



An Open Letter to the *Citizens of Malaysia*

December 9, 2010 is the United Nations Anti-Corruption Day. It is a day to commemorate and remind nations and their citizens of their continuing battle against corruption.

Corruption must be recognized as not just an economic crime but also a crime against the society at large that undermines and cripples its institutions, including making public services inefficient, costly and unavailable or affordable to the poor, and increasing the risk to safety and health of the people. For example, a corrupt act of awarding a contract to an incompetent but well-connected builder for the construction of schools can put the lives of our children at risk. A single act of bribing enforcement officials to "close an eye" to illegal logging causes the loss of thousands of acres of virgin rainforest forest, its biodiversity destroyed, people displaced and collateral damage of landslides, floods and climate change. Likewise, granting licences to unqualified drivers and certifying unworthy vehicles to be road worthy through corrupt practices can lead to accidents and deaths. Furthermore, the practice of multi-tier subcontracting often grossly inflates costs, promotes shoddy work and delayed and incomplete projects.

Corruption affects all strata of society but with the greatest impact on the poor who may be denied access to basic services. Therefore combating corruption is integral to the quest for social justice. It is a quest against exploitation by abusers who enrich themselves with disregard for the suffering of others. It is a betrayal of the trust given to them by the people.

Many leaders and others in authority have made many promises to combat corruption but we have only seen a trail of broken promises. Essential reforms are compromised and not implemented consistently. Critical resources that are required are not made available. Form becomes more important than substance. Denial, excuses, lukewarm efforts and window dressing are used to deflect complaints about failure to effectively combat corruption. The public's lack of confidence and distrust in the establishment is reflected in its cynicism and scepticism and reflected in its negative perception of the country's effectiveness in combating corruption. How often do we hear the public describe enforcement action as a "sandiwara" or, it is all a drama! Therefore, if Malaysia is to progress to in her fight against corruption, she must ensure that commitments to stop corruption must be translated into concrete actions, enforcement and results. To be sustainable, the battle must be fought on all fronts and address all facets involving the people, institutions, laws and values.

Change is only sustainable if there is widespread public support. It is the people who must push for and demand accountability from those who are entrusted to govern and administer. The fight against corruption starts with every individual. All must stand up and uphold zero tolerance against corruption.

The countries with low corruption usually have strong institutions that have high level of integrity and are able to enforce laws without fear or favour. Institutions consisting of regulatory bodies and enforcement agencies such as the anti-corruption commission, the police, the judiciary and the prosecuting agency are the ones that can bring about real change as they are the ones with the capacity to allow or reduce corruption. These are institutions that can make or break entrenched interests that allow "state capture" to influence government decisions and policies in favour of the abusers regardless of the detriment to the public. These institutions must become responsible, accountable and transparent in all matters affecting public interest. They must be independent of politics and influence of any sort.

Datuk Paul Low
President, *Transparency International Malaysia*

6 December 2010 – *United Nations Anti Corruption Day Seminar and Dinner Event, Kuala Lumpur Golf and Country Club*

TI-M's UN Anti Corruption Day Seminar and Dinner event was held at Kuala Lumpur Golf and Country Club. The Seminar was opened by Datuk Paul Low, President of Transparency International Malaysia (TI-M) who read his "Open Letter to the Citizens of Malaysia".

The 1st session "The Fight Against Corruption - Regional Experience" had the Commissioner of Indonesia's Anti Corruption Agency, Komisi Pemberantasan Korupsi (KPK) and Senior Advisor of TI-Sri Lanka as speakers. The Commissioner spoke of the important role KPK played as the national anti corruption body in Indonesia, and he highlighted some of their prominent successes, 100% conviction rate of Ministers, Ambassadors, Governors etc, together with its contributing factors.

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Y.B Senator Datuk Seri Idris Jala presenting his speech

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TI-Sri Lanka outlined the numerous challenges it has been facing in the aftermath of the civil war that ended in 2009. However there are positive signs and TI-Sri Lanka hopes to build knowledge among the people and stimulate action through advocacy to achieve its objectives.

The topic for the 2nd session was "The Role of the Private Sector in Fighting Corruption". Representatives from the Malay and Chinese Chambers of Commerce spoke of why corruption occurs in the private sector and its contributing factors.

The 3rd session involved a panel discussion on "Effectiveness of Public and Private Enforcement on Corruption and Corporate Misdeeds". The Panel comprised Tan Sri Abdul Halim Ali, Chairman of Minority Shareholder Watchdog Group (MSWG); Dato' Dr. Nik Ramlah Mahmood, Executive Director (Enforcement), Securities Commission (SC); Mr. Muhammad Salim Sundar, Assistant Commissioner, Malaysian Anti Corruption Commission (MACC); Ms. Rita Sim, Executive Director, Sin Chew Media and Mr. P. Gunasegaram, Managing Editor, Star Biz.

The guest of honour at the Dinner Talk was Dato' Sri Idris Jala, Minister in the Prime Minister's Department and CEO of Performance Management and Development Unit (PEMANDU). His speech was entitled "Public and Private Sector Partnership in Combating Corruption".

He stated that one of the things the public wished to see was change, and in order to do so there is a need to get the basic building blocks in place. He highlighted some of the government's initiatives in fighting corruption, and spoke of the partnership it has with TI-M to implement Integrity Pact (IP) for public procurement in all government departments.

A lively question and answer session followed, covering topics such as money politics, incentives for whistle blowers, subsidy abuse and the political will to fight corruption.

7-9 November-2010 TI Asia-Pacific Regional Governance Meeting (RGM) and Annual Membership Meeting (AMM), Bangkok, Thailand

The TI Asia-Pacific Regional Governance Meeting (RGM) and Annual Membership Meeting (AMM) were held at the Imperial Queen's Park Hotel, Bangkok. Representing TI-M was Datuk Paul Low as the Official Chapter Representative (OCR), Ngooi Chiu Ing and Alan Kirupakaran. The RGM was attended by delegates from the Asia-Pacific chapters. The Asia Pacific Department (APD) gave their Strategic Review and Progress Report which covered among others:

- development of funding – secured (until mid 2011) and ongoing
- ongoing projects – Forest Governance Integrity (FGI), Advocacy and Legal Advisory Centres (ALACs), political accountability, youth integrity promotion and climate finance
- Establishment of new country contacts – Cambodia, Timor Leste and Afghanistan

Ngooi presented an overview of TI-M's initiatives for improving corporate governance and accountability in our operations. Points highlighted include outsourcing of bookkeeping functions, policy and procedure manual and defamation insurance.

The RGM continued with briefings on TI's Global measurement tools. Consultants are currently reviewing the Corruption Perception Index's (CPI) methodology, assembling of database and testing proposed improvements. A decision is expected in May 2011. The Global Corruption Barometer (GCB) 2010 results will be released on 9 December, covering 86 countries. Four editions of the Bribe Payers Index (BPI) have been released. The BPI is produced to balance the findings of the CPI and reinforce the message for governments to better undertake anti corruption work. The next edition is scheduled for end 2011.

The RGM concluded by identifying the next steps for National Chapters (NCs), namely:

- deploying tools for NC's to assist them in implementing the 2015 Strategy (March 2011)
- NC's to identify their engagement and specific strategy priorities areas (March 2011)
- TI-S implementation plan for Strategy 2015 (June 2011).



TI Asia-Pacific Chapter Representatives

Multiple cross regional sessions were held on the final day to discuss various themes that were proposed by national chapters. Datuk Paul attended the sessions on "Private Sector Programme Tools" and "Whistleblowing". Ngooi gave a presentation at the "Integrity Pact implementation" session, and also attended the session on "Changing the world with TI tools". Alan participated in the sessions for "Experience exchange on using social media" and "Engaging youth and young leaders in the Anti Corruption movement".

A 2015 Strategy Session was held to review and debate the recommendations made by the Advisory committee for TI's 2015 Strategy Document. This session was attended by all delegates.

Datuk Paul attended the AMM as TI-M's OCR.

14th International Anti-Corruption Conference (IACC) in Bangkok, Thailand

The 14th IACC was held from 10-13 November 2010 at the Queen Sirikit Convention Centre in Bangkok. 1,200 delegates from 135 countries attended, comprising representatives from the public, private and non-profit sectors. Datuk Paul Low and Alan Kirupakaran together with Victor Soosai and Ms. Kogilavani from the FGI team represented TI-M.

Recurring themes were corruption in climate change, achievement of the Millennium Development Goals and improved corporate governance. The discussions were centered on actions and strategies to overcome the effects of corruption in all of these areas. It was emphasised that laws are not enough – civil society, the media and youth have important roles to play in ensuring the effectiveness of anti corruption measures. The anti corruption movement should support people who are willing to change the rules of the game. Some of the strategies and tools that can be applied to achieve this goal include citizen mobilisation, youth empowerment, investigative journalism, technology and social media.

The IACC ended with delegates endorsing the Bangkok Declaration themed “Restoring Trust”. The main points of the declaration were:

- Restoring trust for peace and security
- Fueling transparency and accountability in natural resources and energy markets
- Ensuring a collective commitment to climate governance
- Strengthening global action for an accountable corporate world
- Reaching our Millennium Development Goals
- Empowering people to change the rules of the game

TI announced Transparency International's 2009/2010 Integrity Award winners. From a total of 31 nominations, three winners were chosen. Attotage Prema Jayantha is an investigative journalist who fearlessly exposed injustice in Sri Lanka's health, education and transport sectors. Sergei Magnitsky was a Moscow based tax lawyer who bravely testified against senior Russian officials in a US\$230 million tax fraud case. Mr. Magnitsky was imprisoned on charges of conspiracy and died in prison. Gregory Ngbwa Mintsa, from Gabon, joined with TI France to call for an investigation into several African presidents suspected of foreign embezzlement. The French Supreme Court has since made a landmark ruling allowing for the case to be investigated.



TI INDICES

CORRUPTION PERCEPTIONS INDEX & GLOBAL CORRUPTION BAROMETER 2010

CORRUPTION PERCEPTIONS INDEX (CPI)

Malaysia's 2010 CPI score, released on 26 October 2010, dipped to 4.4 (on a scale of 1-10, 10 being least corrupt) from 4.5 in 2009. The country ranking remained at 56 (of 178 countries). These are on the back of last year's plunge of 0.6 and 9 places in the country ranking. The CPI relates to perceptions of resident and non-resident country experts and business leaders of public sector corruption.

Malaysia's CPI ranking and scores for the past 10 years, the 2009 & 2010 rankings and scores of ASEAN countries, and a graph of CPI scores of selected ASEAN countries and South Korea are set out below.

2010 CPI - General

The release of Malaysia's CPI was part of the worldwide TI release of CPI results of 178 countries. Nearly three-quarters of the 178 countries covered in the CPI scored below five, indicating the prevalence of corruption.

Denmark, New Zealand and Singapore tied for 1st place with scores of 9.3. Somalia came in last with a score of 1.1, and just above were Afghanistan and Myanmar scores of 1.4

Huguette Labelle, Chair of TI said that “These results signal that significantly greater efforts must go into strengthening governance across the globe. With the livelihoods of so many at stake, governments' commitments to anti-corruption, transparency and accountability must speak through their actions.

Malaysia's CPI Score – The last 10 Years

Year	Country Ranking	CPI Score	Countries surveyed
2001	36	5.0	91
2002	33	4.9	102
2003	37	5.2	133
2004	39	5.0	146
2005	39	5.1	159
2006	44	5.0	163
2007	43	5.1	179
2008	47	5.1	180
2009	56	4.5	180
2010	56	4.4	178



Table 1 - Malaysia's CPI ranking and scores for the past 10 years

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2010 CPI - General

Good governance is an essential part of the solution to the global policy challenges governments face today. Allowing corruption to continue is unacceptable; too many poor and vulnerable people continue to suffer its consequences. We need to see more enforcement of existing rules and laws. There should be nowhere to hide for the corrupt or their money”.

To fully address these challenges, governments need to integrate anti-corruption measures in all spheres, from the responses to the financial crisis and climate change to commitments by the international community to eradicate poverty. Accordingly, TI advocates stricter implementation of the UN Convention against Corruption, the only global initiative that provides a framework to eradicating corruption.

