strong anti-corruption provisions into a robust ATT has received support from Australia, Austria, Bangladesh, Belgium, Cameroon, Costa Rica, Cote d'Ivoire, Cyprus, Denmark, DRC, France, Finland, Germany, Ghana, Hungary, Holy See, Italy, Ireland, Japan, Kenya, Liberia, Luxemburg, Malawi, Mexico, Nigeria, Netherlands, Palau, Philippines, Senegal, Spain, Sweden, Switzerland, Tanzania, Togo, United Kingdom, Uruguay, and Zambia; CARICOM (on behalf of its 15 member states: Antigua and Barbuda, Bahamas, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname; and Trinidad & Tobago); ECOWAS (on behalf of its 15 member states: Benin; Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo); and the European Union (on behalf of its 27 member states: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom).



*Control Arms Coalition campaigning for the ATT, New York*

During the July negotiations, there was also some very useful follow-up from the ATT event that Transparency International Malaysia had organised a conference in Kuala Lumpur in April 2012, and which had included representatives not only from Malaysia but also from Indonesia and the Philippines. Indonesia had stated in a written submission before the July negotiations that they could accept an ATT in which anti-corruption would be linked to a criterion assessing the risk of arms being diverted. At the beginning of the July conference, the Philippines made a strong statement pointing out the importance of addressing money laundering and corruption in an ATT.

In the run-up to the ATT negotiation conference in July, strong anti-corruption mechanisms have also been backed by a group of global investors collectively representing assets over USD 1.2 trillion, an amount larger than the total volume of the global arms trade, as well as by the defence industry.

While there is wide-spread disappointment that the Arms Trade Treaty was not agreed in New York at the end of July, there is determination and momentum to take the draft text that was widely supported, and continue to secure a treaty this year.

Work needs to begin right away to maintain this momentum - both to increase the number of states working to take a treaty forward and to address final loopholes in the draft treaty. Diplomatic effort will be required over the coming months to ensure that the widespread support for the existing text is converted into a large number of co-sponsors for a resolution at the UN First Committee (Disarmament and International Security) in October.

Leading states should also work together to clarify some existing issues in the current Draft Treaty and make those amendments clear in any resolution. This would need to include a provision for public reporting of arms deals - without which the treaty would be much weaker as parliaments and civil society cannot identify and scrutinise arms deals. At the same time, the existing anti-corruption provision in the treaty draft text needs to be protected and ideally strengthened where possible. Transparency International stands ready to continue working with states towards this goal at the UN First Committee as well as the UN General Assembly. ■

*Tobias Bock, TI-Defence and Security Programme*



*A strong message on the need for an ATT*



# To Take or Not to Take: When a Meal has Become a Bribe

*“David, 30 years old, is a senior procurement officer with ABC Construction, a renowned construction company in Malaysia. His day-to-day task includes handling and evaluating the procurement of construction materials for his company, which inevitably exposes him to constant engagement with construction material suppliers. One afternoon, Ali, a senior sales executive with Good Stuff Holdings called David to invite him to join him at a local restaurant that weekend to ‘build a positive relationship’, which David accepted. Ali proceeded to order the most expensive items on the menu, including lobster and champagne, despite David’s objections. The lunch cost more than RM1000 per head which Ali had pre-paid on his credit card. Ali talked about Good Stuff and what a great company it is, but made no specific requests. The men parted company after the meal.*

*Few days later, Ali invited David to another business lunch meeting to discuss about Good Stuff Holdings’ proposal to ABC Construction. Ali hinted at David that he had given good hospitality already, therefore David was obliged to help facilitate his proposal. Furthermore, Ali promised that he would be able to provide more favours to David if he could help Good Stuff Holdings to secure long term contract with ABC Construction, but if David was unhelpful, the previous expensive meal would be likely come to light with his employer. David was caught in an embarrassing dilemma and risked losing his job for alleged corruption if he agreed to Ali’s requests.”*

**T**he story above might seem familiar for officers dealing with procurement. Minor and little things such as receiving hospitality and gifts offered generously by potential clients may not seem to be a major problem. In most cases, however, it poses as a potential corruption risk where procurement officers are exposed. It is especially more troublesome in Malaysia, a country where offering of gifts, hampers and hospitality is a normal sign of goodwill widely practiced. Receiving or giving of gifts and hospitality is not necessarily a corrupt act as it is a normal and legitimate practice to foster good business relationships. The issue here is the amount and frequency of such offers being made, and if they are significant enough to create obligation towards the receiver. In addition, for what purpose were the offers made? A normal goodwill gesture may be interpreted wrongly and create unnecessary problems for both the givers and receivers if the issue is not handled properly. So where do we draw the line between healthy gifts and hospitality, and an attempt to bribe?

