Promoting Integrity in Governance

Towards Anti-Corruption Strategies

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Overview

1. **Defining concepts: governance, accountability, transparency, and integrity**
2. **Measuring the magnitude of corruption**
3. **Causes and consequences of corruption on development**
4. **Exploring elements of reforms**
5. **Some successful examples**
6. **Issues for discussion**
7. **Political aspects of policy implementation**
8. **Concluding Remarks**

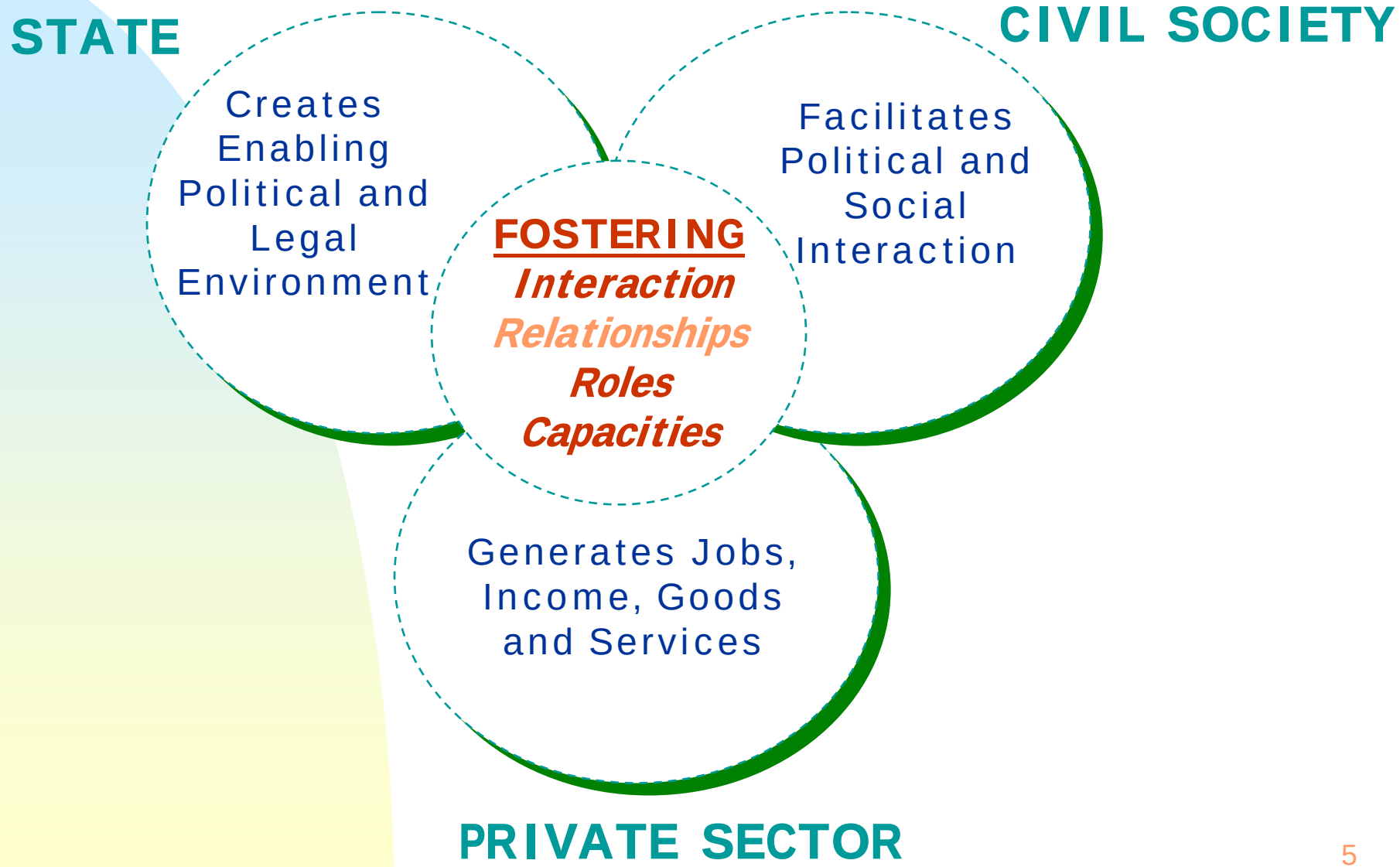
Governance

The system of values, policies and institutions which a society manages its economic, political and social affairs through interactions within and among the state, civil society and private sector

