Subscribe Online
Click here to subscribe to MIS Asia

MIS ASIA
HOME

Subscribe | Advertise | About us | Feedback | Site index

| Magazine | Research | Events | Special Editions |

Search for: [   ] in [all site areas ▼] [Go]

▼ advertisement · explore within this space

MIS ASIA

You are in: Home > Magazine > Article   My Tools:

Features

Battle against graft
By Jonathan Hopfner • Published: *Tuesday, 13 February 2007*

Asian governments are stepping up efforts to fight corruption and IT is a key tool. But there are limits to what technology can do, reports Jonathan Hopfner.

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.

IT seems destined to prove one of the key tactical tools in the battle against graft. 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 programmes.

A bright light

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 notes 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 IT 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 from the state budget each year, while according to the United Nations Development Program in the Philippines, the figure is US$1.8 billion.

Modernisation drive

In Indonesia, where a 2004 audit of government agencies unearthed fraudulent transactions worth over US$18 billion, tax authorities are breaking out the big guns. The country's Tax Directorate has embarked on a modernisation drive that has had an impact on 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 per cent of the state budget," says Rafianto Moesharsono, 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 nation-wide 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."

A single window

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, 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. Before we had this system, they had to order the hard copy of forms from perhaps 30 district offices, which could take months," Rafianto explains. "Now this data can be obtained 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 ease of access to information come risks."

But he says the directorate has clearly seen collection rise since it launched its modernisation programme, and technology will remain central to the agency's struggle. He says: "The less that taxpayers meet tax officers, the better, as there's no friction and no self-interest ... that's the goal. The other point is to treat taxpayers fairly. There's a system, not people, that will decide how much tax you have to pay."

The cultural factor

Throwing IT at the fraud and loss problem seems to have worked at Thailand's Revenue Department. Thanks partially to rapid uptake of an online tax filing system, the department has exceeded its targets in recent years. Technology has also helped the Bureau of Inland Revenue of the Philippines to reverse 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 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."

Technology "has become a trendy thing for officials in the region," Mills adds. "It pushes the (good governance) process forward and when agencies resist IT enablement people 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 inter-generational 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 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. 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."

Scandals in Singapore

* China Aviation Oil: The Singapore-listed jet fuel trader accumulated debts totalling US$550 million and was on the brink of bankruptcy following a financial scandal, Singapore's biggest in a decade, involving former chief executive Chen Jiulin making false and misleading financial statements. The losses were concealed from regulators and shareholders until late 2004 when CAO sought court protection from creditors.

* National Kidney Foundation: Lack of governance at Singapore's largest charitable organisation led to a misappropriation of funds by former chief executive TT Durai. Donations, which could have gone towards treating patients, were instead used to fund Durai's personal expenses and bonuses. Durai is facing a series of corruption charges filed by the reformed NKF board.

* CrimsonLogic: Velusamy Mathivanan, former chief executive of the government-linked company, together with several managers, has been charged in court for bribing the former IT head of Carrefour in exchange for recommending that the supermarket award an IT project to CrimsonLogic.
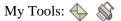
* Citiraya Industries: Several employees of the electronics waste recycler were jailed over a US$50 million corruption scandal that involved accepting bribes, falsifying accounts and selling rejected computer chips on the international black market.

* Amtek Engineering, Asiatravel.com Holdings: Lee Ah Bee, founder and former executive chairman of Singapore-listed Amtek Engineering, and Joanna Yeo, former executive director of Asiatravel.com Holdings, were both found guilty of

insider trading in 2005.

Jonathan Hopfner is a contributing writer for MIS Asia.

You are in: <u>Home</u> > <u>Magazine</u> > Article   My Tools:

Receive e-Newsletter
<u>Click here to sign up</u>

Related Research
<u>Research Home Page</u>

Further Information
<u>Asia Home Page</u>

Also in this Issue:

☐ Open links in new window

Past Issues:
Select Issue ▼ Go

Subscribe | Advertise | Contact | Feedback | Site Index |

Advertise with us | Privacy Policy | Conditions of Use | Member Agreement

(c) 2007 Fairfax