



## **Chapter 2**

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# **Situational Analysis of 2012 Anti-corruption Status**



## Chapter 2 Situational Analysis of 2012 Anti-corruption Status

### Section 1 Current Anti-corruption Status in Taiwan

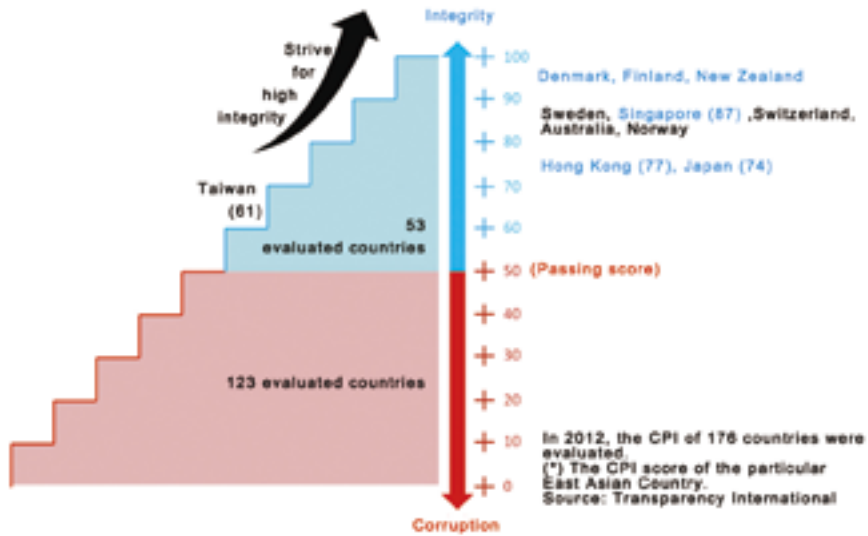
Diversity, constitutionality and integrity are the core values of democracy in Taiwan. Government integrity is vital to the nation's competitiveness and the foundation upon which the people's trust are based. The Ministry of Justice (MOJ) has been fighting corruption from the angles of Anti-corruption, corruption prevention and corruption eradication and the concepts of across boundary governance, partnership and promotion of the beneficial rather than elimination of shortcomings. In reference to the United Nations Convention Against Corruption (UNCAC), the government continues to implement and establish complete anti-corruption regulations to promote administrative transparency and prevent conflicts of interests so that "transparent accountability" can be created for civil servants, thus reducing corruption, securing people's trust in the government, improving national competitiveness and increasing the welfare and happiness of the people

#### I. Analysis on International Anti-corruption Index

##### 1. Corruption Perceptions Index of Transparency International

On December 5<sup>th</sup>, 2012, Transparency International (TI) published the 2012 Corruption Perceptions Index (CPI), which is based on new methodology. Based on the new calculation, Taiwan received a score of 61 out of 100, which ranks higher than about 80% of the countries evaluated. (About 2/3 of the countries received a score lower than 50.) Taiwan ranks fourth in East Asia behind Singapore, Hong Kong and Japan. This shows that the effects of Taiwan's anti-corruption efforts and reform are receiving international recognition. There are a few characteristics of the new CPI, including: (1) The score and ranking cannot be compared with those from the past years; (2) Changes in ranking cannot be directly interpreted as progress or regress in national integrity; (3) The score is more significant than the ranking. The scores received this year can be used as a basis for comparison for future scores. (See Fig. 2-1: Taiwan's 2012 CPI.)

Fig. 2-1 Taiwan's 2012 CPI  
 Starting from 2012, CPI will be calculated with new methodology  
 A Bright Future Ahead



2. Bribe Payers Index by TI

TI issued the latest Bribe Payers Index (BPI) in 2011. 28 leading exporting countries were evaluated. Taiwan received a score of 7.5 and ranks in 19<sup>th</sup> place. The first 5 are the Netherlands, Switzerland, Belgium, Germany and Japan. China and Russia rank 27<sup>th</sup> and 28<sup>th</sup>, respectively. Compared to the evaluation conducted last time in 2008 with a score of 7.5 and a ranking of 14<sup>th</sup>, the score remains the same. However, the ranking has slipped. This may be attributed to the increase in the number of countries evaluated and the active pursuit of corporate corruption in



Taiwan in recent years. The index also indicates that bribery committed by transnational corporations is a major issue faced by many countries.