Governance

- It is how a society organizes itself to make and implement decisions, mediate differences, and exercise legal rights and obligations
- It comprises the rules, institutions, and practices that set limits and provide incentives
- It operates at every level of human enterprise

Governance--A Broader Concept than Government



Principles of Good Governance

- Equity
- Participation
- Pluralism
- Partnership
- Transparency
- Accountability
- Rule of Law
- Effectiveness
- Efficiency
- Responsiveness
- Sustainability

Accountability

- An indispensable pillar of good governance that compel the state, private sector and civil society to focus on results, seek clear objectives, develop effective strategies, and monitor and report on performance
- It means holding individuals and organizations responsible for performance measured as objectively as possible

Financial Accountability

- Obligation of anyone handling resources, public office or any other position of trust, to report on the intended and actual use of the resources or of the designated office

- Includes ensuring transparency in the process and procedures to achieve that obligation

Political Accountability

- In an electoral democracy, regular, open methods for sanctioning or rewarding those who hold positions of public trust, include:

  - having branches of government (executive, legislative & judicial) watch over each other

  - separating institutions that raise and spend funds from that which executes spending decisions

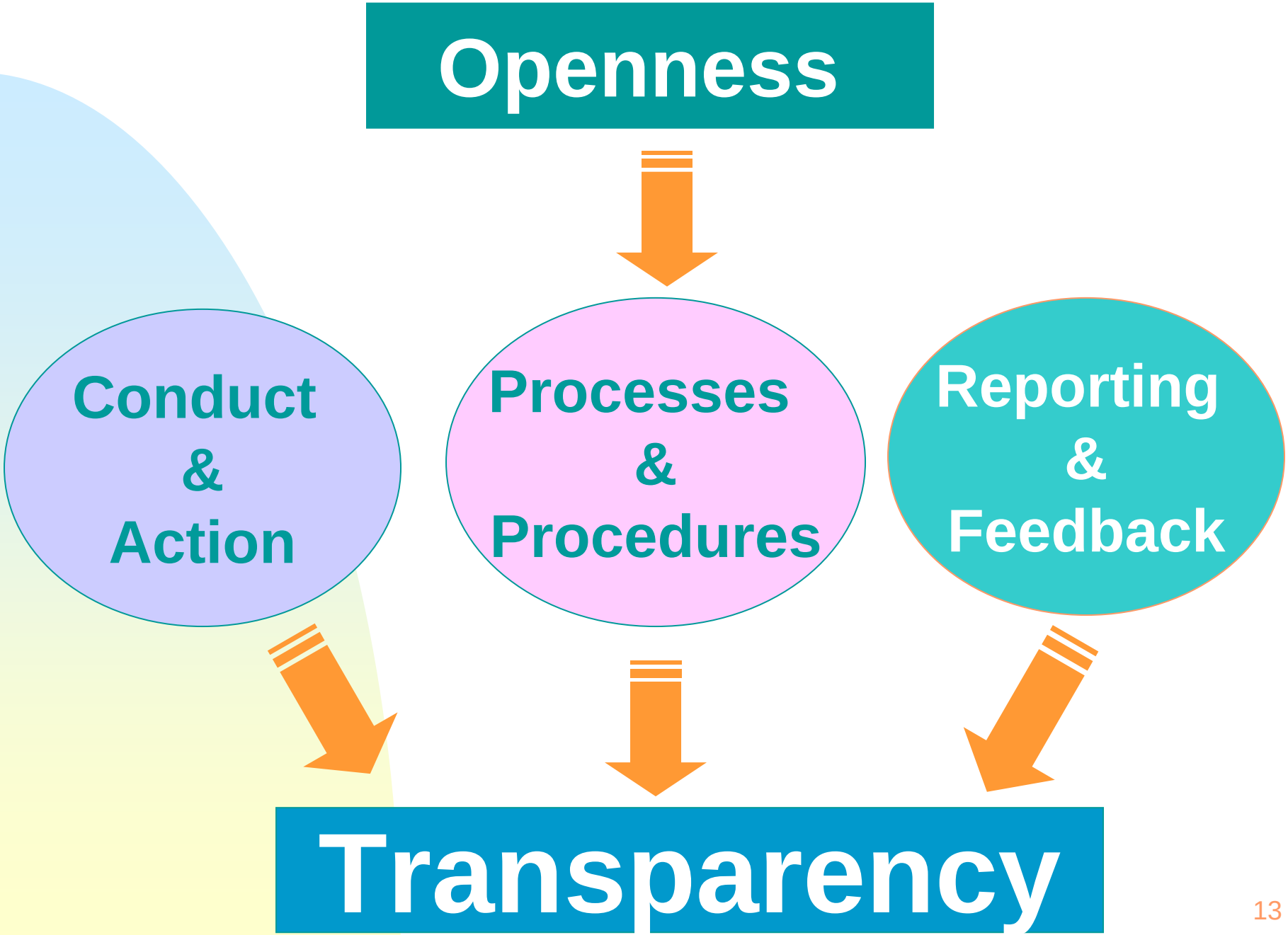
Administrative Accountability

- Includes critical systems of control internal to the government
- Complements and ensures proper functioning of checks and balances supplied by the constitutional government and an engaged citizenry
- Examples: civil service standards and incentives, ethics codes, criminal penalties, & administrative review


Accountability
Responsibility & Obligations
Performance & Stewardship
Report & Feedback

Transparency

- Comprises all means of facilitating citizen's access to information and his/her understanding of decision-making mechanisms
- Built on the free flow of information: directly accessible to those concerned, understandable and monitorable
- Begins with the application of clear standards


Openness
Conduct & Action
Processes & Procedures
Reporting & Feedback
Transparency

Integrity

- Completes the notion of accountability and transparency
- Synonymous to incorruptibility or honesty