About the CPI

What is the CPI?

The CPI ranks countries based on perception of public sector corruption (on a scale of 1-10, 10 being least corrupt). It is based on 2-years’ data from 13 sources by 10 institutions from: (1) business surveys by independent and reputable institutions and (2) polls of resident and non-resident country experts.

What are the objectives of the CPI?

The key objectives are to:

- create public awareness of corruption towards creating a climate for change
- offer a snapshot of business leader and expert views that are relevant to trade and investment.

What does the CPI not do?

- It does not explain a country’s scores
- It is not designed to measure year-year changes nor to provide a view of recent changes, events or government efforts and initiatives
- It is not designed to identify areas for reform.

What is corruption and how does the CPI measure it?

TI defines corruption as the abuse of entrusted power for private gain. The CPI focuses on public sector corruption, involving officials, civil servants and politicians. The surveys cover administrative and political aspects of corruption relating to abuse of power, with focus on: bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and the strength and effectiveness of public sector anti-corruption efforts.

Why is the CPI based only on perceptions?

It is difficult to get empirical data on corruption as it is usually hidden except when exposed by scandals, investigations or prosecutions. Bribes reported or the number of prosecutions or convictions may not be definitive as they may only reflect the effectiveness of investigation and prosecution, and not measure the prevalence of corruption. A reliable method of compiling comparative country data is to capture perceptions of country experts and business leaders.

Scores of ASEAN Countries

Ranking in ASEAN	Country	Global Ranking		CPI Score	
		2010 (178 countries)	2009 (180 countries)	2010	2009
1	Singapore	1	3	9.3	9.2
2	Brunei Darussalam	38	39	5.5	5.5
3	Malaysia	56	56	4.4	4.5
4	Thailand	78	84	3.5	3.4
5	Indonesia	110	111	2.8	2.8
6	Vietnam	116	120	2.7	2.7
7	Philippines	134	139	2.4	2.4
8	Laos	154	158	2.1	2.0
8	Cambodia	154	158	2.1	2.0
9	Myanmar	176	178	1.4	1.4



TI Malaysia

Table 2 - 2009-2010 rankings and scores of ASEAN countries

CPI Scores – Selected ASEAN Countries and South Korea

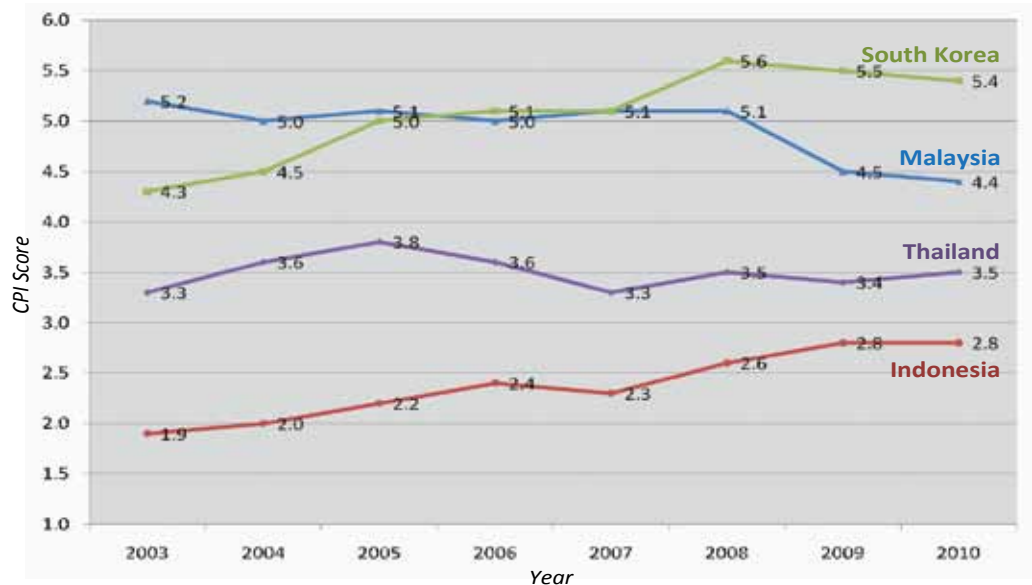


Figure 1 - CPI scores of selected ASEAN countries and South Korea

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What are the sources of data?

- The CPI 2010 is calculated from 13 data sources by 10 independent institutions. The sources measure the overall extent of corruption (frequency and/or size of bribes) in the public and political sectors, and rank countries.
- Evaluation of corruption is by two groups: resident and non-resident country experts and business leaders
The CPI 2010 used seven country expert sources: African Development Bank, Asian Development Bank, Bertelsmann Foundation, Economist Intelligence Unit, Freedom House, Global Insight and the World Bank.



There were three resident business leader sources: International Institute for Management Development, Political and Economic Risk Consultancy, and the World Economic Forum.

- The CPI generally uses two years' worth of data; surveys published between Jan 2009 and Sept 2010 for CPI 2010.
- For business leader sources, two years' data are used.
- For country expert (risk agencies/country analysts) sources, only one year's data is used as the scores are generally peer reviewed and vary little from year to year.

GLOBAL CORRUPTION BAROMETER (GCB)

GCB 2010 results were released worldwide on 10 December 2010. GCB 2010 surveyed the general public in 86 countries for their experience, views and perceptions of corruption in their country, including views on the government's efforts in fighting corruption. (In contrast, the CPI is a country score derived from surveys by various institutions of resident and non-resident country experts and business leaders, and is based on 2-years' data).

2010 GCB - General

Huguette Labelle, Chair of TI, said that "The fall-out of the financial crises continues to affect people's opinions of corruption, particularly in Europe and North America. Institutions everywhere must be resolute in their efforts to restore good governance and trust. It is heartening that so many people are ready to take a stand against corruption. This willingness must be mobilised."

60% of respondents worldwide think that corruption has increased over the last three years. Views on corruption trends were the most negative in Europe and North America, where 73% and 67% of respondents respectively thought that corruption has increased over the last years.

Political parties were seen to be the most corrupt institution, with public opinion having deteriorated over time. 25% of respondents paid a bribe to at least one of nine institutions and authorities (from health to education to tax authorities). The police were the most frequent recipient of bribes. It is alarming that bribes to the police have almost doubled since 2006, and more people report bribing the judiciary and for registry and permit services than five years ago. Almost 50% of respondents bribed to avoid problems with the authorities and 25% said it was to speed up processes. Reflecting the greater impact of corruption on the poor, lower income persons were more likely to pay bribes than higher income persons.

Government action to fight corruption was often seen as ineffective, and there was little trust in institutions to fight corruption.

Encouragingly however, much of the public believes that the public has a role to fight corruption. 70% of respondents think ordinary people can make a difference in the fight against corruption, while 50% could imagine themselves getting involved. 70% of respondents would be willing to report an incident of corruption.

Malaysia's 2010 GCB Results

In Malaysia, a face-to-face survey was conducted of around 1,000 members of the public in urban and rural areas.

The police were perceived to be the most corrupt (4.1/5.0), followed by political parties (4.0/5.0) and Parliament (3.4/5.0). The graph of Perceptions of corruption in key Malaysian institutions/sectors: 2004 – 2010 is set out in Figure 2.

With respect to the level of corruption in the previous three years, 46% of the respondents thought that the level of corruption had increased, 35% thought it was the same, and 19% thought it had decreased. In 2005, 46% of the respondents thought that the level of corruption had increased, 29% thought it was the same, and 25% thought it had decreased.

With respect to the level of corruption in the next year, 27% thought the level of corruption will increase, 41% thought it will stay the same, and 25% thought it will decrease (7% did not know or did not respond).

However, the positive perception of the government's actions in fighting corruption has jumped: 48% thought the government's actions are effective, 32% were neutral, while 20% thought the government's actions are ineffective. This is a drastic turnaround from the previous year: 28% thought the government's actions were effective, 6% were neutral, while 67% thought the government's actions were ineffective. (The bar chart of Assessment of Malaysian Government's actions in the fight against corruption: 2006-2010 is set out in Figure 3)

48% substantially exceeds the government's Key Productivity Index (KPI) of 37%. (However, the government did not achieve its KPI of CPI score of 4.9 as Malaysia's CPI 2010 score is 4.4 (almost the same as previous year's score of 4.5).

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This positive public perception could be due to the government's initiatives to address corruption:

- Integrity as a National Key Result Area (NKRA), with improvement of the CPI score from 4.5 (2009) to 4.9 as KPI
- Formation of the Malaysian Anti Corruption Commission (MACC) with more powers and autonomy and review by independent panels
- The Whistleblower Protection Act - to come into force on 15 December 2010, to expose corruption by protecting whistleblowers (and for Malaysia to meet its obligations under the UN Convention Against Corruption (UNCAC))
- TI's Integrity Pacts (IP) to be implemented in government procurement (Treasury directive dated 1 April 2010)
- Government guidelines on "Support Letters" (8 March 2010): verbal and written support letters must be filed and reported, support letters cannot be a factor in decision making, and reports are to be made to the department or relevant agencies e.g. MACC
- MyProcurement website (1 April 2010) – information on awarded tenders
- Formation of 18 special corruption courts and amendments to the Criminal Procedure Code to expedite corruption trials (in progress)
- "Name and shame" in the Convicted Corruption Offenders Database on MACC's website, with convicted offenders' details, charge and sentence imposed and photographs
- Establishment of compliance units in key enforcement agencies - Royal Malaysian Police, Road Transport Department, Royal Malaysian Customs Department, Immigration Department of Malaysia and Malaysian Anti-Corruption Commission.

Although there are good initiatives and the public's confidence in the government's actions to fight corruption has jumped as shown by the GCB 2010, there are unfortunately indications of insufficient political will to eradicate corruption. For example: no "big fish" being brought to book, poor progress in identifying and prosecuting culpable persons in the Port Klang Free Zone (PKFZ) fiasco, No Further Action by the Attorney-General against those implicated in judicial appointment tampering ("Lingam tapes") despite the Royal Commission's findings and recommendations, the continuing and snowballing practice of awarding mega projects and contracts without open tenders or competitive bidding, and IPs yet to be implemented.

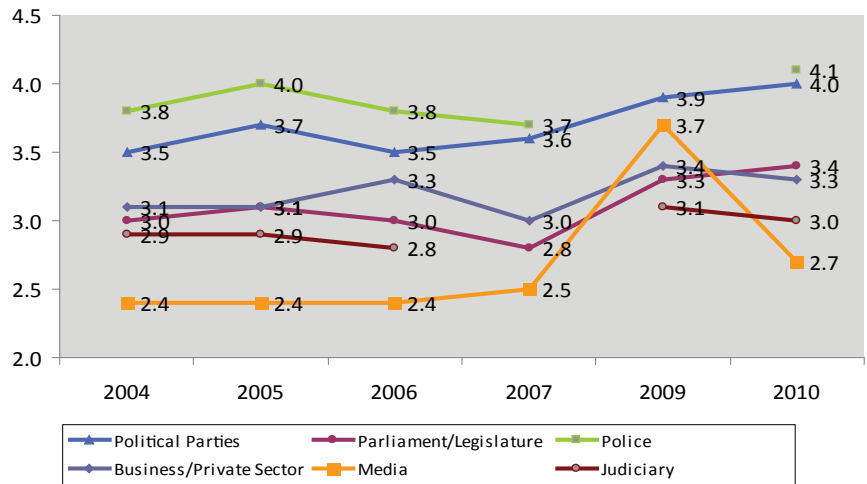
We suggest that the government can take further initiatives such as:

- Making the MACC more independent and autonomous to reinforce the rule of law that no one is above the law – it should report directly to a Parliamentary committee, and also be given prosecution powers
- Reforming political financing and regulation of political parties and elections, and public disclosure of politicians' assets
- Promoting freedom of information by repealing or drastically curbing legislation such as the Official Secrets Act, Sedition Act and Printing Presses and Publications Act
- Effective and vigorous enforcement of existing laws and policies, including money laundering and transfers by suspects in high profile corruption cases.