BPI is an index constructed through surveys from TI sent to leading exporting countries assessing the likelihood that the multinational corporations will use bribes. The scores range from 0 to 10. The lower scores mean that bribery is a serious condition among corporations from that country during their business operations overseas. Commercial bribery is detrimental to international fair trade. It corrupts civil servants as well as governmental and private entities in countries accepting bribes. TI has published BPI 5 times between 1999 and 2012 and has gradually gained international recognition. Based on the scores and rankings from the past five BPIs, the ranking of Taiwan is towards the middle to lower half, which means that overseas bribing is a serious issue for corporations in Taiwan.

### 3. Global Corruption Barometer by Transparency International

The latest Global Corruption Barometer (GCB) was issued by TI in 2010. It was based on a scale from 1 to 5 with 1 brings the least corrupt and 5 means the corruption is serious. According to the 2010 results, Taiwan scored below 3 in “Religion (2.9)” and “Non-Governmental Organizations (2.8)”. The scores exceeded 3 in all other categories, including Police, Parliament, Civil servants, Political Parties, Private Sector, Military, Court, Media and Education. The score shows that the public perceive corruption as the most serious with the police, even more so than the political parties and parliament, which were traditionally criticized for corruption issues. In addition, there are considerable risks of corruption in the court, customs, police, land administration, medical service and educational system.

However, in comparison with survey results from 2010 and 2006, it can be concluded that public perception of corruption in Taiwan has gradually improved. 37.4% of those who took the survey in Taiwan acknowledged the Taiwanese government’s performance in cracking down on corruption. The percentage is higher than those who considered the efforts fruitless (27.7%). In 2006, only 23% of those surveyed acknowledged the government’s efforts. The 2010 statistics show a considerable improvement.

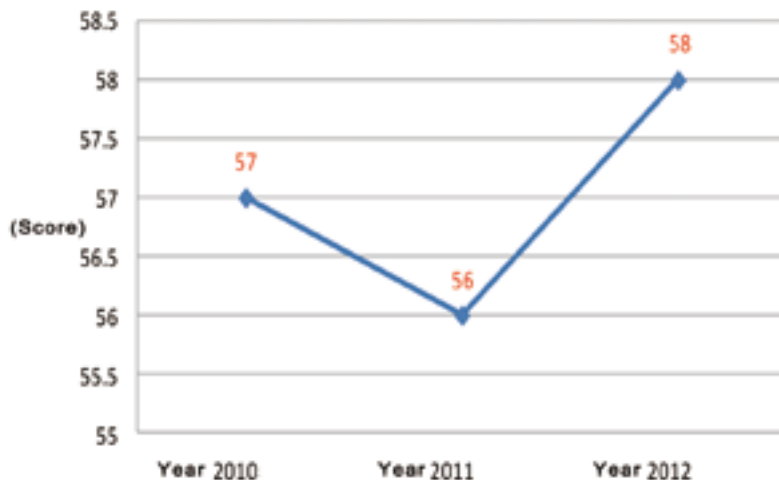
### 4. Index of Economic Freedom World Rankings by the Heritage Foundation

According to the 2012 Index of Economic Freedom World Rankings released by the Heritage Foundation and the Wall Street Journal, Taiwan’s 2012 score for Economic Freedom was 71.9 (an increase of 1.1) and the ranking was the 18<sup>th</sup> (an improvement by seven places). Among the forty one Asian Pacific countries or economies, Taiwan ranks 5<sup>th</sup>, better than Japan and South Korea. In the category for “Freedom from Corruption”, Taiwan has made considerable progress, which contributes to the improvement in economic freedom. (See Fig. 2-2: Increase in Score in Economic Freedom from 2010 to 2012; Fig. 2-3: Increase in Score for Freedom from Corruption from 2010 to 2012.)