The gifts and hospitality policy is a major component of the Corporation Integrity System (CIS) devised by Transparency



International – Malaysia. Drafting the policy and securing agreement from all stakeholders is a crucial milestone for the system as it impacts on the day-to-day operation of a company. Banning the practice is impractical and likely to cause unnecessary resentment and difficulties for staff. Hence, a good gifts and hospitality policy must contain the following features:

## Practicality

Imposing tedious procedures and impractical limits will not help the company’s operation. The permitted amount for giving and receiving of gifts and hospitality must be practical and logical. Setting the limit too low would be impractical; setting the limit too high would render the policy ineffective.

## Clarity and consistency

Clarity and consistency are good features of any policy. Clarity provides clear guidelines for the staff to follow while consistency allows the policy to be enforced systematically and effectively.

## Accessibility

Producing a set of policies that are not easily accessible by the staff would make the exercise meaningless. Staff must be informed and able to access the policies whenever they encounter confusion. A good practice will be having the policy uploaded to the internet and intranet.

## Briefing and Training

Briefing and training form a major component of an effective policy. Staff must be provided with adequate briefing and training in order to secure their buy-in and to prepare them to work positively with the policy.

## Help and Guidance

Even when staff have received their briefing and training of a new policy, there will always be unforeseen circumstances which can create confusion. A 24/7 compliance help desk will be an ideal solution to provide an immediate response



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“Political corruption is the mother of all corruption,” Fernandez (page 4) said.

On Aug 14, 2008, businessman Michael Chia was caught in Hong Kong with Singapore currency amounting to RM40 million and was charged with money laundering and trafficking by the Hong Kong Independent Commission Against Corruption (ICAC).

The money was reportedly earmarked for Sabah Chief Minister Musa Aman and were part of funds being deposited into a Swiss bank account containing US\$30 million allegedly being held in trust for Musa by a lawyer.

These claims were followed by allegations by whistleblower website *Sarawak Report* that linked the monies to timber kickbacks for the chief minister for approving timber licences. The allegations were later denied by Musa.



**THE EDGE** YOUR WINDOW TO MALAYSIA  
www.theedgemalaysia.com  
Written by Ho Wah Foon  
Friday, 12 October 2012 16:23

### Transparency International wants full disclosure on RM40m donation to Sabah Umno

KUALA LUMPUR (Oct 12): Transparency International Malaysia (TI-M) on Friday called for the full disclosure of the sources of the RM40 million as a “political contribution” to Sabah Umno.

“Absolute transparency is essential in political contributions to rule out the possibility of influence peddling in the political process. Money politics contributes to the cancer of corruption. Political corruption is the mother of all corruption,” the group said in a statement.

TI-M said it is “appalled” that the Minister in the Prime Minister’s Department Datuk Seri Nazri Aziz has stated that the RM40 million a Sabah businessman was caught with in trying to smuggle into Malaysia from Hong Kong were political contributions to the Sabah Umno and not for the Chief Minister Musa Aman and that “no element of corruption was proven”.

However, in his written reply yesterday, Nazri said the money was “not for the personal use of the chief minister” but was meant for the Sabah Umno liaison body and that MACC had found “no element of corruption”, which he claimed led the ICAC to take no further action in the case. ■



**THE MALAYSIAN Insider**

### Najib dismisses claims RM40m Sabah Umno cash was smuggled

KUALA LUMPUR, Oct 19 — Datuk Seri Najib Razak brushed aside today suggestions that a RM40 million political donation received by Sabah Umno had been smuggled into the country.

The Umno president was asked today by reporters if there was any basis to the suggestion by Pakatan Rakyat (PR) leaders that the money was brought in illicitly.

Transparency International Malaysia (TI-M) said today it was appalled with the government’s conclusion that “no element of corruption was proven” in its investigation of Musa.

The anti-graft watchdog urged the authorities today to ensure a full disclosure of the political contribution.