TI-M urges the government to show strong political will "without fear or favour" to fight corruption. Given Malaysia's aspiration to be a high income and developed country by the year 2020, the commitment to fight corruption must be clear and firm. CPI results, as shown in the graph "Relationship between CPI scores and GDP" have consistently showed direct correlation between the level of corruption and the economic development of a nation. The nations with good CPI scores (less corrupt) are developed nations with a high Gross Development Products (GDPs) such as Denmark, New Zealand and Singapore (joint top three in the 2010 CPI ranking). Conversely, countries with low scores (more corrupt) are low income nations. This indicates that Malaysia's quest for a high income economy will fail if corruption persists. A high income economy can only be achieved where there are efficient delivery systems, where the organs of government and institutions govern and manage the country and its resources professionally, responsibly and with integrity, transparency and good governance, in the interest of the nation and its citizens.

TI-M reiterates its call to the government to show strong political will "without fear or favour" to vigorously fight corruption. Given Malaysia's aspiration to be a high income and developed country by the year 2020, the commitment to fight corruption must be clear and firm.

Perceptions of corruption in key Malaysian institutions/sectors - 2004 to 2010



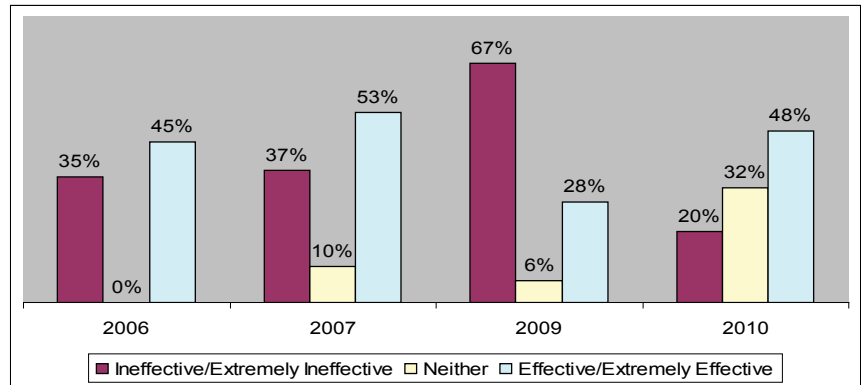
Source: Global Corruption Barometer 2004, 2005, 2006, 2007, 2009 and 2010. (1 – not corrupt, 5 – very corrupt). Percentages are weighted.



Transparency International Malaysia

Figure 2 - Perceptions of corruption in key Malaysian institutions/sectors: 2004-2010

Assessment of Malaysian Government's actions in the fight against corruption 2006 to 2010



Source: Transparency International Global Corruption Barometer 2006, 2007, 2009 and 2010. Percentages are weighted.



Transparency International Malaysia

Figure 3 - Assessment of Malaysian Government's actions in the fight against corruption: 2006-2010

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Malaysia's quest for a high income economy will fail if corruption persists. A high income economy can only be achieved where there are efficient delivery systems, where the organs of government and institutions govern and manage the country and its resources professionally, responsibly and with integrity, transparency and good governance, in the interest of the nation and its citizens.

About the GCB

What is the GCB?

The GCB is a survey commissioned by TI, and is the only worldwide public opinion survey on views and experiences of corruption. It surveys the public's perceptions of corruption, the government's efforts to fight corruption, and corruption experience in the past year.

The GCB 2010 is the 7th Edition, having surveyed 91,781 members of the public in 86 countries.

What kinds of questions are included?

- perceptions of corruption
- experiences with paying bribes
- which institutions the public trusts to curb corruption
- whether the government's efforts to fight corruption are effective
- personal willingness to engage in the fight against corruption.

Who conducts the survey and when was it carried out?

TI obtained the funding and commissioned Gallup International to carry out the survey for GCB 2010, except that Bangladesh was polled by TI Bangladesh and Mongolia was polled by the Independent Authority against Corruption of Mongolia. Polls were conducted between 1 June and 30 September 2010: face-to-face, or by telephone or online. The GCB questionnaire is reviewed by TI's Index Advisory Committee of leading international experts in the fields of corruption, research methodologies, econometrics and statistics.

How can the GCB be used?

By policy makers:

- To better understand (i) to what extent institutions and authorities are seen as corrupt, (ii) expand knowledge of the form and frequency of petty bribery and the demographic distribution of each of (i) and (ii)
- Information for reforms
- Research into areas identified by the public as being corrupt.

By civil society and journalists:

- To assess where corruption is present
- To raise awareness about the extent of bribery
- To promote targeted reforms of an institution or authority.

By researchers:

- To explore determinants and consequences of corruption and bribery in a wide range of countries
- A data source for research that is unique in focus and breadth of country coverage.

Can different editions of the GCB be compared?

- Yes, direct comparisons over time can be made for the same questions repeated in multiple editions
- Being in the 7th Edition, trends can be assessed for: the institutions and authorities the public deems most corrupt, effectiveness of government efforts to fight corruption and percentage of members of the public paying bribes to institutions and authorities.

How do the CPI and GCB differ?

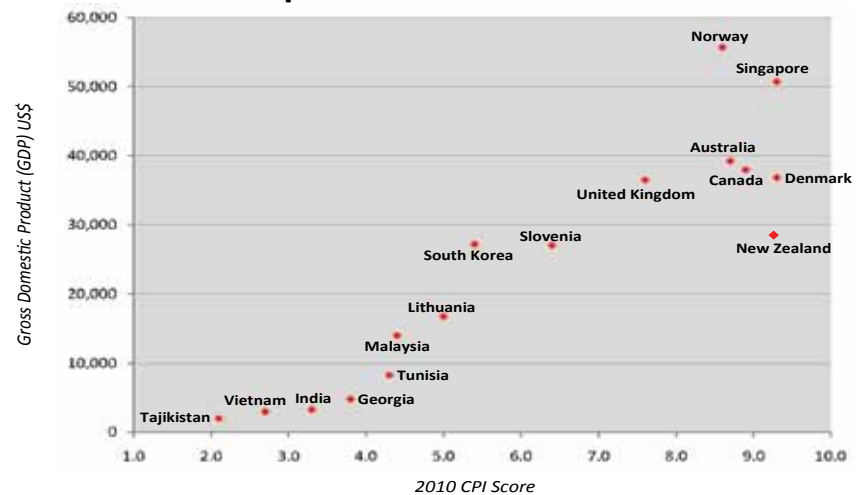
- The GCB is a survey of the public commissioned by TI, while the CPI uses data from 13 sources by 10 institutions of the perceptions of experts and business leaders
- The GCB gives the current views of the public, while the CPI is based on 2-years' data.

Other corruption surveys and studies by TI

- Bribe Payers Index (BPI): a ranking of leading exporting countries of the perceived likelihood of their companies paying bribes overseas. It is based on a survey of executives on local business practices of foreign companies.
- Global Corruption Report (GCR): a thematic report on corruption in a specific sector or governance issue. The report provides expert research and analysis, together with case studies.
- National Integrity System assessments (NIS): country studies that assess the existence, strengths and weaknesses of the key institutions for good integrity and governance (e.g. the executive, legislature, judiciary, and anti-corruption agency).

The latest reports are on the TI website www.transparency.org.

Relationship between CPI Scores and GDP



Source of GDP Figures: World Development Indicators Database, World Bank 2009

Figure 4 - Relationship between CPI and GDP



Right to left – Datuk Paul Low (President) and Ngooi Chiu Ing (Secretary General) delivering the 2010 GCB results

MACC Signing Ceremony Pledge to Fight Corruption by the Business Community

On 9 December 2010, in commemoration of UN Anti Corruption Day, the Malaysian Anti Corruption Commission (MACC) organized a ceremony in Putrajaya for representatives of the Malaysian business community to sign a pledge document to fight corruption. The signatories to the pledge, substantially drafted by TI-M, were:

- The National Chamber of Commerce and Industry of Malaysia (NCCIM)
- Malay Chamber of Commerce (DPMM)
- The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)
- Malaysian Associated Indian Chambers of Commerce and Industry (MAICCI)
- Federation of Malaysian Manufacturers (FMM)

The ceremony was witnessed by the Prime Minister.

The pledge recognises the anti corruption initiatives from globally accepted organizations including TI, United Nations Global Compact's 10th Principle, International Chamber of Commerce, World Economic Forum and World Bank Institute.

It is voluntary and self-regulatory, and compliance is by adopting United Nation Global Compact's 10th Principle which covers the Monitoring and Improvement process, including the reporting requirements.

The pledge proclamation supports Malaysia's aspirations to be a high-income nation and to instill a productive innovation culture. The signatories also re-affirm their common resolve to ensure their unceasing collaboration in fighting corruption and strengthening integrity.

Importantly, the signatories are responsible for the dissemination, understanding and compliance of the pledge to their respective members.

The signing ceremony was preceded by a panel discussion on "Upholding Business Integrity in Challenging Times". Datuk Paul Low participated as a panelist on the topic which was moderated by Datuk Dr. Mohd Tap, President of Institut Integriti Malaysia (IIM). The other panel members were Tan Sri William Cheng (President, Chinese Chamber of Commerce) and Tuan Hj. Mustafar Ali (Director of Investigation Division, MACC).



Signatories to the Pledge with Dato' Sri Mohd Najib bin Tun Abdul Razak, Malaysian PM (fifth from the right) at the signing ceremony

TRANSPARENCY INTERNATIONAL MALAYSIA WORKSHOP ON

Indonesia-Malaysia Timber Trade and Adaptation of Forest Governance Integrity Tools

4-5 August 2010 at Malaysia Anti Corruption Academy, Kuala Lumpur

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A Workshop on Indonesia-Malaysia Timber Trade and Adaptation of Forest Governance Integrity Tools was held in Kuala Lumpur on 4-5 August, 2010 to consider violations of policies and regulations pertaining to forestry and trade in forest products.

This Workshop was organised under Transparency International Malaysia and Indonesia's Forest Governance Integrity (FGI) Project. It was funded by the kind support of the Embassy of Norway in Malaysia and EU-EFI FLEGT Asia (European Union's European Forestry Institute-Forest Law Enforcement Governance and Trade for Asia), and was co-organised by the Malaysian Anti-Corruption Academy (MACA) with the support of TRAFFIC (the Wildlife Trade Monitoring Network), and WWF (World Wide Fund for Nature). MACA hosted the two-day Workshop.

The Hon Dato' Hamzah Zainuddin, Deputy Minister of Plantation Industries and Commodities (MPIC) officially opened the Workshop,

which was attended by 75 participants. Guests at the ceremony included diplomats from Canada, France, Indonesia, Japan, Norway and New Zealand. There were 22 delegates from Indonesia, comprising officers from the Ministry of Forestry, the Customs Department, the Corruption Eradication Commission (KPK), and Transparency International, Indonesia. Malaysian delegates included officers from MPIC and representatives from the Forestry Departments of Peninsular Malaysia, Sabah and Sarawak; Sarawak Forestry Corporation; Sarawak Timber Industry Development Corporation (STIDC); Malaysian Timber Industry Board; Malaysian Timber Certification Council; and Malaysian Timber Council. Other agencies represented were MACA, Malaysian Anti-Corruption Commission (MACC), the Royal Customs Department, and Standards Institute, Malaysia (SIRIM). There were also participants from EFI-FLEGT Asia, LESTARI (Institute for Environment and Development of Universiti Kebangsaan, Malaysia), IRIM (Institute of Foresters, Malaysia), and Envirologic Consulting.

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TI's "Analysis of Corruption in the Forestry Sector," served as the working document. It is a manual for risk assessment of corrupt practices, and risk management through monitoring of anti-corruption tools. The Tools aim at advocating a high level of integrity in forestry and timber trade.