Fig. 2-2 Increase in Score in Economic Freedom from 2010 to 2012



Fig. 2-3 Increase in Score for Freedom from Corruption from 2010 to 2012



##### 5. Annual review of corruption in Asia by Political and Economic Risk Consultancy

According to the 2012 *Annual review of corruption in Asia* from Asia Intelligence issued by Political and Economic Risk Consultancy (PERC), Taiwan's ranking both for "political corruption" and for "corruption's impact on the business environment" are seventh (the same as in 2011). The ranking for "institutional corruption" is seventh (advanced by one place) and eleventh for "private sector" corruption (a fall by three places). Among which, progress has been made on items such as "the extent of effectiveness of prosecutorial and penalty mechanism on corruption", "the extent to which the government fights crime", "the extent of the public's tolerance toward corruption", "the extent of corruption's impact on the business environment" and "the extent of corruption in the private sectors". However, the ranking for "the extent of corruption in private sectors" has regressed by three places, indicating that improvements can still be made.

This report points out that President Ma has made progress in



combating corruption and improving the public perception. He has successfully proven his determination in fighting corruption and received a positive response from the public through measures such as establishing the exclusive anti-corruption authority. In addition, the report also points out that though the Taiwanese government has been actively eliminating corruption practices and collusion between the government and business, new challenges still await. For instance, the economic collaboration between Taiwan and mainland China will complicate the situation further in terms of cross-border supervision of corruption. To conclude, the current government performs better in the handling of corruption issues than past administrations. (See Fig. 2-4: Improvements in 2012 PERC Corruption Index Comparing with 2011.)


Fig. 2-4 Improvements in 2012 PERC Corruption Index Comparing with 2011



6. Global Competitiveness Index by World Economic Forum

World Economic Forum (WEF) published the 2012 Global Competitiveness Index in September 2012. Out of the 142 countries evaluated, Taiwan's score was 5.28, which is 0.02 higher than the score from the previous year and the best score Taiwan has received in six years. The ranking remained thirteenth.

In the "systems" category, the category most relevant to government agencies, the ranking improved by five places to number twenty six. The overall ranking has improved four years in a row. Among which, the score for "corporate ethics" remained the same as that from the previous year,



at 4.9. The ranking remained at thirty-five, which means more improvements could be made.

## II. Domestic Survey on Anti-corruption Index

In 2012, the AAC commissioned Taipei Civil Education Foundation to conduct the Corruption Index Survey and Research. The research encompasses two segments – the survey and the development of a corruption index. The survey is to assess the public's perception toward the integrity of civil servants and anti-corruption policies. The results are summarized as follows (See Attachment 2: follows (See Attachment 2: Taiwan Corruption Index Survey):

1. Concerning the public's perception toward various types of bribery, 82.8% of the public disagrees with "bribing doctors in exchange for successful surgeries for family members", 94.0% disagrees with "bribing civil servants in charge to speed up applications", and 97.2% disagrees with "bribing law enforcement agents to avoid penalty for violations". The survey exhibits a general disapproval of bribery.
2. The public's impression of civil servants' integrity mainly comes from the media (45.7% from TV and 12.9% from newspapers). Therefore, the media (especially TV) plays a crucial role in shaping civil servants' clean image.
3. 58% of those who took the survey expressed that they would voluntarily report corruption and malpractice by civil servants. However, 32% indicated that they wouldn't. This shows that anti-corruption education needs to be strengthened and to start early.
4. In terms of the public's tolerance toward corruption among civil servants, the average score is 2.02 out of 10, with 0 being intolerable and 10 being completely tolerable. Compared to the result from the previous survey (2.83 in 2011), the public is less and less tolerant toward corruption among civil servants.
5. For the extent of the impact of corporate bribery on policy, the average score received from the public is 7.52 out of 10, with 0 being not serious and 10 being very serious, which shows that the public thinks that corporate bribery seriously impacts policy.
6. The areas that rank the highest in the public's perception toward the integrity of civil servants and representatives are: medical staff in public hospitals, soldiers, and regular civil servants. Those who rank the lowest are: management staff in river and gravel management, staff in urban development and redevelopment, and members of the Legislative Yuan.