- Requires that holders of public office should not place themselves under financial and other obligation to outside individuals or organizations that may influence them in the performance of their official duties

II. Measuring the Magnitude of Corruption

- As much as $30 billion in aid for Africa has ended up in foreign bank accounts. This is twice the GDP of Ghana, Kenya and Uganda combined.

- Over the last 20 years, one East Asian country is estimated to have lost $48 billion due to corruption, surpassing its entire foreign debt of $40.6 billion.

(source: Asian Development Bank, 1998)

II. Measuring the Magnitude of Corruption

- In another Asian country, over the past decade, state assets have fallen by more than $50 billion, primarily because corrupt officials have been deliberately undervaluing them in trading off to big property stakes to private interests or international investors in return for payoffs.

(source: ADB, 1998)

II. Measuring the Magnitude of Corruption

- Corruption can cost many governments as much as 50% of their tax revenues. When customs officials in a Latin American country were allowed to receive a percentage of of what they collected, there was a 60% increase in customs revenues within a year.

(source: ADB, 1998)

II. Measuring the Magnitude of Corruption

- Studies of the impact of corruption on government procurement policies in several Asian countries reveal that these governments have paid from 20% to 100% more for goods and services than they would have otherwise.

(source: ADB, 1998)

III. Causes & Consequences of Corruption

- Corruption is a problem of poor governance

It is a symptom of something that has gone wrong in the management of the state. Institutions designed to govern relationships between citizens and the state are used instead for personal enrichment of public officials and the provision of benefits to the corrupt.

Source: Fighting Corruption to Improve Governance, UNDP, 1998

III. Causes & Consequences of Corruption

- Corruption = Monopoly + Discretion - Accountability*

  This implies that the expanding role of government in development has placed the bureaucracy in a monopolistic position and has enhanced the opportunities for administrative discretion. Corruption results from excessive regulation, increased bureaucratic discretion, and lack of accountability and transparency systems

III. Causes & Consequences of Corruption

The Asian economic crisis a few years ago illustrated how globalization brings with it increasing vulnerability to external shocks and international financial instabilities, which could be devastating for many developing countries.