Eight presentations discussing the following topics were made:

- **Indonesia-Malaysia Timber Trade and Trade Issues** presentations by Iwen Yuvanho Ismaron and Bambang Riyanto of the Forestry Department of Indonesia, and Victor Soosai of TI Malaysia (TI-M), on behalf of TRAFFIC.
- **Timber Trade Control Mechanisms and Challenges** presentations by Mohd. Kushairi Mohd.Khalid of the Royal Malaysian Customs Department and Ardian of the Customs Department of Indonesia.
- **FGI Anti-Corruption Tools** presentations by Michel Gary, of TI Berlin (FGI) and Victor Soosai of TI-M based on TI's core paper "Analysis of Corruption in the Forest Sector".
- **Good Governance Tools and Support System** presentations by Low Koh Koon of MACA and Giri Suprapdiono of Indonesia's Corruption Eradication Commission (KPK)
- **FLEGT and New EU Timber Regulation**, presentation by Ms. Aimi Abdullah of EU-EFI FLEGT Asia.

A group discussion followed, with participants divided into three working groups to discuss Forest policies and management procedures, Bilateral timber trade with respect to problems and challenges of illegal practices and Fitting of FGI Tools into a country's current forest governance procedures.

Working Group discussions concentrated on addressing obstacles besetting regulatory bodies and investigation agencies in ensuring integrity in forestry activities and timber trade. For example, despite the use of fast moving fleets and weaponry-backed tracking and monitoring activities there are still concerns about attempts at smuggling, false declarations and counterfeiting. Clearly, there is local and cross-border collaboration in money laundering and financial backing for illicit timber businesses.

The groups deliberated on the adaptability of the FGI Tools to the local contexts. The common finding was that the FGI Manual presented in global terms, would only serve as a useful guide to national policies. But for ease of adaptation, the proposed set of tools would require adjustments. Thus, the suggestion was that the FGI Tools be tailored to domestic needs and circumstances, with possibilities of reinforcing them with additional elements specific to the situations in the respective countries.

The workshop recommended:

1. "Digesting" the FGI Manual to determine how the Toolkit can fit into local forestry.
2. Adopting the Toolkit as template for action with the inclusion of domestic elements not covered in the report, once its usability is determined.
3. Determining the critical problems based on their impact on the local situation.
4. Solutions to be regarded as country specific, based on current situations.
5. Developing action plans to reflect:
 - (a) Coordination of efforts and consultations among the relevant agencies and bodies.
 - (b) Continual improvement process based on 'best practice' benchmarks.
6. Intensifying Indonesia-Malaysia collaborations on monitoring and controlling cross-border timber flow;
7. Regularising within-country joint operations against corruption; and
8. Training in relevant aspects of skill and expertise development, and inculcation of high-level discipline and good values in governance.

What can TI do to come up with remedial measures against corruption in forestry?

The most critical would be the first step that is, getting TI to play a visible role in the individual department's or agency's courses on skill upgrading and work ethics, and making it TI's perennial activity. This activity could remain as a permanent fixture in the departments or agency's continuing education programme.

Organised timber stealing is highly market driven. "Partners in crime" will need to be identified and be persuaded to cooperate in combating this evil. Apart from producers there are the buyers, financiers, carriers, port authorities, manufacturers, and end consumers who are contributing to the problem. Collaborative efforts at both ends of the supply chain – producers and consumers – are essential.

Timber producers seek fairness in trade with import regulations that do not discriminate timber between temperate and tropical. From producers' viewpoint, consumers' restrictions on timber purchase tend to apply lopsidedly to tropical timber whereas there is significant illegal trade in non-tropical timbers. This challenges TI's efforts to get tropical timber producers to cooperate with its FGI Programme. There are countries consuming massive quantities of illegal or unsustainably produced timber and are manufacturing it for export. TI could gain considerable credibility and reputation for fairness and even-handedness if it is also seen to be looking into these problems.

Post Workshop follow-up action

- Setting up of Expert consultant group for Workshop to review the FGI Tools to Malaysian Requirement.
- Expert consultation and collaboration building in Sabah and Sarawak.
- Workshop in Sarawak on revised Tools and Pilot testing of Tools
- Workshop in Sabah on revised Tools and Pilot testing of Tools
- Workshop in Kuala Lumpur and Pilot Testing of tools in Peninsular Malaysia.

Conclusion

The Workshop suggested that digesting the Toolkit would mean examining the Manual and considering the study as a country-specific risk assessment and mapping exercise. In the process, it will review all relevant domestic manuals and guidelines and identify areas considered most vulnerable to corruption. The study will also take the opportunity to seek the benefit of local forestry knowledge and experience. From its assessment of the vulnerabilities on the ground, the study will do risk mapping and prepare the appropriate risk management proposals to be forwarded for the attention of the government. The proposals will take into account sustainable forest management (SFM) principles and standards used in the country's forest certification, ISO and relevant policy and administrative systems. The proposals will be consistent with the overall objectives of TI and the principles and concepts contained in the FGI Manual.



A Working Group discussion

REFORMING POLITICAL FINANCING
Meeting with Pakatan Rakyat (PR) Members of Parliament (MPs) and Dato' Seri Mohamad Nazri Abdul Aziz, de facto Law Minister in the Prime Minister's Department (DS Nazri) Parliament House - 1 December 2010

A Roundtable discussion with Members of Parliament (MPs) was organised by Transparency International Malaysia (TI-M); comprising two meetings, with Pakatan Rakyat (PR) MPs representing the opposition, and Y.B Dato' Seri Mohamed Nazri bin Abdul Aziz, de facto Law Minister in the Prime Minister's Department representing the government. The Roundtable was supported by the Embassy of the Kingdom of the Netherlands, with Ms Sabine Knoers, Policy Officer Economic Department attending.



YB Khalid Samad from PAS providing his feedback

The main objective of the discussion was to gather feedback, opinions, and ultimately the MPs' endorsement from for TI-M's recommendations, which is crucial as they would be responsible for implementing the reforms. TI-M hoped that the discussion would provide an effective forum for a direct dialogue with the MPs and to explain TI-M's stands and expectations on the recommendations.

The panelists for the first meeting were Datuk Wira Haji Wan Ahmad Wan Omar, Deputy Chairman of Election Commission of Malaysia (EC) and Professor Dr Edmund Terence Gomez from University of Malaya, and Datuk Paul Low, President of TI-M moderated. The first meeting had 27 participants, MPs and a few assistants/secretaries.

Meeting with PR MPs

The PR MPs supported TI-M's recommendations, except for recommendation 10, "make it mandatory for disclosure of all sources of financing and expenditure by the political parties". They fear that full disclosure would hurt their contributors and consequently their financing. For mandatory full disclosure, alternative financing for political parties is crucial. They agreed that direct state funding would be the best solution as it enhances transparency and accountability.

The MPs supported implementing the reforms in phases as some reforms should take precedence. Some MPs preferred media reforms being given first priority, especially the banning media ownership by political parties, and equal access to media.

Meeting with Dato' Seri Mohamad Nazri Abdul Aziz

Dato' Seri Mohamed Nazri explained that the Barisan Nasional Backbenchers Club (BNBBC) did not want a dialogue with TI-M as they do not agree with the proposal of institutional reforms, especially those concerning the Election Commission (EC).

However, the government is interested in TI-M's recommendations on direct state funding, banning of media ownership by political parties and disclosure of political donations. An in-depth study is required on details and guidelines of state funding. He agreed that political parties should not own mainstream media, and that public media organisations should provide equal and fair coverage for both the ruling coalition and the opposition, especially during general elections.

He supports having a list of permissible and non-permissible donors before implementing full disclosure of political donations as the government wants clear guidelines and regulations on political donations to avoid abuses by individuals with vested interests and conflicts of interests.



Candid discussion with Pakatan Rakyat Members of Parliament

Nationwide Campaign on Reforming Political Financing in Malaysia

– Shah Alam Conference

The first conference in the nationwide campaign on reforming political financing in Malaysia was held on 5 August at the Concorde Hotel, Shah Alam, Selangor with support from Konrad-Adenauer-Stiftung (KAS) and the Embassy of the Kingdom of the Netherlands. The theme for the conference was the "Reform Agenda for Political Financing in Malaysia: The Challenges". The conference comprised a forum with six prominent panelists and a workshop for views on political financing reforms.

Datuk Paul Low, President of TI-M gave the welcome remarks. The conference was moderated by Josie Fernandez, TI-M's CRINIS Project Director and Professor Dr Edmund Terence Gomez of Universiti Malaya. The opening address was given by YB Elizabeth Wong, Selangor State Executive Council member who represented YAB Tan Sri Dato' Sri Abdul Khalid bin Ibrahim, Chief Minister of Selangor.

Among the 70 guests and participants were representatives of the Election Commission (EC), Malaysian Anti-Corruption Commission (MACC), representatives from political parties, academics, NGOs, academicians, researchers and political analysts.

Datuk Wira Haji Wan Ahmad bin Wan Omar, EC Deputy Chairman lamented the limitations of the EC in making reforms due to inadequate laws in curbing political corruption. Tuan Haji Mustafar bin Haji Ali, Director of the Investigation Division, MACC noted that the public still views the MACC as a government tool because of its lack of prosecuting powers. There is a need to introduce a new Anti-Corruption Act to establish a new commission with more powers to fight corruption.



A group discussion taking place

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Parti Islam Semalaysia (PAS) representative, YB Khalid Samad, Member of Parliament for Shah Alam stressed that all political parties need to be more transparent. He said that a change of government is needed to address the manner in which political funding is sourced. He added that the government should acknowledge the need for funds by political parties, NGOs, and others in order to reduce the unscrupulous methods used to obtain funds.

YB Tony Pua of Democratic Action Party (DAP) noted the ownership of media by political parties which gives them an unfair advantage during general elections.

Professor Gomez said that in March 2008, the country witnessed a democratic awakening but the concern in political financing is covert funding (including slush funds) and foreign funding. He urged the public to help political parties run their campaigns in a transparent manner.



The panelists at the seminar

For the workshop, participants were divided into three groups to discuss specific themes on reforming political financing. Among the themes were: enhancing the autonomy and independence of the EC, direct state funding for political parties to finance electoral and non-electoral activities, eradicating money politics in party elections and disclosure mechanisms and the role of civil society in promoting free and fair elections.

The discussions were followed by a session chaired by Professor Gomez which saw each group presenting their findings and views on the themes.

Nationwide Campaign on Reforming Political Financing in Malaysia

– Penang Workshop

Following the success of the Shah Alam conference, the Northern region workshop was held on 9 October 2010 at the Traders Hotel, Penang. The workshop was organised with support from Konrad-Adenauer-Stiftung (KAS) and the Embassy of the Kingdom of the Netherlands.

The workshop was aimed at mobilising public support for TI-M's initiative to reform political financing in Malaysia. TI-M also wished to raise public awareness on the subject and its detrimental effects on society. Public support is vital to achieve a sustained and systematic reform of political financing.

The workshop was well attended with 51 participants. They included Members of Parliament, members of the Penang State Legislative, representatives from local governments, academia, professional bodies, corporates, civil society and media and members of the public. Datuk Paul Low, President of TI-M gave the welcoming remarks.

The workshop comprised two sessions, first a forum discussion, then a presentation of TI-M's research and recommendations for reforming political financing in Malaysia. The panelists for the forum were Y.A.B Lim Guan Eng, Chief Minister of Penang and Datuk Wira Haji Wan Ahmad Wan Omar, Deputy Chairman of the Election Commission of Malaysia (EC). The forum was moderated by Datuk Paul Low.

Similar to the earlier workshop in Shah Alam, Datuk Wira Wan Ahmad lamented the constraints and limitations on the EC in

dealing with political corruption and money politics. Datuk Wira Wan Ahmad attributed the ineffectiveness of the Commission to the inadequacies and loopholes in the present law. There is an urgent need to initiate legislative and institutional reforms to empower the EC to tackle political corruption and money politics.

YAB Tuan Lim discussed the Democratic Action Party (DAP)'s fundraising, by sales of dinner tickets and grassroots donations; also shared by the other Pakatan Rakyat component parties. He stressed the necessity for the EC to remain relevant and independent, and be seen by the public to be independent. He suggested that the EC be more vocal in criticising candidates and parties that commit election-related offences, especially with regard to political financing.