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to guide the staff. If a 24/7 help desk is not cost-effective, a company can appoint a compliance officer to offer guidance and advice as soon as possible. Easy access to policies and procedures also helps provide round the clock guidance.

## Effective Monitoring

A policy without effective monitoring will soon fall into disuse. Effective monitoring includes the establishment of a proper governance structure, consisting of an effective reporting and record-keeping system. Another effective



tool will be the establishment of a whistleblowing system so incidents can be reported, recorded, processed and tracked to completion.

## Sanctions

Sanctions are necessary to send strong signal to all stakeholders that the company is serious in implementing a new policy. Sanctions also serve as strong deterrence for misconducts, and provide powerful tools for the company to remove miscreants.

*“Few months later, ABC Construction engaged a consultancy company and implemented a good gifts and hospitality policy. Proper briefing and training was conducted to all staff. Meanwhile, Ali, as usual, invited David to a lavish dinner to discuss about Good Stuff Holdings’ proposal to ABC Construction. Having been able to access to the gifts and hospitality policy and with the guidance of ABC Construction’s compliance help desk, David refused to accept the invitation politely by showing the company’s policy. The business relationship was not dented, and David did not succumb to the potential corruption risk.” ■*

# Fighting Corruption in Sand Mining

## Implementing Integrity Pacts with Selangor State Sand Mining

On 26 March 2012, Kumpulan Semesta Sdn Bhd (KSSB), the sand mining company established in 2008 by the Selangor State Government organised an Integrity Pact signing ceremony, witnessed by the Selangor Menteri Besar Tan Sri Abdul Khalid Ibrahim, with thirty-five sand mining contractors. It was a significant milestone marking the successful implementation of the TI-M KSSB Integrity Pact System (IPS) programme.

Since October 2011, TI-M has been working with KSSB to implement the IPS, which is aimed at placing safeguards to protect the sand mining operation against the effects of corruption. The ultimate goal is to establish a holistic Corporate Integrity System to improve the company's overall accountability, integrity and transparency standard. It is intended that KSSB will become the catalyst of change in the sand mining sector to develop a high standard of integrity for this industry.

### Major Changes

Since the inception of the TI-M KSSB IPS programme, some major changes have already taken place in KSSB under the advice of TI-M. Among the major achievements are:

- Appointment of two non-executive independent directors to the KSSB board of directors ;
- Establishment of the Committee on Governance and Integrity currently chaired by Datuk Paul Low, TI-M President;
- Appointment of a Senior Integrity Manager;
- Implementation of Integrity Pact System with sand mining contractors;
- Implementation of Whistleblowing Procedure



*Tan Sri Abdul Khalid Ibrahim, Chief Minister of Selangor reviews a signed Integrity Pact*

“The purpose is to do business the correct way and to ensure an element of openness in the tender process,” said Tan Sri Abdul Khalid at the signing ceremony held at the Shah Alam Convention Center. Also present at the ceremony were TI-M President, Datuk Paul Low Seng Kuan, TI-M Secretary General, Ms Josie M. Fernandez, Exco members Dr. Loi Kheng Min and Hajj Sabtu Md. Ali. Datuk Paul Low stated, “The Pact is a major leap in improving corporate governance in the country. It requires contractors to abide with all regulations and laws relating to sand mining, prohibits them to exert undue influence on KSSB employees and to submit accurate mining data. If they are found to have violated the pact, KSSB is able to implement certain sanctions, including banning the company and its directors from doing future business with KSSB.”

Following the presentation on the IP System, contractors expressed their approval with a round of applause, indicating their willingness to join in with KSSB's stated objective to do business with integrity. ■



*Contractors attending the pre-signing briefing*



# Keeping Elections Clean: TI-Malaysia Launches Election Integrity Pledge

Melissa Ong

**Uncontrolled and unchecked spending and a culture of money politics can disrupt the proper functioning of Malaysia's political system.** For example, Transparency International Malaysia's research on political financing shows that the party leading the ruling coalition held assets of more than EUR 350 million in 2004. The EUR 50,000 limit on campaign spending is rarely followed, as parliamentary candidates typically spend EUR 120,000-250,000 during election campaigns.