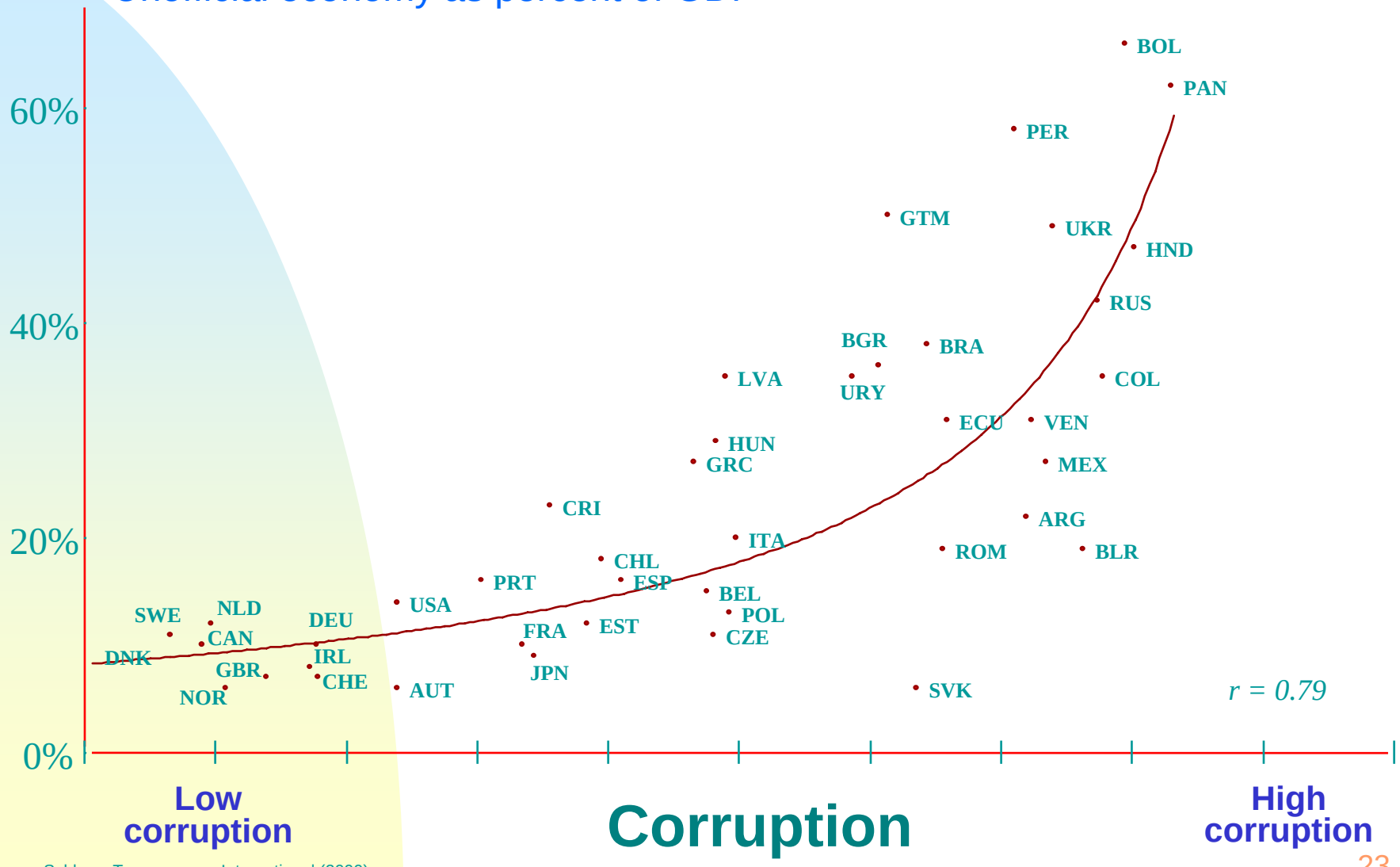
Many blame the combination of corruption, nepotism, government interference and poor financial supervision, as the cause of economic crisis.