Questions were raised from the floor, particularly to the EC expressing disappointment at the ineffectiveness of the Commission to act as an independent body. For instance, YB Liew Chin Tong, the DAP Member of Parliament from Bukit Bendera stressed the pressing need for the EC to have members who are former judges and not former civil servants.

Another participant highlighted the contradictory explanations given by the EC on the decision of the polling date and budget allocation for the upcoming Galas by-election.



Yang Amat Berhormat Tuan Lim Guan Eng, Chief Minister of Penang speaking at the seminar

The second session commenced with a presentation by Datuk Paul Low on TI-M's research and initiative to reform political financing in Malaysia. Participants were invited to voice their comments and recommendations on TI-M's efforts thus far. The majority of participants echoed and supported TI-M's efforts, and urged TI-M to undertake the lead role in electoral reform.

The workshop received good coverage in the media. Articles and news related to the conference appeared in both print and online media.

IP Presentation to Penang State Government Subsidiaries

TI-M was invited by Invest Penang and Penang Development Corporation (PDC) to give a presentation on Integrity Pacts (IP). The presentation on 27 July 2010 at Invest Penang's office was made by Ngooi Chiu Ing and Alan Kirupakaran.

Approximately 45 representatives from Invest Penang, PDC and other government linked subsidiaries attended the presentation. The questions ranged from the ideal number of Independent External Monitors (IEMs), main cost components of the IP (paying for monitors, public hearings), conditions necessary to successfully implement an IP, criteria's in identifying a project, to policies that encourage whistle blowers.



Participants at the presentation

TI-M recommended that the state government identify a project which has direct impact and benefit for Penang residents to be the maiden IP project in the state.

I Love Islam's (ILI) Interview with Prof Datuk Haji Mohamad Ali Hasan – **Perlu Serius Banteras Rasuah**

Menyentuh mengenai kesedaran masyarakat terhadap jenayah rasuah, beliau berkata, secara peribadi beliau amat gerun apabila terdapat kajian yang dilakukan sebelum ini, hampir 70 peratus pelajar menyatakan 'kesediaan' mereka untuk mengambil rasuah.

Tiga pihak penting termasuk swasta, Badan Bukan Kerajaan (NGO), swasta dan media harus bersama-sama membantu kerajaan memerangi rasuah demi memastikan jenayah itu tidak menular menjadi barah dalam masyarakat.

Demikian saranan Timbalan Presiden Transparency International – Malaysia (TI-M), Prof. Datuk Mohamad Ali Hasan ketika ditemui ILI di Rumah Universiti, Universiti Malaya, baru-baru ini.

Beliau berkata, usaha membanteras rasuah tidak akan berjaya sekiranya ia hanya dilakukan pihak kerajaan terutama Suruhanjaya Pencegahan Rasuah Malaysia (SPRM). Ketiga-tiga pihak di atas pula menurutnya, adalah pelengkap kepada gabungan pelbagai pihak untuk membanteras rasuah.

"Saya melihat gabungan empat pihak ini sebagai tayar bagi sebuah kereta. Bagaimana keempat-empat 'tayar' inilah yang berjaya menggerakkan kereta berkenaan untuk sampai ke destinasi. Seandainya sebiji 'tayar' rosak dan tidak berfungsi pasti yang lain juga tidak dapat bergerak lancar.

"Selain itu, kita juga mengharapkan golongan tokoh agama dapat turun padang dengan lebih agresif untuk bersama-sama menyedarkan masyarakat tentang bahayanya rasuah. Barangkali sebelum ini mereka ada menyumbang juga, namun kita harap selepas ini mereka akan lebih ke hadapan," ujarnya.

Menyentuh mengenai kesedaran masyarakat terhadap jenayah rasuah, beliau berkata, secara peribadi beliau amat gerun apabila terdapat kajian yang dilakukan sebelum ini, hampir 70 peratus pelajar menyatakan 'kesediaan' mereka untuk mengambil rasuah.

Hasil kajian berkenaan katanya, amat membimbangkan. Malah ia menunjukkan bahawa masyarakat sebenarnya sedar mengenai jenayah rasuah namun, apa yang menjadi persoalan adalah kecenderungan ke arah itu besar.

"Kita hairan apabila pernah sebelum ini Hong Kong mengambil Malaysia sebagai model untuk membanteras rasuah. Namun ketika ini mengapa kita pula yang lebih teruk berbanding negara itu.

"Apakah kita tidak malu kepada Hong Kong dan negara luar. Biar sebut, negara-negara Islam yang lain sendiri turut mempunyai indeks rasuah yang membimbangkan. Apakah yang sebenarnya berlaku?" kata beliau.

Bercakap mengenai kes-kes rasuah yang berlaku mutakhir ini, beliau berkata, terdapat tiga faktor penting perlu diberikan perhatian terutama di pihak kerajaan.



Dana kata beliau, perlu ditambah lagi kepada SPRM untuk lebih memudahkan pihak berkuasa itu melakukan siasatan. Selain itu, bilangan anggota juga perlu diperkasakan kerana bimbang ketidakcukupannya membantutkan usaha-usaha membanteras rasuah.

"Selain itu, berdasarkan kes-kes yang berlaku dengan sebilangan kes berprofil tinggi mengambil masa lama untuk disiasat selain menghadapi masalah adalah kerana kemahiran di kalangan anggota barangkali masih belum cukup.

"Sebab itu kita tidak mahu wujud persepsi di kalangan masyarakat terhadap kemampuan anggota SPRM ketika melakukan siasatan. Bimbang masyarakat menilai SPRM hanya mampu menangani kes-kes kecil sahaja.

"Saya bimbang masyarakat mempertikaikan keupayaan SPRM dalam menjalankan siasatan kes-kes berprofil tinggi seperti kes Kawasan Bebas Cukai Pelabuhan Klang (PKFZ), Sime Darby, pembinaan istana dan kes Lingam. Sedangkan kes-kes kecil pula cepat dijalankan siasatan," ujar beliau.

Mengulas mengenai Indeks Persepsi Rasuah (CPI) yang dikeluarkan TI, beliau berkata, Malaysia berada di tempat ke-23 pada 1995, ke-36 pada 2000 dan 2001, ke-33 pada 2002, 37 (2003), 39 (2004 dan 2005), 44 (2006), 43 (2007), 47 (2008) dan 56 (2009).

Namun beliau berkata, sasaran kerajaan untuk mencapai 4.9 mata pada 2010 sedangkan pada 2009 mengumpul 4.5 mata adalah sesuatu yang agak membimbangkan. Menurutnya, terdapat kebimbangan terhadap sasaran berkenaan kerana khawatir ia menggambarkan tahap serius membanteras rasuah.

"Jika boleh saya katakan, rasuah ini sebenarnya berlaku sejak Nabi Adam lagi. Kita lihat bagaimana iblis 'merasuah' Nabi Adam dan Hawa sehingga baginda berdua dihukum oleh Allah sehingga turun ke bumi.

"Namun kita menyedari ia sukar untuk dibasmi kerana ia melibatkan nilai keimanan dan jati diri setiap manusia. Jika punya integriti yang tinggi, mana mungkin mereka terlibat dengan rasuah. Sedangkan rasuah tidak pernah mengenal darjat dan pangkat. Baik manusia yang punya kedudukan tinggi atau rendah, semuanya berisiko menjadi pemberi dan penerima rasuah.

"Pada saya, ia senang untuk dikatakan pemberi dan penerima rasuah ini adalah dua sahabat ke neraka. Bukan Rasulullah SAW pernah bersabda bahawa *"di dalam diri anak Adam itu ada segumpal daging. Bila baik daging itu baiklah seluruh anggota dan seluruh jasad. Bila jahat dan busuk daging itu jahatlah seluruh jasad. Ketahuilah, itulah hati"*.

I Love Islam is a magazine produced by the Karangkrak/Sinar Harian media group.

The Nut Graph's interview with Datuk Paul Low – **Money Politics v Public Interest**

By Ding Jo-Ann | 02 August 2010

POLITICAL parties legitimately need money to carry out their functions in a democracy. After all, to stand any chance of being elected, candidates will need to tell voters who they are and what they stand for. All this costs money. Even after a representative is elected, money is still needed to do a politician's work. Funds are required to hire research assistants, run service centres, hold community activities, and travel around the constituency.

But money seems to have permeated Malaysian politics in problematic, even illegitimate, ways. These range from overspending

in elections to outright vote-buying and bribing.

The *Nut Graph* talks to Transparency International (TI)-Malaysia's president Datuk Paul Low about why Malaysians need to pay attention to how political parties get and spend their money. Low also discusses what needs to happen to stop political parties from perpetuating the current system where abusing money to win elections has become the norm, instead of the exception.

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Money Politics v Public Interest

TNG: Why should the public be concerned about how political parties are financed? What are some of the common problems?

Paul Low: There is an unhealthy trend in politics, that is, the monetisation of politics. This involves money being used extensively in elections, whether for vote-buying or for favours. The funding sources for all this comes from political funding, which is not transparent.

If money becomes a means of getting votes, obviously this undermines the democratic process of electing the right people. People without money don't stand a chance [even if they have talent, capabilities, passion and commitment].

Also, money given to political parties [for such purposes] needs to be paid back. No one is going to give you money and expect no favours in return. The person who has come into power will need to pay it back somehow. So, this leads to interference in governance, closed procurements, overpricing of projects, costs overrun, and variations of orders. It comes in all sorts of ways. Political patronage becomes common, which is what has happened in Malaysia.

This is institutionalised corruption. Ultimately who pays for all this? It is the taxpayers, you and I. Not only that, funds that should be given for development aid for the poor would be redirected somewhere else. Money that should have gone towards the public interest is used to enrich certain individuals.

How imbalanced are the political parties at the moment in terms of their abilities to obtain financing for their political activities? What are the implications of this imbalance?

Of course the incumbent [would be at an advantage], with many [more] years of fundraising. The incumbent is always in a better position to raise money. They even have [secret political funds](#). And these funds are not illegal. There are no laws against receiving funds and keeping it for the party.

The incumbent is also in a position to give out projects and favours in the form of licensing and concessions. If they ask for money, obviously those who want projects will respond.

Parties that are not in government would be at a disadvantage and will have to depend on other sources. Some may even rely on foreign funds, but in most cases, they have to raise it by passing the bag around at ceramah and dinners.

This imbalance also undermines the democratic process of elections. It cannot go on, especially when there is such fierce competition for power now. It seems that politicians are prepared to do anything to disable or disadvantage their opponents.

Given the current inequalities which favour the incumbent, what impetus would there be for the Barisan Nasional (BN) to institute changes in political financing?

There is strong resistance within the BN government to reform this area. Although TI makes recommendations hoping they will reform, ultimately, the people will have to decide. Unless the people express their distaste for the monetisation of politics and question candidates' integrity, the incumbent will never be prepared to change.

[In fact], the incumbent might make changes if it will disadvantage the opposition party. For example, the BN might consider banning overseas funds because they don't need such sources of funding and, at the same time, not provide a viable alternative such as funding from the state.

What signs are there that the Pakatan Rakyat (PR) would institute reforms in political financing if they came into power? How have they performed in this respect in the states where they do hold power?

I'm not really sure. If there's no regulation, the PR will probably play the same game [as the BN]. In fact, some of the PR people come

from the same BN culture. They think that if the PR comes into power, then it's their turn to receive favours. The people have to express their distaste for that.

Politicians have to be judged and assessed for their integrity and sincerity in serving the people. We can give them a higher salary, but they shouldn't get extra contracts or enrich themselves [through abusing their positions]. If they expect that coming into politics means a big windfall and they'll get rich, that is the wrong idea.

The PR government really has to distinguish itself from the BN, otherwise what's the difference? What's the point of sanctioning one and putting in another that could be worse? Both governments will end up cleaning out the coffers and the people will suffer.

What kind of reforms should we be pushing for?

Reform of political financing must be done in parallel with regulation. The Election Commission (EC) must be more independent as it oversees elections as well as parties' political funding. We need a [Political Parties Act](#), which would give powers to the EC to ensure that political parties disclose how much they receive and how much they spend. This is provided the EC is independent, impartial and politically neutral, and will administer the Act fairly.