As Malaysia's General Elections loom close (they must be held by June 2013), it is vital to take action to ensure that the rules and regulations are strictly implemented and transparency achieved at all levels of political financing. This is essential, not only to achieve a norm of integrity and accountability in government, but also because loopholes in legislation, such as the absence of a limit for political party donations, can be an open call for political corruption.

TI-Malaysia has launched the Election Pledge initiative, encouraging hopeful candidates of the 13th General election to make a public declaration of their commitment towards "observing the principles of truth, integrity, accountability and ethical conduct" both during the elections and after being voted into office. The purpose of the pledge is to recognize that it is the responsibility of every candidate to fight corruption, practice good governance and uphold the rule of law. The pledge also emphasises the crucial role citizens play in monitoring their politicians by providing a platform where the public can monitor and comment on candidates' performances.

This pledge comes at a vital time, as we are now, more than ever, living in an age of growing public awareness of the devastating effects of corruption, and in a time when public anger and the will to fight corruption is widely felt. The increasing involvement of civil society in fighting corruption



Y.B. Jeyakumar Devaraj signing the pledge



Y.B. M.Kula Segaran announces on his Twitter feed that he has signed the Election Integrity Pledge

will spur the public to be more vigilant in monitoring the performance of their leaders.

The voluntary pledge requires candidates to open a social media account (such as Facebook or Twitter) in order to promote direct communication and interaction between politicians and civil society. This initiative is an important step towards enhancing transparency, integrity and accountability in a country where there is currently no set limits for donations to political parties and individual candidates, nor requirements to publicly disclose such contributions.

Since its launch on March 19th, fifteen individuals have signed the pledge. This includes 9 members from Sabah's STAR party who signed the pledge en masse, witnessed by TI-M's president, Datuk Paul Low, on the 9th of June 2012. Many more pledges are expected as the election draws closer and the nominees for candidates are finalised.

TI-Malaysia has continuously demanded greater transparency and full public disclosure of assets of elected and public officials.

Ranked in 60th place between Saudi Arabia and Cuba on Transparency International's 2011 Corruption Perceptions Index (CPI), corruption, particularly elements of state capture which facilitate "grand corruption" are still prevalent in the



*Left to Right: Datuk Denison Jayasooria, Dato Saifuddin bin Abdullah (holding his signed pledge) Datuk Paul Low and Ms. Josie M. Fernandez*

Malaysian political sphere. According to Malaysia's 2010/2011 Corruption Barometer, the public perceives political parties as being among the most corrupt institutions, followed by the parliament and legislature. ■



*Datuk Dr. Jeffrey Kitingan handing over the signed pledges to Datuk Paul Low*



# Save Tasik Chini Campaign

**Tasik Chini is a story of failed governance of a lake ecosystem, near to a collapse.** It is one of only two freshwater lakes in Malaysia and the country's only UNESCO Biosphere Reserve. Tasik Chini is the land of the orang asli Jakun. The orang asli is a minority indigenous community in Peninsular Malaysia.

Transparency International Malaysia's (TI-M) Forest Governance Integrity Project launched a national campaign to save Tasik Chini on 12 August 2012. The campaign was launched to halt massive uncontrolled development such as logging, mining and oil-palm plantations that continue to damage the lake's once pristine environment and endanger the way of life of the indigenous community.

Spearheaded by TI-M, the Tasik Chini community, several non-governmental organizations and experts have held consultations since November 2011 on strategies and actions to reverse the decline of the lake ecosystem. Some of the consultations with the local community were held at Tasik Chini, situated in the state of Pahang.



*Launch of National Campaign to Save Tasik Chini on 12/8/2012*

The Launch of the National Campaign received wide media coverage and generated responses from various institutions involved in the governance of Tasik Chini. The on-going advocacy work on Tasik Chini will include a documentary on the near collapse of the lake due to a lack of accountability and integrity in the enforcement of laws that protect indigenous communities, forests, lakes and rivers. ■



*Launch of Campaign to Save Tasik Chini on 5/8/2012*

# Saving Threatened Forest Sites in Malaysia: TI-M—FGI Spearhead Collaborative Activities

**T**ransparency International-Malaysia's Forest Governance Integrity Programme (TI-M-FGI) has initiated collaborative activities to save various threatened forest sites in Malaysia.

The activities include research, monitoring and advocacy with the goal to address pertinent issues and challenges on forest governance in the threatened sites.