III. Causes & Consequences of Corruption

- Reduces economic growth ↓ lowers investments, decreases efficiency, acts as an additional tax to business

- Misallocates scarce resources ↓ diverts resources to private pockets and reduces expenditures for development projects and social safety nets

Unofficial Economy and Corruption Index



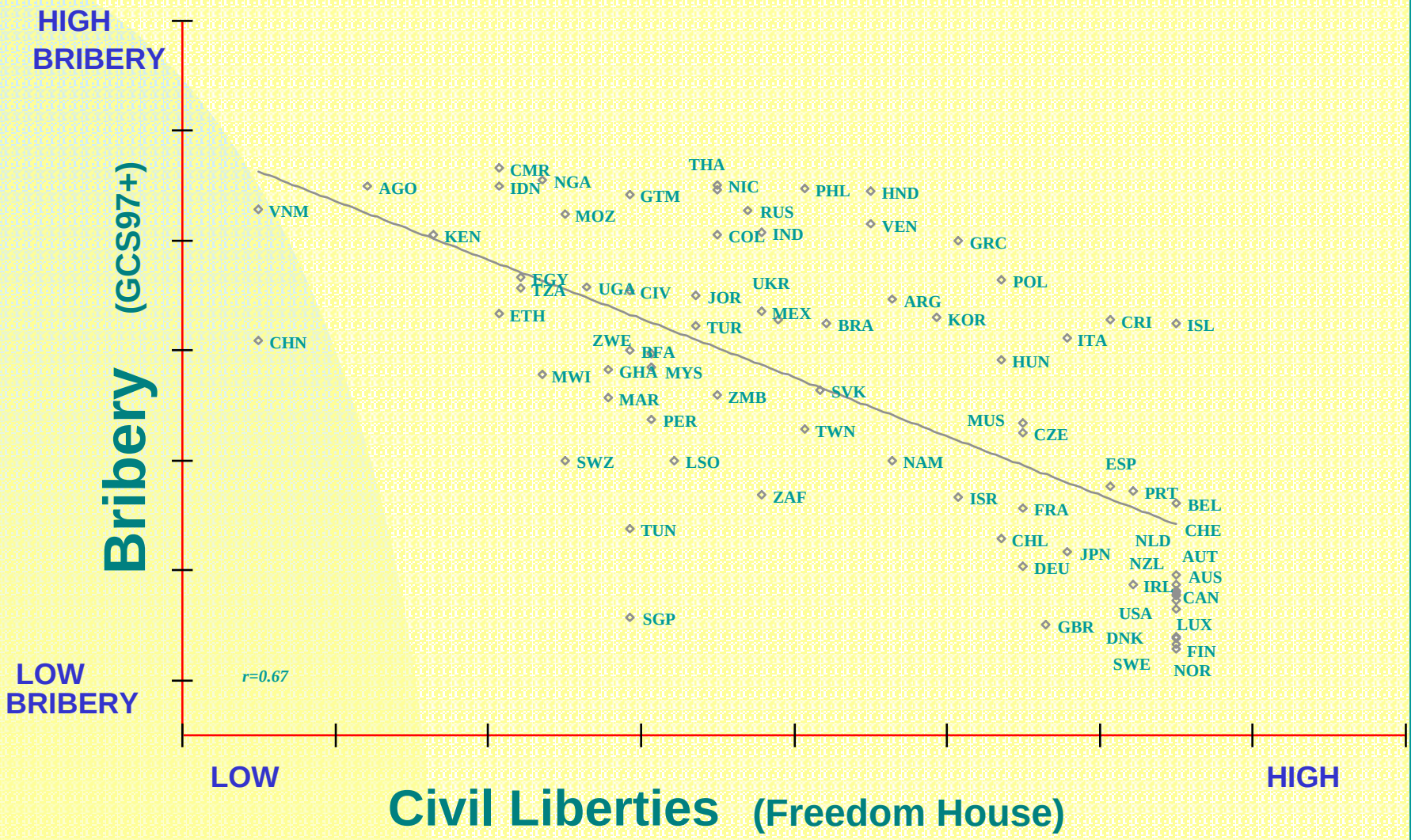
Source: Schloss, Transparency International (2000)

III. Causes & Consequences of Corruption

- Renders government regulations ineffective → evasion of requirements for public health and safety, disregard for regulations, avoid penalties for environmental pollution