If regulation is introduced to compel political parties to disclose their sources of funding and restrict their means of obtaining political funding, there must be an alternative. In some countries, they allow state funding, where the state will provide funding to parties according to certain proportions.

Without alternatives, the incumbent will still have an upper hand, even if regulation is introduced. Reforms should ultimately try to create a level playing field for political parties to compete.

What, then, needs to happen for reform of political financing to take place?

The people have a lot to do with it. People must begin to think, "I cannot be bought. I'm not so cheap." If politicians promise development aid, whether it's the incumbent or the opposition, then it is our right as citizens to receive that aid. If promises are being made now, it just means they've not been delivered in the past.

Voters must ask for more to ensure good governance. They must want clean political parties, accountable and sincere leaders, leaders that are committed to good governance and serving the public interest, not enriching themselves.

[The last general election results after] 8 March 2008 already indicate that the public is fed up of corruption. It's a test for both the BN and PR.



Starbiz – Your Ten Questions (Saturday 21 August 2010)

Datuk Paul Low

Transparency International Malaysia president answers...

How successful has Transparency International Malaysia (TI-M) been in helping to mitigate corruption and other malpractices in the country? Bulbir Singh, Seremban

Success in helping the country to mitigate corruption can be considered in two ways. The first is bringing into awareness the level of corruption to society as well as to leaders. TI-M does this very well through the annual publication of the Corruption Perception Index (CPI) that gives individual scoring to 180 nations assessed. To date, the Najib administration has taken the fight against corruption as one of the National Key Results Areas in its Government Transformation Programme and the CPI had been adopted as a key transformation performance indicators.

The second is helping the Government and private sector put in place measures to curb corrupt practices. This is an area in which TI-M needs to engage constructively with institutions, agencies and other entities both in the public and private sectors. Our participation in helping improve governance in the Port Klang Free Zone and Port Klang Authority is a good example on how constructive engagement can be made. TI-M is currently engaging with Pemandu, the Malaysian Anti-Corruption Commission (MACC) and also state administrations.

I understand the public probably have a high degree of scepticism but I do see a wind of change in our fight against corruption. To be successful in eliminating corruption requires multi-stakeholders' commitment and this includes involvement of every member of our society. Malaysia can be a corruption-free society if we all have zero tolerance for corruption.

What is your vision for TI-M? And what are the most common obstacles that you encounter daily in your capacity as the president of the organisation? Melissa Yim, Tanjung Malim

My vision is to see TI-M's existent become superfluous for the reason that Malaysia is free of corruption. This may sound idealistic but it would be good if we can be ranked in the world in the top 5 of Transparency International's CPI. New Zealand was ranked No. 1 in the 2009 scoring and that was because the New Zealand society is highly intolerant of corruption, even minor ones especially made by leaders have a way of coming into the public (including through investigative journalism) and sanctions are discharged effectively by the authorities. Maybe this is the reason why New Zealand does not have an anti-corruption agency. One of the daily challenges for TI-M today is to build a high level of professionalism in its secretariat.

Do you think the Malaysian Anti-Corruption Commission (MACC) has been effective in serving its purpose to fight graft in the country? Why and where has it lacked? Zulkifli Harun, KL

The effectiveness of fighting corruption in a country does not depend on MACC alone. It requires the involvement of all stakeholders namely politicians, the civil service, the civil society, the private sector and enforcement agencies. In the past, the MACC is perceived as ineffective as indicated by its inability to prosecute the "big fish" and its lack of professionalism due to a number of cases ending in acquittals. There was also scepticism as to its independence and political neutrality. However, today there seems to be a change. The new structure of accountability that was set up is beginning to function more effectively. The amount of disclosure in its last annual report and the record of proceedings it had with the SCC (Special Committee on Corruption) are commendable. Moving ahead, the MACC needs to build professionalism and it requires high-calibre staff. It can do this much better if it is a separate service commission that has autonomy over its human resource management.

Recent years have seen private investments in Malaysia on a declining trend. What does that tell us? And what does that imply for the future of our economy? Roland Jaya, PJ

Investors are now more discerning. Factors that were tolerated in the past are now given more weight in investment decisions such as the ease of doing business, the level of corruption, security and the availability of high-calibre manpower. With less opportunity at home, we will probably see more Malaysians working overseas while unemployment rate will increase domestically. It is going to be a "make-or-break" situation in the New Economic Model and we must get it right.

Would you ever consider a career in politics? Why? Tony Mugiah, Klang

Definitely no! Being out of politics gives me the freedom to express my views without restrictions by any political party. There are many tough things that politicians need to do to survive or remain relevant. And these days, with the constant harassment a politician gets especially those who are in the position of leadership, makes me wonder whether politicians have any time left to govern. I do not believe I am cut out to be a politician. I have certain convictions that make me a difficult person to compromise on certain issues.

What values do you hold in your capacity as a businessman and president of TI-M? Mark Simmon, Sabah

The values that I hold today are derived from my reverence of God and can be described as righteousness, humility and compassion. Of course, it requires a great deal of self-discipline to consistently apply these values.

When you made the decision to quit from TI-M last year, what actually went through your mind? And how do you feel to be subsequently re-elected as the president of the organisation? Mohd Nizam, Temerloh

When I decided to quit last year I did so to save TI-M from publicity which could be detrimental to the image of TI-M especially when TI-M had taken a similar beating in the past. As the attack was directed at me personally, I thought by resigning I could avoid publicity. But I was wrong and naïve of people's intention. As I was not sure of the level of support that I have and was under tremendous pressure, I said to myself "I don't need this thankless job". However, subsequently strong support came to ask me to stand for re-election and I stood and was voted in as president, unopposed. I feel greatly encouraged and as someone who believes in the sovereignty of God, I take it as an indication that my job in combating corruption is not completed. I feel honoured and consider it a privilege to serve again.

What were your biggest childhood dreams and which are the ones that you have achieved? Bobby Tan, Selayang

I did not have big childhood dreams. As a young man I was only concerned about having a job and to take opportunities for advancement as they come along. Maybe this is why I am not easily stressed out by disappointments and rejections. However, the single greatest impact in my life is my knowing God. It fills the spiritual vacuum in my life and gave me a sense of purpose and security. I believe that God blesses a righteous nation and judges an unrighteous one. I would want to see my country being blessed. So, when corruption became rampant, I decided to help to change things, hence my decision to stand as president of TI Malaysia.

What kind of changes would you like to see in Malaysia in line with its ambition to become a developed nation by 2020? Saiful Ahmad, Johor

The first is the elimination of race-based politics. The politics of race has caused each community to be preoccupied with their

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Starbiz – Interview Datuk Paul Low

weaknesses and inadequacy. A high sense of insecurity is created, giving rise to envious comparison. Hence, the politics of race had destroyed the kindred spirit among Malaysians. The second is the depoliticisation of education. The availability of quality manpower with the right competency and attitude is essential and the politicisation of education had not helped us. We need to be equipped with the language competency to deal with a globalised economy and to be able to absorb and apply knowledge on technology and science. Finally, we need to instil a culture of meritocracy and allow the market to reward performance.

What are the greatest differences and similarities between running a profit-driven company and running an influential non-profit organisation (NGO)? How do you adjust your mode of thinking in making decisions? Tony Lim, KL

An NGO exists for a cause. In the case of TI-M, it is to combat corruption. A business enterprise is measured by profits but the NGO has to define the measurement of its success. Such measurements can be multi-faceted and, therefore, leading an NGO requires clear strategic direction which can be translated into numerous projects or programmes.

Unlike a business, these projects have to be funded by donors and a great deal of work has to be done to secure donors' support. Another difference is that the effectiveness of an NGO depends on the commitment of volunteers or activists who give their time because of their conviction. Volunteers come from a wide diverse background and some are activists and they can be very individualistic. A key challenge is to work together as a team. Finally, an NGO's effectiveness requires it to be able to shape and set opinions and also to translate these into concrete actions. This competence to influence requires skills in building relationships of trust and cordiality with the decision makers or movers and shakers.

One thing I have learnt about the culture of NGOs is that it is not short of destructive criticisms. To help me adjust my mode of thinking, I always try to seek the counsel of various people from different backgrounds and expertise so that wise decisions are made.

Malaysia backsliding on graft - watchdog

Source: *trustlaw // Thin Lei Win* - (20 Jan 2011)



Malaysia's former transport minister Ling Liong Sik (C) arrives at the courthouse in Putrajaya, outside Kuala Lumpur, July 29, 2010. The government charged the veteran ethnic Chinese politician with graft in a corruption case that has tarnished the country's investment image. *REUTERS/Stringer*

BANGKOK (TrustLaw) – Malaysia's fight against corruption has lost ground in recent years due to selective investigation and prosecution of graft cases, combined with a lack of political will, the head of Transparency International (TI) in the southeast Asian nation has said.

The secretary-general for the Malaysian branch of the anti-graft

watchdog, Ngooi Chiu Ing, told TrustLaw a further obstacle is that the Malaysian Anti Corruption Commission (MACC), the country's main body for tackling graft, lacks prosecution powers. These lie solely with the attorney general who has made "odd" decisions not to take further action in certain cases, he added.

One example of how graft cases either go unnoticed or are not investigated in Malaysia is the Alcatel-Lucent bribery controversy that erupted in December.

The French telecoms equipment giant was accused by U.S. officials of bribing officials in Latin America and Asia, including Malaysia, to secure contracts between 2001 and 2006. The company has agreed to pay \$137 million in fines and penalties.

"The Alcatel issue surfaced due largely to the wide reporting on the case in the U.S. which was picked up locally. It is unfortunate that we needed a charge from a foreign legislation (the U.S. Foreign Corrupt Practices Act) to highlight incidences of possible corruption in Malaysia," said Ngooi.

"Cases of corruption will occur – the issue is selective non-investigation or prosecution."

Observers say Alcatel-Lucent is just the latest example of graft in Malaysia, which mainly involves major government projects and contracts with huge public funding.

PUBLIC SCEPTICISM

Malaysia dropped to 56 in Transparency International's 2010 corruption perceptions index (CPI), covering some 180 countries, from a high of 23 in 1995. It has steadily fallen in the rankings, and despite being considered the third cleanest country in the regional bloc of Southeast Asian nations (ASEAN), it "has lost ground while others are gaining", Ngooi said.

"What this says is that Malaysia needs to be more proactive in addressing corruption, especially grand corruption if it wishes to maintain or improve its CPI position within ASEAN."

While there have been numerous media reports about high-profile corruption cases involving ruling party politicians and powerful individuals, the public's perception is that few are investigated and even fewer end up in court.

In addition, the MACC, set up in 2009 to replace the Anti-Corruption Agency Malaysia, has been unable to catch any big fish, fuelling widespread belief that it is not completely independent.

Ngooi, however, is optimistic that things will change under Dato Sri' Hj. Abu Kassim bin Mohamed, who was appointed chief commissioner of the body at the start of 2010. He noted that Ling Liong Sik, former leader of the Malaysian Chinese Association and ex-transport minister, and Khir Toyo, ex-chief minister of Selangor state, have been investigated and charged with corruption by the commission in recent months.

The MACC would be more effective if it had prosecution powers, Ngooi said, like Indonesia's successful and powerful Corruption Eradication Commission (KPK), although the KPK has become more subdued after it came under attack and lost leading officials.

UN CONVENTION RATIFIED

Still, campaigners see Malaysia's ratification of the U.N. Convention against Corruption (UNCAC) in September 2008 as cause for optimism. And the country has started implementing parts of the convention, such as the Whistleblower Protection Act.

"It is a good first step in addressing an important supporting component in the fight against corruption," Ngooi said.

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Malaysia backsliding on graft - watchdog

There is room for improvement, however, such as creating a central authority or ombudsman responsible for all whistleblowing information, he added. Currently each enforcement unit is responsible for agencies only under their authority, which could lead to a lack of coordination.

