

**DEVELOPING EFFECTIVE ANTI-CORRUPTION STRATEGIES
IN A CHANGING WORLD**

Remarks by Vice President Myoung-Ho Shin
Asian Development Bank

Thank you for the opportunity to attend this workshop and listen to the presentations of such distinguished individuals. I was particularly impressed by Mark Pieth's speech.

Future historians will, I am sure, view the OECD Anti-bribery Convention as a watershed in the struggle against corruption, and as a major step forward in addressing the "giving" side of the corruption equation. The Asian Development Bank recently co-sponsored a workshop in Manila with the QECO to explore the relevance of the Anti-bribery Convention for Asia and the Pacific, and its results were discussed in the regional session yesterday. I am also pleased to have the opportunity to listen to Emil Salim, with whom the Bank has had contact for a number of years, and whose work underscores the critical role of civil society and NGOs in the struggle against corruption.

Many of you are familiar with the Asian Development Bank. We were established in 1966 to promote the social and economic progress of the Asia-Pacific region. The Bank is owned by the governments of 57 countries, of which 41 are from the Asia-Pacific region. The Bank is a major catalyst promoting development in the world's most populous and fastest-growing region.

Until recently, many in Asia were often relaxed in their attitudes about corruption. In a region used to high levels of growth, corrupt or illicit behaviour was often overlooked. However, two developments have forced a radical reassessment, to the point where few would now deny that corruption exerts a heavy cost upon development in Asia. The first is the Asian crisis, and the fact that many have credited corruption, cronyism and nepotism with making a major contribution to the currency turmoil and falling stock markets that engulfed the region from mid-1997 until recently. The second development has been the rapid expansion in solid analytical work on the consequences of corruption, which has underscored just how costly, widespread and systematic

corruption can be. For example, various studies have shown:

- Corruption can add up to 100 percent to the cost of government goods and services in some Asian countries.
- Corruption can cost governments as much as 50 percent of their tax revenues.
- Losses due to corruption can total more than a country's foreign debt in some instances.
- Corruption diverts foreign investment, reduces expenditure on social sectors such as health and education in favour of military spending and large capital projects, and leads to reduced asset life;
- Corruption undermines the creation of a professional, meritocratic civil service;
- Corruption is the equivalent of a highly regressive tax, and its burden falls disproportionately upon the poor. Combating it is therefore essential in the realisation of the Bank's primary goal of poverty reduction.
- As a number of recent tragedies have revealed, the cost of corruption is often measured not only in dollars and cents but also in human lives. Behind the scores and even hundreds of lives lost each year to fires, landslides, collapsed buildings and infrastructure and ferry sinkings, there is often a sordid tale of building codes or safety standards which have been overlooked by officials willing to turn the other way.
- In extreme cases, corruption can contribute to political instability and regime collapse.

The Asian Development Bank seeks to combat graft and corruption as part of its broader work on issues of governance and capacity building. Our Board unanimously approved an Anticorruption Policy in July 1998. The policy is centred upon three objectives:

- supporting competitive markets, and efficient, effective, accountable, and transparent public administration, in the belief that efforts towards prevention will ultimately be more effective in the long run;
- supporting promising anticorruption efforts on a case-by-case basis and improving the quality of the dialogue with our developing member countries (DMCs) on a range of governance issues, including corruption; and

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- ensuring that our projects and our staff adhere to the highest ethical standards.

We are now working on implementing the policy. The Bank has approved new staff guidelines. We have changed our procurement guidelines to allow for loan cancellation, blacklisting and the right of audit, and we require full disclosure of all fees and commissions. We have set up an internal unit within our Office of the General Auditor to investigate cases of fraud and corruption relating to Bank projects and staff.

We are now moving to address corruption issues in country programming and to improve project monitoring and supervision. These are more difficult and complicated tasks. It is easy to do something; it is hard to do it well and make sure that it is effective. Yet we are committed to moving forward and ensuring that our deeds fully match our rhetoric. Towards this end, collaboration with other MDBs, and particularly the World Bank, has been an invaluable asset. We look forward to hosting the next MDB Working Group on Governance, Corruption and Capacity Building in Manila early next year.

I would like to conclude with an offer of partnership. As the MDB community moves to address questions of corruption more comprehensively, we are discovering that we know much less about the topic than we thought we did. The participants at this gathering will no doubt put forward a number of excellent suggestions, and other lists also exist. But there is relatively little, empirically grounded, comparative research that can help donors to prioritise our interventions to ensure that scarce anticorruption resources are utilised to best advantage. We are currently collaborating with other donors and supporting research on topics such as strengthening accountability mechanisms and improving public expenditure management, and we welcome the opportunity to exchange information and findings in forums such as this, so that we can advance our collective knowledge about how to best combat corruption.

We look forward to working closely with many of you--and particularly with officials from developing member countries--to strengthen your anticorruption efforts. As I noted above, we believe strongly in prevention, and have been active in areas of market liberalisation and public: administration reform for some time. We are also now beginning to work explicitly on anticorruption issues as well, such as the crafting of anticorruption legislation and the

strengthening of audit institutions.

We recognise that the struggle will be difficult. The experience of Singapore and Hong Kong demonstrates that much can be done if the proper legal and administrative systems are in place. With improved professionalism in the public sector, and enhanced accountability, transparency and predictability, countries can be transformed to the point where incidents of corruption are no longer widespread but isolated and rare.

It is towards this task, so important to the future economic health of both Asia and the world, that we have dedicated ourselves. We are grateful to the organisers of this conference for providing such an interesting and useful forum for advancing our common objectives.