September 2006

Cover Story
Busting Corruption

Printer Friendly

Email this story

IT is helping Asian governments win the war on corruption, but it will prove only as effective as the hands that wield it.

Jonathan Hopfner

More from this story

- Death threats, poison-pen letters
- Recent scandals

It is one of the rare issues uniting politicians, the private sector and organisations with a cause. All are unanimous in their agreement that corruption exacerbates poverty, stifles investment and prevents many economies from reaching their potential, and that unfortunately it is a problem rooted more deeply in Asia than other parts of the world. Despite the graft-busting efforts of their governments, nations such as the Philippines, Indonesia and Vietnam continue to appear in the lower tiers of Transparency International's corruption perceptions index. Cleaning up the continent seems destined to remain an uphill trek.

Thankfully, officials and experts also seem to be reaching a consensus on possible means to address the corruption quandary. And IT seems destined to prove one of the key tactical tools in this battle. Recent years have seen a surge in the deployment of solutions aimed specifically at improving transparency and governance, mainly in the public sector. Donors such as the United States Agency for International Development (USAID) have made technology a central pillar of their corruption-fighting programs.

A beacon of hope

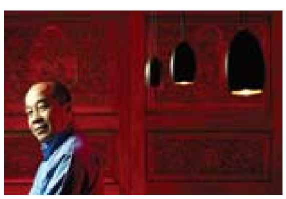
IT attacks fraud "by shining a bright light upon institutional processes," providing a clear view of transactions, improving public access to information, and promoting accountability through the strengthening of the links among geographically disparate systems, USAID noted in a recent report. The Asian Development Bank (ADB) agrees, commenting in another study that a region-wide e-government rollout could take a bite out of the black market by "improving the enforcement of rules, lessening the discretion of officials, and increasing transparency."

There are certainly a number of success stories that seem to endorse these beliefs. Authorities in the South Korean capital Seoul have tackled procurement and permit-related vice through the implementation of an online service that allows citizens and companies to monitor the status of applications or appeals in real time. Hong Kong's powerful Independent Commission Against Corruption has taken its fight to the streets and boardrooms by introducing a web-based advisory service for companies wanting to draw up anti-corruption policies or seminars. In the Philippines, a US-backed "Transparent Accountable Governance" project created an extensive web portal that unites corruption-fighting data with surveys and case updates, and is widely credited with raising public awareness of politicians' activities.

But tougher tests of the potential contributions of technology in stamping out suspect practices are emerging through the region's revenue departments. Asia was the only region in a recent Transparency International survey where taxation was cited among the most graft-ridden sectors, with the public registering a "significant level of concern" about the integrity of tax authorities. The threat of tax-related fraud comes from both officials and taxpayers seeking to reduce their obligation and is particularly acute as it reduces the flow of revenue to state coffers, hampering the government's ability to fund future transparency initiatives. Thailand's National Counter Corruption Commission estimates corruption shaves US$25 million (RM92 million) from the state budget each year, while according to the United Nations Development Program in the Philippines the figure is US$1.8 billion (RM6.6 billion).

Taxing issues

In Indonesia, where a 2004 audit of government agencies unearthed fraudulent transactions worth over US$18 billion (RM66 billion), tax authorities are breaking out the big guns. The country's Tax Directorate has embarked on a modernisation drive that has impacted every corner of the organisation, linking distant offices, automating procedures and moving interaction with taxpayers online. The shift has required massive infrastructure investments, including a new data centre, storage area networks and disaster recovery facilities. But officials at the directorate believe they have no alternative.



"We have more than 300 district offices and contribute more than 73 percent of the state budget," says Rafianto Moesharsono (left), head of support and database division, Tax Directorate of Indonesia. "The only solution to our problems is complete integration and the unification of information on taxpayers through the development of the IT system."

One of the most important elements of the new administration system is workflow technology, which Rafianto says enables the department to better track the activities of its officers and enables the automatic generation and storage of penalty and incident reports. The end goal of the process is to eliminate opportunities for fraud and to build the amount of data available to taxpayers.