Meetings were held with various stakeholders to identify forest sites requiring urgent attention and collaboration to halt further destruction and to assist communities dependent on these sites for their livelihood.

Tasik Chini located in Pahang was chosen as a pilot site. Subsequently, TI-M-FGI has identified the Jagoi Mountain in Sarawak, Segari Melintang in Perak and Tranum Forest Reserve in Pahang for the 2012 FGI programme work.

Permanent Reserved Forests (PRF) in Malaysia are being converted for areas for economic activities without consultation with local communities that depend on these forests.

The long-term aim of TI-M-FGI's initiative is to ensure that the remaining forests in Malaysia are sustained with assistance from all stakeholders through better governance. ■

The following sites have been identified together with stakeholder consensus:



Segari Melintang Permanent Forest Reserve, Perak



However, it is fast disappearing....

NO	SITES	PROPONENT
1	Tasik Chini, Pahang	Jawatan Kuasa Kemajuan dan Keselamatan Kampung (JKKK), Tasik Chini
2	Tranum Forest Reserve, Pahang	Pertubuhan Pelindung Khazanah Alam (PEKA)
3	Segari Melintang Forest Reserve, Perak	Sahabat Alam Malaysia (SAM)
4	Pondok Tanjung Forest Reserve, Perak	Sahabat Alam Malaysia (SAM)
5	Raja Musa Forest Reserve, Selangor	Global Environment Center (GEC)
6	Janda Baik/Bukit Tinggi, Pahang	Institute of Foresters Malaysia (IRIM)
7	Taman Warisan Selangor	Treat Every Environment Special (TrEES)
8	Temenggor, Perak	Malaysian Nature Society (MNS)
9	Bukit Kiara Park, Kuala Lumpur	Malaysian Nature Society (MNS)
10	Jagoi Mountain, Sarawak	JKKK Jagoi Village
11	Kota Marudu, Sabah	Faculty of Forestry, Universiti Putra Malaysia
12	Ulu Papar area, Sabah	Partners of Community Organisations in Sabah (PACOS)
13	Mantanani Island, Sabah	My Khatulistiwa



# Jagoi Mountain Eco-system Under Threat

**The Bidayuh of Jagoi Mountain is the indigenous community that has been living in a harmonious and symbiotic relationship with their surrounding environment for the past several centuries.** Jagoi Mountain is located in the Bau District of Kuching, Sarawak.

The Bidayuh have been the caretakers of the Jagoi Mountain eco-system and they have led a sustainable lifestyle, using resources from the Mountain. They used resources that can only be cultivated or found at the mountain, such as paddy, vegetables and herbs. They avoided products that are not cultivated or found in the forest, such as cooking oil.

The Jagoi village was once located at the peak of Jagoi Mountain, 1200 meter above sea level. The community has now moved to the foothills of the mountain for easy access to the city. However, they have elected a woman representative to continue to live in their former village up at the peak of the mountain as the caretaker.

The Jagoi mountain is an important water catchment site that provides water supply for seven surrounding villages. Recently, the forests of Jagoi were logged without consultation with the local community.

The *Jawatan Kuasa Kemajuan dan Keselamatan Kampung* (JKKK or the Village Development and Security Council) had invited Transparency International-Malaysia's Forest



*The Bidayuh wrap rice in leaves to keep them fresh*



*A view from 1200 meter above sea level, at the peak of Jagoi Mountain*

Governance Integrity Programme (TI-M-FGI) for a consultation.

On 5th May 2012, a team of delegates from TI-M-FGI, Institute of Foresters Malaysia (IRIM), Sarawak Forestry Department, JKKK of Jagoi village and local community representatives ascended Jagoi Mountain for a site visit and a meeting at the *Gawai House* located at the peak of the mountain.

The JKKK informed that their plan is to promote Jagoi Mountain as an eco-tourism site with assistance from the Ministry of Tourism Sarawak and the United Nations Development Programme in Kuala Lumpur.



*Deforestation marring the magnificent site at the peak of the Mountain*

They are now sourcing for funds to improve accommodation facilities for tourists. However, recent deforestation activities have made them anxious.

They are worried that the mountain will lose its forests due to logging and mining activities which would destroy the eco-system of Jagoi Mountain. The Bau District of Sarawak was once rich in deposits of gold and antimony.

