

## **1. Altanzaya Tserendondov, Mongolia-**

### ***“Corruption in privatization and effective anti-corruption strategies in transition country-Mongolia”***

Privatization is the fundamental foundation in countries of transition, Mongolia being no exception, in order to achieve a free-market economy. From the beginning of the privatization process in 1991 until now corruption like a horrible disease, has shadowed our society. Actually, corruption is not a new phenomenon in Mongolia but “corruption in privatization” took on new meaning allowing for a variety of opportunities for corruption which have impeded the country's development, and decreased the rate of privatization. From a recent survey, 91% of respondents said that privatization is progressing not righteously, without ethical concern. So, it forces and encourages professionals, politicians, non-state officials, and students to find out causes of corruption in order to fight, control, and prevent effectively against abuse of privatization on the basis of lessons from actual situations.

Typology of corruption in privatization.

From 1991 corruption and privatization in Mongolia unfortunately have become closely associated. A program of privatization of State Property has been undertaken and most medium and small entities have been privatized. In this period, corruption has been highly involved in the privatization process. There are many obvious examples that can be mentioned relating to this present condition.

In Mongolia state officials have been found to be more corrupted. Even without vivid facts it can be seen from their lifestyle. It would not be wrong to say that almost all officials whose remuneration is under 100\$ and who are responsible for the state property drive cars which cost from \$ 30 000 – 50 000. Indeed this provides a clear picture of corruption in privatization, taking state assets without competition and misusing public funds for their own benefit.

Another type of corruption in privatization is state individuals, groups, or firms using their current position and authority to influence the formation of privatization laws and other government policies. For example, three Parliament Members (MPs) have been jailed for corruption involving a casino license, and there is a widespread perception among politicians have used the privatization drive to enrich themselves, families, and friends.

Bankrupting state owned enterprises and assigning a lower value than the real estimate have become common types of abuses in privatization. For instance in 1998, two months before the privatization of the second largest state owned bank “Sergeen Bosgolt”, they repeatedly gave very large unsecured loans in order to force bankruptcy. The example of “Sergeen Bosgolt” bank is known to everybody in Mongolia.

More than once, the law was breached by privatizing property into the ownership of unfairly authorized people or by privatizing it based on a low appraisal of property value. The example of “Altan Taria” flour producing company in 1997 would serve to prove this fact. A false owner of the foreign investment company was set up who then held 38% of “Altan taria”'s stocks and bought a grain warehouse with manufacturing machinery at a very below value.

In order to help transform the Mongolian economy from its centrally-planned structure to a free-market system, the government of Mongolia has embarked on an ambitious program to

privatize the majority of its large companies. The Privatization Guidelines for 2001-2004 were approved by Mongolia's State Parliament on January 25, 2001. The Government's strategy for 2001-2004 focuses on the privatization of Mongolia's largest companies, often referred to as Most Valued Companies (MVCs). The government intends to privatize the MVCs through transparent and international tenders. Sadly when we look back we would find out that almost all owners of big assets are relatives of state responsible officials.

Knowing the typology provides a framework for dealing with individual corruption issue in different contexts of privatization. From the above mentioned examples we can see that decisions made by authorized organizations and officials did not prove to be in the best interest of the public. A framework should play an important role by providing effective strategies and better operating policies and procedures.

The origins of corruption in privatization.

In order to heal any disease, first of all, it is necessary to find out the causes of different forms of corruption which proves to be a difficult task.

Inadequate salary is the primary and general factor which constitutes corruption in the privatization process. The average remuneration of workers is \$50-80 per month. Therefore, the wages of state officials makes their standard of living basic which leads them to readily misuse their position, neglect their duty, and receive money for personal benefit while on duty.

In fact, Mongolia is implementing 5 laws and 12 regulations in privatization. To be honest, even these existing laws are not strong enough to protect the activity from the corruption. For instance, it can clearly be noted within the Article 62.1 of the State and Domestic Properties Law, no items are found which would certain activities that might lead to corruption. For example, there is no provision for declaring the privatization process null and meaningless if the issue of corruption would occur. Obviously such laws are far from their complete form which would better served as a detriment to corruption.

The next relevant factor is unstable leadership. Since the beginning of privatization, the Mongolian people have had four parliamentary elections with the dominant political parties. Each time the national government appointed officials have replaced the strategies and regulations of the previous party always tending to serve their own parties interests rather than the countries. Naturally, people have lost faith in any governmental reform. So that the government has been unable to advance in their control and monitoring of privatization while civil society has remained powerless.

Lastly, media is the only powerful tool to connect society and the government activities. Nowadays there is not enough public information about the process of privatization within Mongolia, and its progress and outcomes either in printed form or available on the Internet. Also, it is difficult to find international examples of privatization in the same stages of development and their successful strategies against corruption. In addition, lacking research statistics of the privatization process to the interested national and international people. So, fair rivalry of privatization cannot be implemented without real data and applicable examples of experienced countries.

In summary the above mentioned roots of inadequate salary of responsible government officials, moral degradation, ineffective and weak privatization law, lack of accountability, unstable leadership, and limited media in privatization are the factors which serve as the origins of corruption. And now once we dig out the roots we can design most effective and appropriate tactics to control, prevent, and fight against that horrible disease called corruption.