Already implemented in major centres like Jakarta and Batam, the workflow techniques will be rolled out to district tax offices nationwide by 2008, Rafianto says.

"Our compliance is very low compared to Singapore and Malaysia, and we're struggling to raise taxpayers," he explains. "We're creating a net that can catch fish. Eventually it'll be the system controlling people and not people controlling themselves – people tend to be subjective."

The power of mobility

Since 2003 Rafianto has focused on a mobility strategy designed to cement ties between the directorate's central office in Jakarta and employees throughout the archipelago. It is equipping tax officers in remote locations with PDAs and recently purchased a data centre application acceleration solution from vendor Juniper Networks that bolsters the speed and security with which information on taxpayers is retrieved from the field.

Consistent communication and reporting between auditors and the head office makes it more difficult for taxpayers to “approach” officers with illicit officers and removes opportunities for misconduct, Rafianto says.
In addition, mobility has smoothed the audit process considerably and created a single window of information for the directorate’s field workers.

“Auditors have to access the activity of a company throughout Indonesia, and before we had this system, they had to order hard copies of forms from perhaps 30 different district offices, which could take weeks or months,” Rafianto explains. “Now this data can be obtained easily and almost instantly.”

The implementation of cutting-edge solutions has also forced the directorate to confront new challenges, including technophobic attitudes among some older workers, creaking telecom infrastructure, and security and access concerns.

“We have problems with authority and access management,” Rafianto admits. “Tax data is very sensitive in Indonesia, and if information about one important person goes public, who knows what could happen. That’s why security is our foremost concern. With the ease of access to information come risks.”

But he says the directorate has clearly seen collection rise since it launched its modernisation program, and that technology will remain central to the agency’s struggle.

“There are issues that we’re trying to solve,” he says. “The less that taxpayers meet tax officers, the better, as then there’s no friction and no self-interest … that’s the goal. The other point is to treat taxpayers fairly, there aren’t multiple standards anymore but a system, not people, that will decide how much tax you have to pay.”

What technology can and can’t do
Throwing IT at the fraud and loss problem seems to have worked at Thailand’s Revenue Department, which has exceeded its targets in recent years thanks partially to rapid uptake of an online tax filing system, and the Bureau of Inland Revenue of the Philippines, which has reversed the plunging collection figures seen in the late 1990s through an overhaul of its data warehouse administration and analytics functions.

“With IT the situation in the Philippines is improving,” says Richard Mills, a Manila-based outsourcing expert and director of recruitment consultancy Chalre Associates. “It certainly makes a tremendous difference in areas like procurement, where there’s now an information trail and the government is forced to put the terms of contracts down for all to see.”
Technology “has become a trendy thing for officials throughout the region,” Mills adds. “It pushes the (good governance) process forward and when agencies resist IT enablement people are beginning to ask why.”

But for all the indications IT could be transparency’s best friend, new software and servers alone can’t clean out the dark corners of an enterprise or government.

In fact, according to an ADB report, technology can sometimes facilitate bad behaviour. While the “computerisation” of an organisation can convince some staff members to cease questionable behaviour, it can create “new sources of corrupt income” for IT professionals clued-in enough to manipulate the new systems.

“In a sense, [IT] permits an intergenerational shift in corruption and rent seeking,” the report says.
More important than any technological investment is broader and deeper reform that opens new lines of dialogue between citizens, businesses, and government officials, promotes clear rules and procedures across the board, and addresses

the persistent poverty endemic to some countries in the region, the ADB says.

Mills supports this view, noting any final victory against corruption will be won on the cultural as opposed to the technological front.

“Unless other things come along with an IT implementation there won’t be long-term results,” he says. “There needs to be a fear factor, a realisation that if someone is caught [for corruption] they’ll be punished. In emerging countries the perception is still that people can be caught but the charges never seem to stick … the real action needs to come from the legal and enforcement side.”

— Jonathan Hopfner is a contributing writer for Computerworld Singapore/Malaysia.

Discuss this story