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Stronger international collaboration key to tackling cross-border Money-laundering and Bribery, says UNDP Report

Jakarta, 12th June 2008 - *Tackling corruption, Transforming Lives*, an Asia-Pacific regional report produced by United Nations Development Programme, examines the human development dimensions of corruption in the Asia-Pacific region. It presents compelling cross-border realities of corruption that require strong international cooperation. It points to the need for more political commitment to ensure that anti-corruption agreements, such as the UN Convention Against Corruption (UNCAC), are implemented to their fullest.

UNCAC entered into force in 2005 and is the first global legal instrument designed to achieve far-reaching reforms to combat corruption. It allows both developed and developing countries to act together to frustrate corrupt individuals and corporations who seek to exploit differences in national laws and procedures. In addition, member countries can support each other in establishing links between complementary institutions and strengthening prosecuting agencies.

“Effective action against corruption will therefore require extensive cross-border collaboration to control transnational businesses, address money laundering, and prosecute corrupt leaders and officials who hide illegitimate fortunes in overseas banks,” says the Report.

“Many companies which would not dream of bribing officials in their own countries have seen nothing wrong with bribery when operating abroad,” says Anuradha Rajivan, head of the UNDP Regional Human Development Report Unit. For example, a recent survey in Hong Kong (SAR), China found that more than three-quarters of international companies believed that they had failed to win new business in the previous five years because a competitor had paid a bribe.

Some transnational companies are recognizing the public relations value of a clean image and have developed comprehensive codes of conduct, organized anti-corruption training and established internal control systems. Many international agencies and civil society groups also have set up guidelines to encourage transnational companies’ commitment to a corruption-free business environment. Under the UN Global Compact framework, for example, nearly 3,000 businesses in 100 countries have pledged to promote socially responsible policies against corruption.

Yet one of the main problems in prosecuting and punishing corrupt businesses and officials is that the proceeds of corruption are laundered through offshore banks and held in secret accounts in tax havens, the Report notes. Such laundered money has grown to an estimated US\$20 billion to \$40 billion per year among developing and transition

countries. Overall, tax havens must be addressed through global cooperation, the Report urges.

Laundered money finds havens in Asia-Pacific region

Six of the 39 major tax havens or harmful preferential tax regimes identified worldwide in 2007 are in the Asia-Pacific region. In Singapore, foreigners have been allowed to acquire residency through investment. One study noted that in 2006, roughly “18,000 ‘high-net-worth individuals’ of Indonesian origin resided in Singapore and held approximately US\$ 87 billion in financial wealth”.

To help developing nations recover assets stolen by corrupt leaders, the UN Office on Drugs and Crime (UNODC) and the World Bank in 2007 launched the Stolen Asset Recovery (StAR) initiative. “By the end of 2007, Switzerland, one country known for its secretive banks, had signed on to the StAR initiative, hopefully making it increasingly difficult for corrupt money to find a safe hiding place,” says the Report.

Despite the value of UNCAC and StAR, these two international agreements are still far from achieving universal acceptance. Within the group of eight industrialized nations, all are signatories to UNCAC. However, only five have ratified the Convention, meaning those that have only signed the Convention are not bound by it. In the Asia-Pacific region, out of 35 developing countries, 19 have signed and 10 have ratified or acceded as of December 2007.

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The United Nations Development Programme (UNDP) is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build better lives. UNDP works in 37 countries in Asia-Pacific.

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The UNDP Regional Centre in Colombo (RCC) was established in January 2005 to serve countries of Asia-Pacific. It is a regional hub for development knowledge and expertise, providing policy advisory and capacity development services in Poverty Reduction and HIV and Development, with Gender Equality as a crosscutting concern.

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