Designing effective anti-corruption strategies in privatization.

In order to fight against corruption in privatization, there needs to be anti-corruption strategies involving governments, professional associations, NGO's, and the media. To purge government of corruption in the area of privatization requires a total state commitment. Accordingly, suggestions to implement successful strategies and to build up a well-organized system are necessary. Below are approaches which would be of great influence.

To protect the privatization process, first of all, a state strategy should be designed to increase the standard of living of related government officials. Set up reasonable wages of state officials and cut off unauthorized power. In the meantime, without adequate ethical guidance in their professional practices these people continue to promote the use of corruption in privatization.

In our society there is a essential need to change the societies view against corruption. However, in order to achieve this will take years. It is urgent to demonstrate to the society that corruption in privatization is a high-risk crime. Let public servants and others afraid to be involved in such activities. So the society on its own will build up the desire to fight against it.

Strong control of state and outsiders is essential on the battlefield of corruption. For that reason there is a need to set up state committees and NGO's to check the implementation of government regulations related to privatization. In addition, public accounts and audit committees should have powers to require disclosure of government documents and the capacity to implement credible sanctions. Moreover conclusions and recommendations should be treated as valid.

The low level of accountability and transparency within the state suggest that efforts should begin with building constituencies in and outside the government to bring the very issue of corruption to the forefront. Regarding this matter, our next prime objectives would be to ensure accountability, transparency and efficient functioning of public and private bodies and to create an environment in which anti-corruption activities could be enhanced and made socially acceptable to all. In order to achieve this, must be committees and audit organizations set up. Notably, opening the branch of Transparency International in the important privatization process of most valued companies in Mongolia.

In revising Mongolian anti-corruption law, there is a need to clearly state what is corruption and its punishment. This would require the itemization of every activity, decision and people who have been involved in this procedure. At the present time some PMs have submitted to the parliament a new anti-corruption law which would set up an Anti-corruption Committee provided with sufficient means of collecting information, conducting investigations, and prosecuting the cases. But twice it was rejected. Most likely the explanation is directly connected to the personal interests of certain politicians and state officials who are of the ruling party. As mentioned previously the three PMs who were involved in corruption in 1999 are no longer in prison, while the duration was set until 2005. This indicates that the

punishment is too light and arbitrary. Therefore, it is important to revise this section in the anti-corruption law. The punishment must directly impact one's life.

In society there are many people who are neither willing to take nor give bribes. Usually, people don't take action against corruption because of the high risk involved in doing so. On the basis of people's integrity, it is necessary to create a system of awards for honesty and leadership which are among the most important requirements. A serious anti-corruption program cannot be imposed from the outside, but requires committed leadership from within, and ideally from the highest levels of the state. Any effective program must be supported from the top not only within Mongolia but also from the leading countries in the world, which would be aided by globalization.

Media must continue to be a key element in sharing information. A careful press may be inconvenient but nevertheless, it is essential in defending the interests of the majority. It's best to promote a healthy partnership with the printed media, radiocast, television program, and the Internet. Remarkably, Internet can serve as a tool for increasing awareness. Secondly, Internet can help achieve a better co-ordination and effective effort to combat corruption at the national, regional, and international level.

The above mentioned strategies would play an important role in eliminating corruption. Changing standard of living of governmental employees and society's view of corruption, setting up committees responsible for accountability and improving legal system, having stable leadership and vigilant media would serve as supplementary approaches in addition to the government's most advisable course of privatizing the MVCs through international tenders.

#### Conclusion:

This paper draws on a multitude of sources, including research and experiential lessons in the area of privatization and attempts to develop a more capable approach to dealing with corruption in privatization. It begins by unbundling origins of the problem in order to recognize the different dimensions of corruption in privatization. Recognizing the origins and understanding will lead to an effective design with strategies to combat corruption in privatization process in countries in transition such as Mongolia. Particularly, in the case of the privatization process of MVCs for 2001-2004 it could be said "prevention is better than cure".

In addition, this paper is intended to share the present situation of privatization in Mongolia and procedures to be used against corruption, as a contribution to the 10<sup>th</sup> International Anti-corruption conference on developing practical strategies for reducing corruption in countries of transition.

#### References:

1. "Privatization: "Common questions and actual answers" by "Mongolian Privatization" program, Ulaanbaatar 2000
2. Privatization Guidelines for 2001-2004, Government of Mongolia, State Property Committee
3. Privatization program for 2001, Government of Mongolia, State Property Committee

4. Statistics from USAID/Mongolia, UNDP/Mongolia sites, and State Property Committee site
5. Statistics from State Property Committee
6. “Law against corruption”, 1996
7. “Law of Privatization State and Domestic Assets”, 1997
8. “Corruption and its description. Anti-corruption” the lecture of Parliament Member Ts.Sharavdorj
9. The speech of ex Parliament Member D.Lamjav “The current situation of corruption in Mongolia”
10. The “Zorig” Foundation of Mongolia
11. Direction of State Property Committee, 1996-2001
12. Related sites from the internet on anti-corruption and privatization
13. “Committee against corruption in economic issues”, Policy of Mongolia