"The value of this Act will be based on the successful prosecutions based on information provided, but equally the protection of witnesses and whistleblowers. This will encourage more people to trust the authorities and provide information without fear," Ngooi said.

More importantly for the TI official, "the fight against corruption is not solely the domain of enforcement agencies or civil society".

"Each citizen has an equally important role to play," he emphasised.

PRESS STATEMENTS

9 July 2010

Contract Award to PLUS

TI-M calls on the government to implement the key initiatives identified by PEMANDU to improve transparency and accountability, specifically to disclose details of procurement contracts. The details of all concession contracts are of interest to all Malaysians as they involve public funds and costs to the public. TI-M calls for the disclosures of all concession contracts; the government, if it has the political will, should be able to disclose publicly all contracts either by providing for disclosure in the contracts or getting the contractors to agree to disclosure. Since this contract seems to require public funds and Government support and the public will be paying tolls, the contract should be awarded by open tender or some other means to ensure that the contract is, at the minimum, competitively priced.

9 July 2010

Appointment of Selangor Local Councilors

TI-M applauds the Selangor Government for allocating state Local Council seats to representatives of NGOs. This represents an important step in allowing the voices of the people's representatives to be heard at the local level. We however view with concern the delay in naming of new local councilors.

TI-M believes that this process should be done in a transparent manner, and calls on the Selangor government to engage with and seek the views of ratepayers before naming new councilors. Countries such as Bangladesh have adopted a Report Card model that allows ratepayers to rate the performance of councilors. TI-M suggests that details of new councilors be made available to the people and their views taken into account before appointments are made.

This will help in ensuring that the most important stakeholder in this exercise, the ratepayer, is involved in the selection process.

15 July 2010

Tabling of Freedom of Information Enactment Bill 2010 (FOI Bill) in Selangor State Assembly

Transparency International Malaysia (TI-M) commends the Selangor state government for taking the first and important step towards Freedom of Information (FOI) legislation in Malaysia. TI-M and many organisations have been advocating FOI legislation at all levels of government, for transparency the people's right to information. FOI is a crucial component of a national integrity system for integrity, transparency and accountability.

We urge all politicians to view this Bill positively, and to debate in an open and constructive manner. The Selangor government should then implement and enforce the legislation wisely for the good of the

people.

TI-M calls on the Federal government and all other state governments to enact legislation to acknowledge the public's right to information while protecting truly sensitive information with such protection having to be justified instead of being automatic, and for the Federal government to repeal or at the minimum to revamp the scope of the Official Secrets Act.

27 July 2010

Striking off of defamation suit by Datuk Seri Tiong and Kuala Dimensi against Datuk Paul Low

Transparency International Malaysia (TI-M) is pleased to announce that Datuk Paul Low, President of TI-M, has been successful in his application heard by YA Datin Zabariah Binti Mohd Yusof to strike-off the defamation suit by Datuk Seri Tiong King Sing and Kuala Dimensi Sdn Bhd. The defamation suit relates to the Malaysia report in Transparency International's Global Corruption Report (GCR) 2009 and media remarks.

We wish to express our deepest gratitude and appreciation to Ben Chan and Ms Loh Mei Ching of Mah-Kamariyah & Philip Koh, for their strenuous efforts to ensure that justice is served.

20 September 2010

TI Malaysia calls for PKR election to be free of money politics

The coming PKR party election will be closely watched by people who have an interest in the outcomes or the process as an indication as to whether PKR can be trusted to form a credible government. The interest is not only in who is standing for what position but also on how the election is being conducted. Unfortunately, too many internal political party elections have been tainted by money politics. Money politics is political corruption and it is the mother of all corruption as it not only undermines the democratic process of election but makes the candidates to be beholden to their funders to the detriment of the people.

Therefore, if PKR stands for clean, accountable and transparent governance, then all its candidates must walk the talk and refrain from money politicking. The people are watching closely and TI Malaysia hopes that the election will be conducted freely, fairly and responsibly, and free of money politics so that the candidates can be elected based on their integrity, competency and commitment to serve the people without the influence of money.

11 October 2010

Revenue Watch Index (RWI) 2010 - Government disclosure of oil, gas and minerals management

RWI and Transparency International (TI) have ranked Brazil and Norway highest among 41 resource-rich countries for government disclosure of oil, gas and minerals management. Malaysia ranks 22nd, below Papua New Guinea and Indonesia, in the middle category of Partial Revenue Transparency, where revenue information is disclosed but there are major transparency gaps. (The table for the 41 countries is attached). However, it was noted that Malaysia has been able to build highly functioning oil industries.

The 56-page report compares public disclosure transparency of 41 governments of oil, gas and minerals revenues and information about contracts and other basic data. (Full report available at:

<http://transparency.org/content/download/55256/882980/RWI+Index+2010.pdf>).

Oil, gas and minerals play a critical role in the global economy: petroleum and petroleum products account for 15% of world trade, and oil and mining account for up to 80% of the gross national products of countries in the Index.

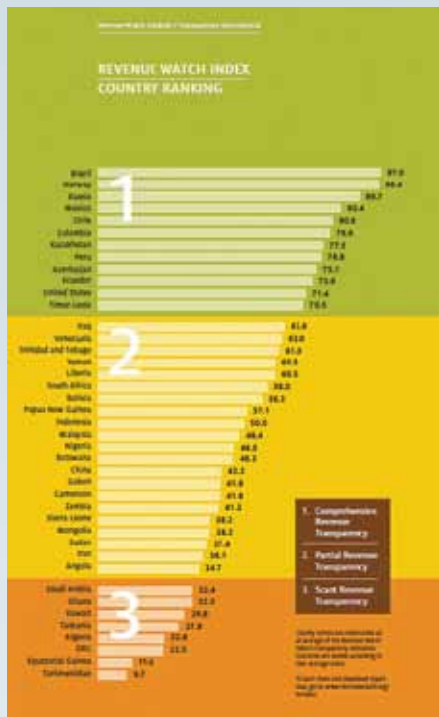
To measure revenue transparency, seven key areas of resources management were evaluated for availability of information: access to resources (availability of information on contracts and licensing terms and procedures, and the legal and regulatory framework relating to accessibility of information), revenue generation (availability of detailed government agency-published information on production and payments, with an assessment of its accessibility

and frequency), institutional setting (rules, roles and responsibilities of the main actors in the management of revenue generation, and internal controls and other checks), state-owned companies (availability of information on governance structures of state-owned entities, and the reporting of their activities), natural resource funds (rules governing operation of the funds and their reporting practices), sub-national transfers (laws that regulate revenue-sharing among different levels of government and disclosure of information on revenue-sharing) and Extractive Industry Transparency Initiative (EITI) (the extent to which member countries have fulfilled EITI criteria (publication of EITI reports, independent payment audits and reconciliations, and information on payments and revenues from state-owned companies).

Government transparency about resources revenues is essential to fight high-level corruption and to build public trust that the government will properly manage resources for the good of the country and its citizens. Transparent and accountable management of revenues is fundamental to economic development and the public good. Citizens and civil society require transparency and disclosure in order to be able to hold the government accountable. TI calls on the government to heed and remedy the weaknesses highlighted by the Index, and for the public and civil society to press for improved transparency.

Revenue Watch Institute promotes the effective, transparent and accountable management of oil, gas and mineral resources for the public good. Through capacity building, technical assistance, research, funding and advocacy, it helps countries to realise the development benefits of their natural resource wealth.

Revenue Watch Index 2010 – Listing for 41 Countries



Our nation aspires to become a high-income economy in 10 years time. Towards this goal, the development plan for the NEM (New Economic Model) and the ETP (Economic Transformation Programme) have been launched recently. Although few can find fault with the intention and even the content of these plans, there are key concerns especially on our ability to execute the proposed transformation agenda. Unfortunately our track record for the proper execution of previous plans or programmes has not been good. The issue as expressed by many in the private sector is whether these projects will be negotiated directly with the favoured and well connected few, or would an open and transparent system of procurement be followed to allow all who are qualified to have the opportunity to participate so that the best can be chosen. Although it is encouraging to note that under the federal government's Government Transformation Programme (GTP) some level of openness and transparency in government procurement have been initiated recently, there is still great concern that there are some key mega projects that will be kept out of the public domain and privately negotiated without an open tender. Although not openly said, the public perceive such deals as being done to fulfill private arrangements to finance political parties or private interests. Therefore, if the country wants to improve its standing in the international community and give confidence to domestic investors the government must show good governance and integrity and such practices must be stopped. Otherwise, the credibility of the government administration will be tarnished and we will not be seen as serious in our efforts to curb corruption and not walking the talk.

Transparency International's annual Corruption Perception Index has consistently showed that there is direct correlation between the level of corruption and the economic development of a nation. Those nations with a good CPI score (less corrupt) are developed nations with a high standard of living such as New Zealand, Denmark, Singapore, Sweden and Switzerland (top five in the 2009 CPI ranking). Likewise, the countries that have a low score (that is more corrupt) are the low income nations. This tells us that Malaysia's quest for a high income economy will be hampered and retarded if corruption persists. A high income economy can only be achieved where there are efficient delivery systems, where the institutions are capable of managing its resources professionally with integrity and minimum waste. A strong political will is necessary to make reforms and changes to curb abuses.

As long as there is rampant monetization of politics, resistance against the necessary changes will triumph over good intentions and sound policies that will benefit the people. The importance of reform in political financing can be seen today in the ongoing party elections of PKR. Various online media have reported on the vast sums spent by some candidates during campaigning. While it is understandable that substantial funds are needed for by-elections and general elections, it is disturbing that party elections incur financing of such magnitude. It raises a few questions, namely - are shadowy financial backers involved, and is money politicking prevalent in the election process. If so, the public needs to know where the money comes from and how is the money used. Who are these backers and how much are they paying to support the candidates? If PKR wants to improve its credibility then it must be transparent and this must start from the way it conducts its internal party elections.

The discussion of political reform in financing must start with the recognition that the status quo is unsatisfactory and there is not only a strong but necessary need to have a more regulated regime for political activities. All high income economies have a highly regulated environment to enforce disclosure of funding to political parties and how these funds are expended. The monetization of politics needs to be checked as it is the root of political corruption and the driver of excessive political control and rent-seeking behaviour resulting in political parties and politicians getting involved in corporate business activities. This creates an environment where political corruption flourishes and cronyism is pervasive. The divide between public funds and interests on one hand and that of the party and personal funds on the other has become blurred. Can we blame the public for not respecting politicians and political parties and perceiving the political institution as the most corrupt, as reported in TI's Global Corruption Report (GCR) 2009?

12 October 2010
Opening and Welcome Address by Datuk Paul Low, President of Transparency International Malaysia at the Seminar on Reform in Political Financing on 9th October, 2010 in Penang

On behalf of Transparency International Malaysia I would like to welcome all participants to this important seminar on reform on political financing in Malaysia. This seminar held today is part of our campaign to bring awareness to the civil society on the need for political reform so as to eradicate one of the key roots of corruption. Our researchers have carried out numerous interviews with politicians on the subject and the findings are published in our book entitled "Reforming Political Financing in Malaysia".

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It is essential for reforms in political financing to be made. Continuing the status quo will undermine the economic reforms and transformations that we hope will result from the GTP and NEM plans. A decade down the road we could be even poorer, and the aspiration to become a developed nation will be an unrealised dream.

TI Malaysia has made 22 recommendations for reform in our political culture. Through this seminar we hope to get public feedback for us to prepare our submission to the relevant authorities. Therefore, all are encouraged to take part actively in today's event. Please be frank and open in the deliberations.

Finally, I would like to thank YAB Tuan Lim Guan Eng, the Chief Minister of Penang and Datuk Wira Haji Wan Ahmad bin Wan Omar, the Vice Chairman of the Election Commission for their support and contribution as panelists, and to each and every one of you for your participation in today's seminar.

26 October 2010

Malaysia's 2010 CPI score

Malaysia's 2010 CPI score has declined slightly from 4.5 to 4.4, with the country ranking remaining at 56th (of 178 countries). This is on the back of last year's plunge of 0.6 and 9 places in the country ranking.