## Section 2 Situational Analysis of Corruption Crimes

### I. Analysis on Conditions of Anti-corruption Crimes

#### 1. The declining trend in corruption

- (1) From when President Ma took office in May 2008 to December 2012, a total of 2,064 corruption cases and 6,266 persons were prosecuted by the district prosecutors offices. Overall, there is a declining trend in the number of cases (persons) prosecuted by the district prosecutors offices for corruption. The number of high-level civil servants involved



in corruption crimes is also declining. (See Table 2-1: Corruption Crimes and Civil Servants Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by year.) However, the number of cases and persons prosecuted for corruption crimes in 2012 have increased from 2011, which should be noted and observed. This could also be the result of increasing forces combating corruption from the AAC and the Investigation Bureau. (See Attachment 3: Statistical Reports on Corruption Cases Prosecuted by District Prosecutor's Office.)

Table 2-1 Corruption Crimes and Civil Servants Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year

Items Period	Number of cases prosecuted	Number of persons prosecuted	Hierarchy				
			Senior level (and equivalent) staff	Representatives	Mid level (and equivalent) staff	Base level (and equivalent) staff and below	Regular citizens
May to December 2008	370 cases	1,268 persons	96 persons	25persons	230persons	286persons	631 persons
2009	484 cases	1,607 persons	84 persons	45persons	234persons	433persons	811 persons
2010	394 cases	1,209 persons	80 persons	40persons	177persons	297persons	615 persons
2011	375 cases	1,063 persons	62 persons	48persons	197persons	250persons	506 persons
2012	441 cases	1,119 persons	88 persons	28persons	278persons	281persons	444 persons
May 2008 to December 2012	2,064 cases	6,266 persons	410 persons	186persons	1,116persons	1,547persons	3,007 persons

Note:

- The statistics are based on corruption charges investigated by Malpractices Investigation Division of the District Prosecutors Offices since May 2008.
- The statistics include
  - civil servants and representatives prosecuted under Anti-Corruption Act or for dereliction of duty;
  - civil servants and representatives investigated by the district prosecutors for corruption but charged with other crimes;
  - regular citizens.
- The number of prosecutions and people prosecuted is based on the number of prosecutions under case No. Zhen Tze from the District Prosecutors Offices and the number of persons listed in each case.
- The representatives include members of the Legislative Yuan, council members from cities and counties and representatives from the townships.
- Source: MOJ.

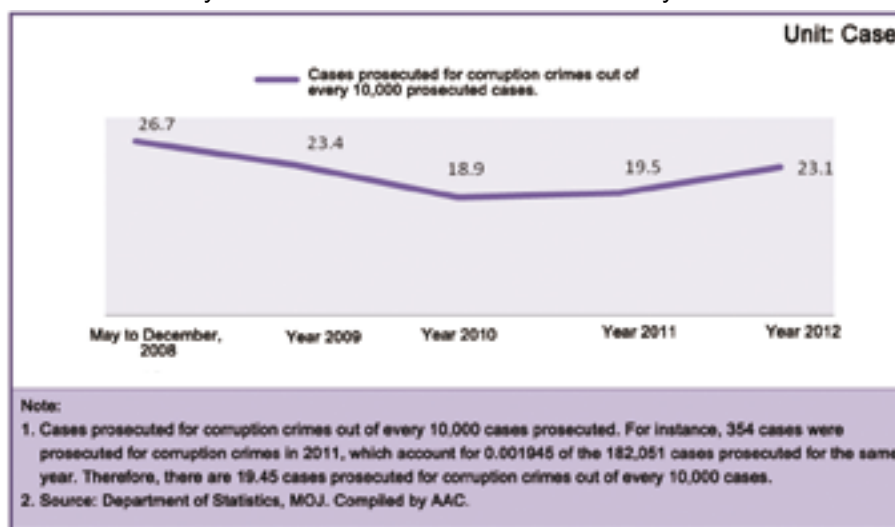
- Observing the changes in the number of corruption cases among all cases prosecuted by district prosecutors since May 2008 when President Ma took office, 26.7 cases of every 10,000 cases were prosecuted for corruption crimes in 2008. In 2012, the number has dropped to 23.1 per 10,000 cases, which shows a declining trend. (Table 2-2: Corruption Crimes Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year; Fig. 2-5: Corruption Crimes Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year.)