The Bidayuh would like to be consulted on issues related to the governance of Jagoi Mountain and its eco-system. ■



*Steps leading to the peak of Jagoi Mountain*



*Community briefing on issues and challenges of Jagoi Mountain and its eco-system*





Signage leading to the peak of Jagoi Mountain



Sharing of community mapping at the Gawai House



Victor Soosai, Project Manager of TIM-FGI presenting a token of appreciation to Dominic Meseng Anak Magin, Development Officer, Jagoi Community Development Unit, local village administration system (JKKK)

(Note: After May 2012, a team of students from University Malaysia Sarawak has started collating a list of Jagoi Mountain's biological diversity).

# JOINT PRESS STATEMENT

20 July, 2012

## Election Observation for GE13

**Released jointly by: ASLI Centre for Public Policy Studies (ASLI-CPPS), Merdeka Centre for Opinion Research, Transparency International – Malaysia, and Institute for Democracy and Economic Affairs (IDEAS), following our meeting with Tan Sri Abdul Aziz Mohd Yusof on Thursday 19 July 2012.**

We would like to thank the Election Commission (EC) for inviting us to be domestic election observers for GE13. We have not yet received any formal letter of appointment, nor have we accepted the EC's kind invitation. At this stage, we are still negotiating the terms and conditions with the EC. We are pleased to know that the EC has confidence in our ability to observe GE13 professionally.

We would also like to thank Tan Sri Abdul Aziz, chairman of the EC, for meeting us on Thursday 19 July 2012. We commend Tan Sri Abdul Aziz, and the EC as a whole, for their willingness to negotiate with us, and for opening to us negotiation channels at the highest level.

As organisations that are well-connected with many other civil society organisations, we fully appreciate the concerns voiced by our NGO friends since the day the EC announced that they are inviting us to be accredited election observers. We have also taken initiatives to gather their opinion to help us in our ongoing negotiation with the EC.

In the meeting with Tan Sri Abdul Aziz yesterday, we voiced several suggestions.

Among others, we voiced the concerns of civil society regarding the lack of transparency in the process of selecting organisations to be accredited as election observers. We urged the EC to announce a clear and consistent criteria for accreditation of election observers to ensure the credibility of the invited organisations is not questioned.

We also urged the EC to ensure that the whole process of election observation adheres to international standards. We have analysed two major documents - the Declaration of Global Principles for Non-partisan Election Observations and Monitoring of Citizen Organisations and the OSCE/ODIHR Handbook for Domestic Election Observers. In our meeting with Tan Sri Abdul Aziz, we called upon the EC to ensure all rules imposed on accredited observers, as well as the process of accrediting the observers, comply with these international standards.

The same meeting saw PROHAM withdrawing due to their own lack of experience, expertise, personnel and resources to effectively undertake the responsibility of election observations. We would like to thank PROHAM for all the support they have given.

As a group, we look forward to the EC's responses to our requests. We look forward to working with the EC as well as with all our friends in civil society to ensure GE13 is free and fair. We hope the cordial relationship that has been built with all parties will enable us to work together for the betterment of our nation. ■

Issued by

- Ng Yeen Seen, Director, ASLI Centre for Public Policy Studies (ASLI-CPPS)
- Ibrahim Suffian, Programme Director, Merdeka Center for Opinion Research
- Josie Fernandez, Secretary General, Transparency International Malaysia
- Wan Saiful Wan Jan, Chief Executive, Institute for Democracy and Economic Affairs (IDEAS)



## CORRUPTION IN SPORTS

# Re-Gaining Integrity in World Cycling



**F**or years cycling has been a scandal-ridden sport. Athlete after athlete tested positive for doping and the International Federation of Cycling (UCI as it is known by its French acronym), appeared unable to stop the doping or build back trust in the public. This week it banned Lance Armstrong, the most famous cyclist in the world, and stripped him of his titles after a damning report from USADA – the US Anti-doping agency – described a decade of organised doping.

Poor governance and scandals damage not only the image of sport, its federations and representatives, but also compromise the positive influence sport has in spreading life values such as integrity and fair play. Doping is also a threat for the health of riders and especially young athletes who may try to copy their idols.

### WINNING BACK TRUST

Bold reforms are needed to win back trust and integrity in competitive cycling. Already in October one big sponsor that stated it was not convinced that the international professional cycling world can guarantee clean and honest competition abandoned the sport; others, including Nike and Anheuser-Busch, have walked away from Armstrong.