In the past year, the government announced initiatives to address corruption, including:

- Integrity as a National Key Result Area (NKRA), with improvement of the CPI score from 4.5 to 4.9 as a Key Productivity Index
- TI's Integrity Pacts (IP) to be implemented in government procurement (Treasury directive dated 1 April 2010)
- Formation of the Malaysian Anti Corruption Commission (MACC) with more powers and autonomy and review by independent panels
- The Whistleblower Protection Act, which was passed in April 2010, to expose corruption by protecting whistleblowers (and for Malaysia to meet its obligations under the UN Convention Against Corruption (UNCAC), to be implemented before year-end
- Formation of 18 special corruption courts and amendments to the Criminal Procedure Code to expedite corruption trials, currently in progress
- Publication of all Government contract tender awards in the MyProcurement portal
- "Name and shame" in the Convicted Corruption Offenders Database on MACC's website, with offenders' details, charge and sentence imposed
- Establishment of compliance units in key enforcement agencies - Royal Malaysian Police, Road Transport Department, Royal Malaysian Customs Department, Immigration Department of Malaysia and MACC.

Although positive steps have been taken, there have been problems with implementation and lack of confidence-building improvements, indicating insufficient political will to eradicate corruption. For example, there are glaring items of grave concern, such as generally no "big fish" being brought to book, poor progress in identifying and prosecuting culpable persons in the Port Klang Free Zone (PKFZ) fiasco, No Further Action by the Attorney-General against those implicated in judicial appointment tampering ("Lingam tapes") despite the Royal Commission's findings and recommendations, the continuing and snowballing practice of awarding mega projects and contracts without open tenders or competitive bidding, and no IPs implemented to date.

We suggest that the government can take further initiatives such as:

- Making the MACC more independent and autonomous to reinforce the rule of law that no one is above the law. This can be done by having it report directly to a Parliamentary committee such as in South Korea, and also be given prosecution powers
- Reforming political financing and regulation of political parties and elections, and public disclosure of politicians' assets
- Promoting freedom of information by repealing or drastically

curbing legislation such as the Official Secrets Act, Sedition Act and Printing Presses and Publications Act

- Effective and vigorous enforcement of existing laws and policies, including money laundering and transfers by suspects in high profile corruption cases.

TI-M urges the government to show strong political will "without fear or favour" to fight corruption. Given Malaysia's aspiration to be a high income and developed country by the year 2020, the commitment to fight corruption must be clear and firm. CPI results have consistently showed direct correlation between the level of corruption and the economic development of a nation. The nations with good CPI scores (less corrupt) are developed nations with a high standard of living such as Denmark, New Zealand and Singapore (joint top three in the 2010 CPI ranking). Conversely, countries with low scores (more corrupt) are low income nations. This indicates that Malaysia's quest for a high income economy will fail if corruption persists. A high income economy can only be achieved where there are efficient delivery systems, where the organs of government and institutions govern and manage the country and its resources professionally, responsibly and with integrity, transparency and good governance, in the interest of the nation and its citizens.

27 October 2010

Speech by Datuk Paul Low at Conference held in Conjunction with Sarawak Integrity Day 2010

The first half of the presentation will be a briefing on the Corruption Perception Index 2010.

Transparency International (TI)'s annual Corruption Perception Index (CPI) has consistently showed that there is direct correlation between the level of corruption and the economic development of a nation. The nations with a good CPI score (less corrupt) are developed nations with a high standard of living such as New Zealand, Denmark, Singapore, Sweden and Switzerland (top five in the 2009 CPI ranking). In contrast, the countries that have a low score (more corrupt) are low income nations. This tells us that Malaysia's quest for a high income economy will fail if corruption persists. A high income economy can only be achieved where there are efficient delivery systems, where the institutions are capable of managing its resources professionally with integrity and minimal waste. A strong political will is necessary for reforms and changes to curb abuses.

The Federal government has set as one of its New Key Result Areas (NKRA), the target for improving the CPI for Malaysia from 4.5 to 4.9. Perception is how people view something from what they see or understand and this view is shaped by long or many similar past experiences. Such perceptions when reinforced will become strongly held beliefs. The challenge is that we are unable to process new information, without the inherent bias of our previous knowledge. Unfortunately, the current administration did not benefit from a legacy of good governance. People's perceptions once formed, may take considerable time and effort to change. Unless radical transformation is achieved and society is experiencing these beneficial changes, the CPI may not improve quickly. This makes the NKRA on corruption the most difficult to achieve compared with the other areas. The problem in the government's quest in instilling integrity in its administration is that there are too many inconsistencies and shortcomings in the implementation. For example, on one hand the administration has put in place an open tender system, while on the other, many mega projects are awarded by private negotiation. On one hand the administration wants to be transparent on the other it is slow in amending the Official Secrets Act to make information of public interest more accessible. While it is commendable that the federal government has directed the use of TI's integrity pact in its procurement, the use of such integrity tools has yet to be implemented. Effective enforcement is seen as also to be lacking in view of the high number of acquittals and also the "big fishes" are not prosecuted. These give rise to a major credibility gap and hence the public's wall of cynicism and skepticism is continually reinforced.

The responsibility for maintaining the national integrity system rests with not just one or two parties but must involve the whole society, namely, the political institutions, the civil servants, the enforcement agencies, the private sector and the members of the public.

How well we carry this responsibility depends on the moral conscience of society. Sadly, the moral conscience has for a long period of time been depraved by greed, gross materialism and the acquisition of power through the use of money. It is a good moral conscience that urges a person to do good and be righteous in his choices but today, I am sad to say that our moral conscience has decayed. Corruption (as defined by the abuse of entrusted power for person gain) is rampant. Our awareness of the need to do what is righteous becomes clouded by self interest at the expense of the interest of the society. We disregard the need for check and balances and accountability and worst, the abusers start to think that they are entitled to receive a fair share of the spoils. Corruption has become institutionalised and considered to be less than amounting to a crime but a mere allocation of entitlements. The use of support letters giving instructions to favour a party in the award of a project is an indicator of such a lack of good moral conscience.

In the Rukun Negara we have affirmed our belief in God but where is our reverence for Him if we choose to commit a corrupt act? Do we in our conscience have a fear of Him? Do we see God as our witness every time we commit such an act? These are soul-searching questions every one of us has to ask. Our belief in God will guide our attitude towards integrity, good stewardship and governance. Without a change in our hearts and minds, and each of us personally upholding the principles of integrity and righteousness, no preventive measures or laws enacted can effectively prevent corruption. Therefore, the responsibility for the maintenance of national integrity starts with each one of us individually.

Finally, combating corruption must also involve private sector participation. While abuses in the market through anti-competitive behaviour will fall under the recently enacted Competition Act, good governance in the corporate sector will require each corporate entity to instill a culture of integrity and have its own integrated corporate integrity system in place to promote good stewardship, accountability and prevention of corruption and fraud. Such a system needs a strong and effective governance infrastructure, the use of integrity tools and ensuring compliance and lastly, the relevant capacity building through training and equipping and collaboration with business partners. This will reduce systemic risks and opportunities for corruption and fraud.

The best competitive advantage that a state can offer is a corruption-free environment. The existence of corruption increases the risk for investors and especially for foreign investors where their country has strict enforcement against bribery (including acts committed in a foreign country), the sanctions on such practices are very severe and fines imposed can amount to hundreds of millions of dollars. There are already 36 industrialised countries that have signed the OECD anti-bribery convention which forbids bribery of foreign officials. Therefore, it is prudent for Sarawak to heed of these concerns by investors.

10 December 2010

Malaysia's 2010 GCB results

The GCB surveys the general public worldwide for their experience, views and perceptions of corruption in their country, including views on the government's efforts in fighting corruption. In Malaysia a face-to-face survey was conducted of around 1,000 members of the public in urban and rural areas.

The police were perceived to be the most corrupt (4.1/5.0), followed by political parties (4.0/5.0) and Parliament (3.4/5.0).

With respect to the level of corruption in the previous 3 years, 46% of the respondents thought that the level of corruption had increased, 35% thought it was the same, and 19% thought it had decreased. In 2005, 46% of the respondents thought that the level of corruption had increased, 29% thought it was the same, and 25% thought it had decreased.

With respect to the level of corruption in the next year, 27% thought the level of corruption will increase, 41% thought it will stay the same, and 25% thought it will decrease (7% did not know or did not respond).

However, the positive perception of the government's actions in fighting corruption has jumped: 48% thought the government's actions are effective, 32% were neutral, while 20% thought the government's actions are ineffective. This is a drastic turnaround from the previous year: 28% thought the government's actions were effective, 6% were neutral, while 67% thought the government's actions were ineffective. 48% substantially exceeds the government's KPI of 37%, though the government did not achieve its KPI of CPI score of 4.9 as Malaysia's CPI 2010 score is 4.4 (almost the same as previous year's score of 4.5).

This positive perception could be due to the government's initiatives to address corruption:

- Integrity as a National Key Result Area (NKRA), with improvement of the Corruption Perception Index (CPI) score from 4.5 to 4.9 as a Key Productivity Index
- Formation of the Malaysian Anti Corruption Commission (MACC) with more powers and autonomy and review by independent panels
- The Whistleblower Protection Act - to come into force on 12 December 2010, to expose corruption by protecting whistleblowers (and for Malaysia to meet its obligations under the UN Convention Against Corruption (UNCAC))
- TI's Integrity Pacts (IP) to be implemented in government procurement (Treasury directive dated 1 April 2010)
- Government guidelines on "Support Letters" (8 March 2010): verbal and written support letters must be filed and reported, support letters cannot be a factor in decision making, and reports are to be made to the department or relevant agencies eg MACC
- MyProcurement website (1 April 2010) - awarded tenders
- Formation of 18 special corruption courts and amendments to the Criminal Procedure Code to expedite corruption trials, currently in progress
- "Name and shame" in the Convicted Corruption Offenders Database on MACC's website, with convicted offenders' details, charge and sentence imposed and photographs
- Establishment of compliance units in key enforcement agencies - Royal Malaysian Police, Road Transport Department, Royal Malaysian Customs Department, Immigration Department of Malaysia and Malaysian Anti-Corruption Commission.

Although there are good initiatives and the public's confidence in the government's actions to fight corruption has jumped, there are unfortunately indications of insufficient political will to eradicate corruption. For example: no "big fish" being brought to book, poor progress in identifying and prosecuting culpable persons in the Port Klang Free Zone (PKFZ) fiasco, No Further Action by the Attorney-General against those implicated in judicial appointment tampering ("Lingam tapes") despite the Royal Commission's findings and recommendations, the continuing and snowballing practice of awarding mega projects and contracts without open tenders or competitive bidding, and IPs yet to be implemented.

We suggest that the government can take further initiatives such as:

- Making the MACC more independent and autonomous to reinforce the rule of law that no one is above the law – it should report directly to a Parliamentary committee, and also be given prosecution powers
- Reforming political financing and regulation of political parties and elections, and public disclosure of politicians' assets
- Promoting freedom of information by repealing or drastically curbing legislation such as the Official Secrets Act, Sedition Act and Printing Presses and Publications Act
- Effective and vigorous enforcement of existing laws and policies, including money laundering and transfers by suspects in high profile corruption cases.

TI-M reiterates its call to the government to show strong political will "without fear or favour" to vigorously fight corruption. Given Malaysia's aspiration to be a high income and developed country by the year 2020, the commitment to fight corruption must be clear and firm. Malaysia's quest for a high income economy will fail if corruption persists. A high income economy can only be achieved where there are efficient delivery systems, where the organs of government and institutions govern and manage the country and its resources professionally, responsibly and with integrity, transparency and good governance, in the interest of the nation and its citizens.



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Calendar of Events

January

- Integrity Pact – Signing of MOU with PKNS

February

- Political Financing Public Forum – Kuala Lumpur
- Forest Governance Integrity Programme Workshop – East Malaysia

March

- Political Financing Public Forum – Kuching, Kota Kinabalu
- TI Malaysia Annual General Meeting (26 March)

April

- Reforming Political Financing – Submission of Memorandum to Government