Table 2-2 Corruption Crimes Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year

Time Period	Number of cases prosecuted for corruption crimes			(2) Total (including other crimes)	(1)/(2)* 10,000 Number of cases prosecuted for corruption crimes per 10,000 cases
	Dereliction of Duty	Anti-Corruption Act	(1) Total		
May to December, 2008	35	323	358	134,346	26.7
2009	38	400	438	187,179	23.4
2010	44	310	354	187,424	18.9
2011	37	317	354	182,051	19.5
2012	27	380	407	176,379	23.1

Fig. 2-5 Corruption Crimes Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year



(3) Observing the changes in the number of corruption criminals among all criminals prosecuted by the district prosecutors since May 2008 when President Ma took office, 65.2 out of every 10,000 persons were prosecuted for corruption charges in 2008. In 2012, the number has dropped to 46.3 per 10,000 persons, which shows a declining trend. (Table 2-3: Corruption Criminals Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year; Fig. 2-6: Corruption Criminals Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year.)

Table 2-3 Corruption Criminals Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year

Time Period	Number of persons prosecuted for corruption crimes			(2)Total (including other crimes)	(1)/(2)* 10,000 Number of persons prosecuted for corruption crimes per 10,000 persons
	Dereliction of Duty	Anti-Corruption Act	(1)Total		
May to December, 2008	35	323	358	134,346	26.7
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Fig. 2-6 Corruption Criminals Prosecuted by District Prosecutors Offices from May 2008 to the End of December 2012 by Year



- (4) From the above analysis, one can observe that the corruption crimes are decreasing, which corresponds to the international corruption indices which show that corruption in Taiwan is decreasing.
2. Conviction rates for corruption crimes are gradually increasing

Since President Ma's inauguration in May 2008, a total of 6,266 people have been prosecuted from cases investigated by the District Prosecutors Offices and 2,553 cases were concluded as of the end of December 2012 (excluding dismissal judgment). Among these, 1,761 were found guilty, which makes the conviction rate 69%. Counting from July 2009, when the National Integrity Building Action Plan was initiated, to the end of December 2012, the conviction rate is 76.2%, showing that conviction rates on corruption crimes are increasing.

## II. Analysis on Types of Malpractices Involved in Investigated Corruption Crimes

The AAC has had a total of 2,302 cases (Lien Li Cases<sup>1</sup>) from January 1<sup>st</sup> to December 31<sup>st</sup>, 2012. Among which, 400 (17.4%) are related to the judicial system, 330 (14.3%) are related to the police administration and 151 (6.5%) are related to education. These are the three major categories. (See Table 2-4: No. Lien Li Tze Cases from January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012.) After the Intelligence Review Team of the AAC reviewed the cases, 387 cases (Lien Cha Cases<sup>2</sup>) were deemed to involve corruption and forwarded to the Malpractices Investigation Division for investigation. The three major categories are regular procurement with 44 cases (11.4%), police administration with 37 cases (9.6%) and education with 34 cases (8.8%). (See Table 2-5: No. Lien Cha Tze Cases from January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012.) All cases labeled No. Lien Li Tze

1 Cases on record with intelligence verified.

2 Cases pending further investigation with intelligence verified.

and No. Lien Cha Tze must be forwarded to the “Anti-Corruption Review Committee”, (which consists of outside committee members) for review before the verdict. The outside supervision may avoid cover ups.