For the sake of a sport that has millions of amateur cyclists, thousands of professionals and a roster of new heroes, the UCI should take this opportunity to review how it operates.

Sports federations are not like companies, beholden to shareholders. Therefore, it is important to involve all people who have a stake in the sport – from the athletes and fans to the sponsors and the executives at the federation – in the reform process. In 2011 Transparency International recommended governance reforms at FIFA, football's world

governing body at a time it was beset by corruption scandals. Many of these same recommendations could apply to the UCI.

First, the UCI should accept and support an independent investigation into past scandals.

The investigation has to be entirely independent from both organisations, only then will people regain trust in cycling. The woes of Lance Armstrong may yet come to be a watershed for cycling's governing body and most important event in a positive way.

Second, there should be a thorough review of the UCI governance structure by an independent panel of experts from sport, the anti-doping-movement, sponsors, politics, and civil society to develop a new approach to cleaning up the sport and instil an era of transparency.

Third, there needs to be better whistleblower protection, so that those who witness wrongdoing feel safe reporting it. It took the USADA two years to persuade witnesses to talk to them about the US Postal Team's alleged doping.

### How to reform a sport's governing body

**Step One:** Instigate an independent investigation into past allegations of corruption and doping

**Step Two:** Review the regulations on ethical behaviour (code of ethics) and adopt best practice

**Step Three:** Instigate an independent review of the organisational structures

**Step Four:** Produce a reform implementation strategy that includes a monitoring and reporting function and strong whistleblower protection. ■

*(Source: TI Features, 23 October 2012)*

# CORRUPTION BELIEVES IN PRIVILEGES NOT RIGHTS.

How would it be to have different standards, corruption would often go unmentioned if it were for political expediency.



## CORRUPTION. INEVITABLE? UNSTOPPABLE? WE DON'T THINK SO.



### "LONG LIVE THE VOTE, LET THE VOTE WIN!"

How we're using technology to give citizens a voice.

[READ MORE P.12](#)



### US\$5 MILLION WORTH OF SPORTS CARS SEIZED IN PARIS. WHY?



### 3,000 PALESTINIAN CHILDREN

entered drawings, plays and short stories to our anti-corruption competition. [READ MORE P.6](#)

### 375 MILLION PEOPLE

could be affected by climate disasters annually by 2015.

Why more transparency is needed urgently.



### CROOKED MARKETS, FAKE PAYMENTS, EMBEZZLED FUNDS.

Exposing corruption in 2011. [READ MORE P.8](#)

"I've met people who care passionately about corruption, and I've learned hugely from them."

How we're teaching future leaders about transparency.



### "We're no longer living under threat from water-borne diseases"

How we're using video to break the cycle of poverty and corruption. [READ MORE P.16](#)

### "NO MONEY, NO SERVICE!"

Why we're fighting to end corruption in healthcare.

[READ MORE P.41](#)



### 400 BANGKOK SCHOOLS

took part in the Growing Good curriculum that teaches Thailand's next generation the principles needed to fight corruption: honesty, responsibility and fairness.



### 14% OF HOUSEHOLD INCOME

in Mexico goes on bribes to pay for basic services. [READ MORE P.42](#)

3,500 volunteer election monitors were recruited through social media prior to the Guatemalan elections.



### HOW DID WE SAVE INDIAN TAXPAYERS US\$70 MILLION?

[READ MORE P.22](#)



## Newsletter of Transparency International – Malaysia

23, Jalan Pantai 9/7, 46000 Petaling Jaya, Selangor, Malaysia

Tel: +603-7960 6630 Fax: +603-7960 8690

Email: [ti-malaysia@transparency.org.my](mailto:ti-malaysia@transparency.org.my) Web: [www.transparency.org.my](http://www.transparency.org.my)

[www.timalaysia-forestwatch.org.my](http://www.timalaysia-forestwatch.org.my)

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Editor: *Josie M Fernandez*

Contributors: *Alan Kirupakaran, Victor Soosai,*

*Mark Lovatt, Amara Sivalingam, Joseph Tong,*

*Melissa Ong & Syarilla M.Suhaili*

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*Taman Perindustrian Bukit Serdang, 43300 Seri Kembangan, Selangor*

Tel: +6 016-3777 879 Fax: +6 03-8941 7791