Table 2-4 No. Lien Li Tze Cases from January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012

Types of malpractice	Major Construction	Regular Construction	Major Procurement	Regular Procurement	Industrial and Business Registration	Urban Planning	Finance
Number of cases	16	72	10	88	9	23	40
Type of malpractice	Motor Vehicle Services	Tax	Customs	Police Administration	Judicial System	Legal Affairs	Construction Management
Number of cases	9	58	18	330	400	37	47
Type of malpractice	Land Administration	Environmental Protection	Medical Care	Education	Fire Fighting	Funeral and interment	River and Gravel Management
Number of cases	54	51	96	151	18	15	28
Type of malpractice	Subsidy	Military	Others	Total			
Number of cases	22	50	660	2302			

Table 2-5 No. Lien Cha Tze Cases from January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012

Types of malpractice	Major Construction	Regular Construction	Major Procurement	Regular Procurement	Industrial and Business Registration	Urban Planning	Finance
Number of cases	8	27	1	44	1	5	0
Types of malpractice	Motor Vehicle Services	Tax	Customs	Police Administration	Judicial System	Legal Affairs	Construction Management
Number of cases	3	4	10	37	8	7	9
Types of malpractice	Land Administration	Environmental Protection	Medical Care	Education	Fire Fighting	Funeral and interment	River and Gravel Management
Number of cases	9	17	12	34	6	8	8
Types of malpractice	Subsidy	Military	Others	Total			
Number of cases	14	2	113	387			

## Section 3 Comprehensive Analysis

### I. Key Factors that Affect Integrity

From analysis of corruption indices from international institutions, the key factors that affect national integrity can be categorized as follows (see Fig. 2-7: Key Factors that Affect National Integrity).

Fig. 2-7 Key Factors that Affect National Integrity

Key factor 1 Corruption perception: 19 categories including the political parties, parliament, polices, private sectors, media, civil servants, court, non-governmental organizations, religion, military, education, medical services, public enterprises, land administrations, tax, licensing authorities, stock markets, customs and prosecutorial agencies.

Key factor 2 Anti-corruption law.

Key factor 3 Administrative transparency.

Key factor 4 Prevent conflicts of interest.

Key factor 5 Corporate corruption and overseas bribery conducted by transnational corporations.

Key factor 6 The degree of the public's tolerance for corruption.



Key factor 7	Effectiveness of the mechanism that prosecutes and penalizes corruption crimes.
Key factor 8	The government's seriousness in cracking down on corruption. (The leader's determination in anti-corruption.)
Key factor 9	The influence of corruption on the business environment.

## II. Analysis and Findings

The current anti-corruption status and surveys show that:

1. Ensuring the enforcement of anti-corruption laws, promoting administrative transparency and preventing conflicts of interest are necessary to improve national integrity.
2. Bribery conducted by transnational corporations is a serious matter faced by many countries. Since 2007, TI has listed corporate governance on corruption as a priority and has been encouraging corporations to promote corporate governance and take on the role of “corporate citizens”, improving the malady of the “supply” of corruption. A high percentage of Taiwanese corporations conduct bribery overseas. Corruption in the domestic private sector is also becoming serious. There is still room for improvement for Taiwan.
3. The public is less and less tolerant of existing corruption. They are also aware that the degree of corruption is improving and acknowledge the achievement of the government's anti-corruption work. However, 32% of the public expressed that they will not report corruption crimes voluntarily. To address this issue, the government should review the current reward system and exposition protection mechanism.
4. The public mainly base their impression of the integrity of civil servants on information from the press. Therefore, the anti-corruption accomplishments should be emphasized through media marketing to reach the public.
5. The international corruption perception indices indicate that corruption in the courts, police, medical service, customs, education and land services should be taken seriously, while the survey conducted in Taiwan shows that corruption in corporations, parliament, the judicial system, political parties, government agencies, military, police, and the medical service system are more serious. Countries that rank higher in national integrity received higher evaluation in the integrity and efficiency of the police, judicial system, military, customs, and the tax authority. But in Taiwan, sustained effort is still needed.
6. Since President Ma's inauguration in May 2008, the corruption crime rate has been gradually decreasing, which shows that the government's anti-corruption tasks and strategies have been effective and corresponds to the results of international corruption perception indices and survey results in Taiwan.