- Reduces public confidence in rule of law → corrupt officials strengthen the hold of criminal elements in society, lack of public faith in judiciary leads to improper conduct, decline of ethical standards, and dilutes public integrity

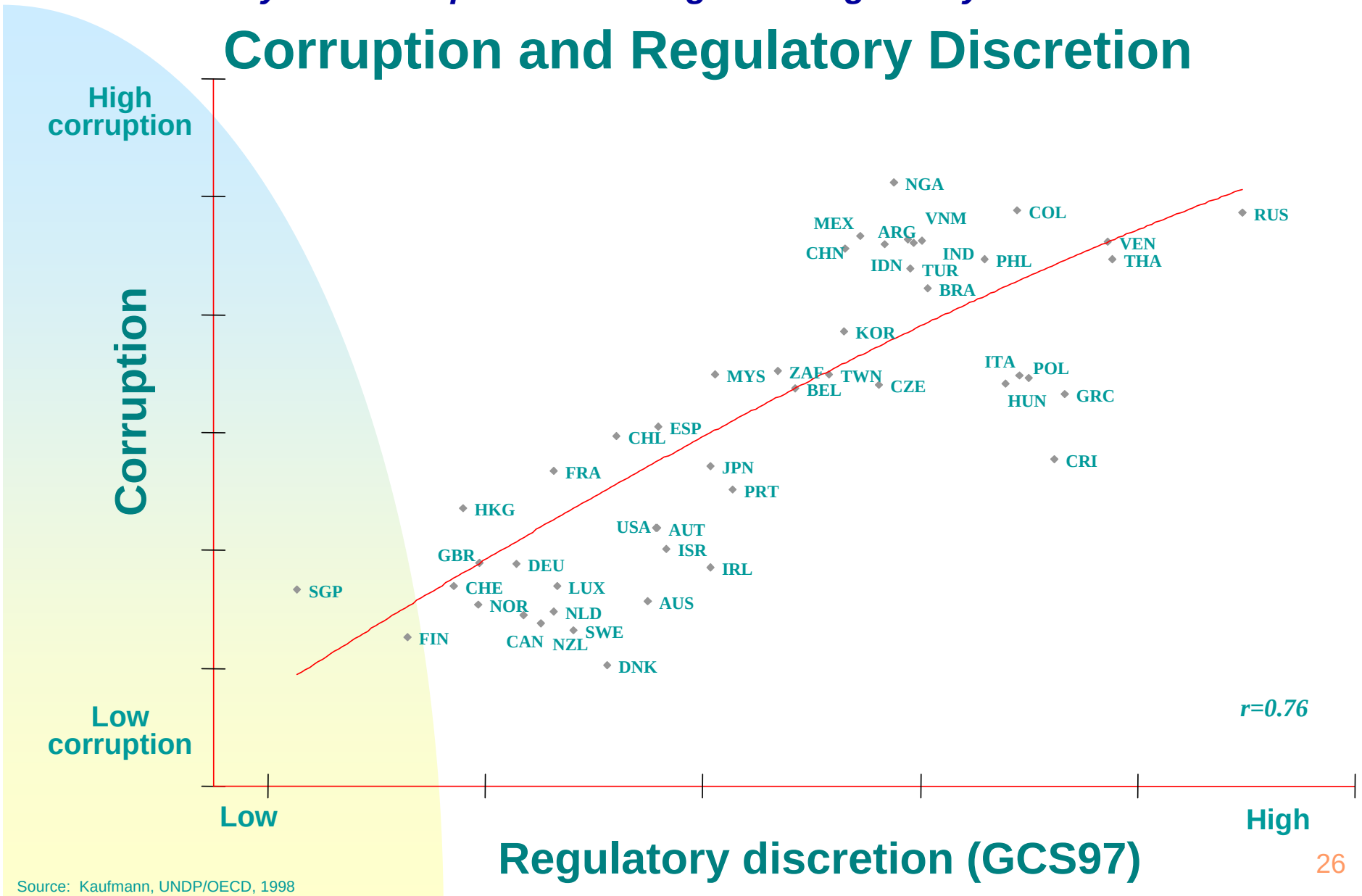
Controlling Bribery and Civil Liberties



Source: Kaufmann and Sachs (1998)

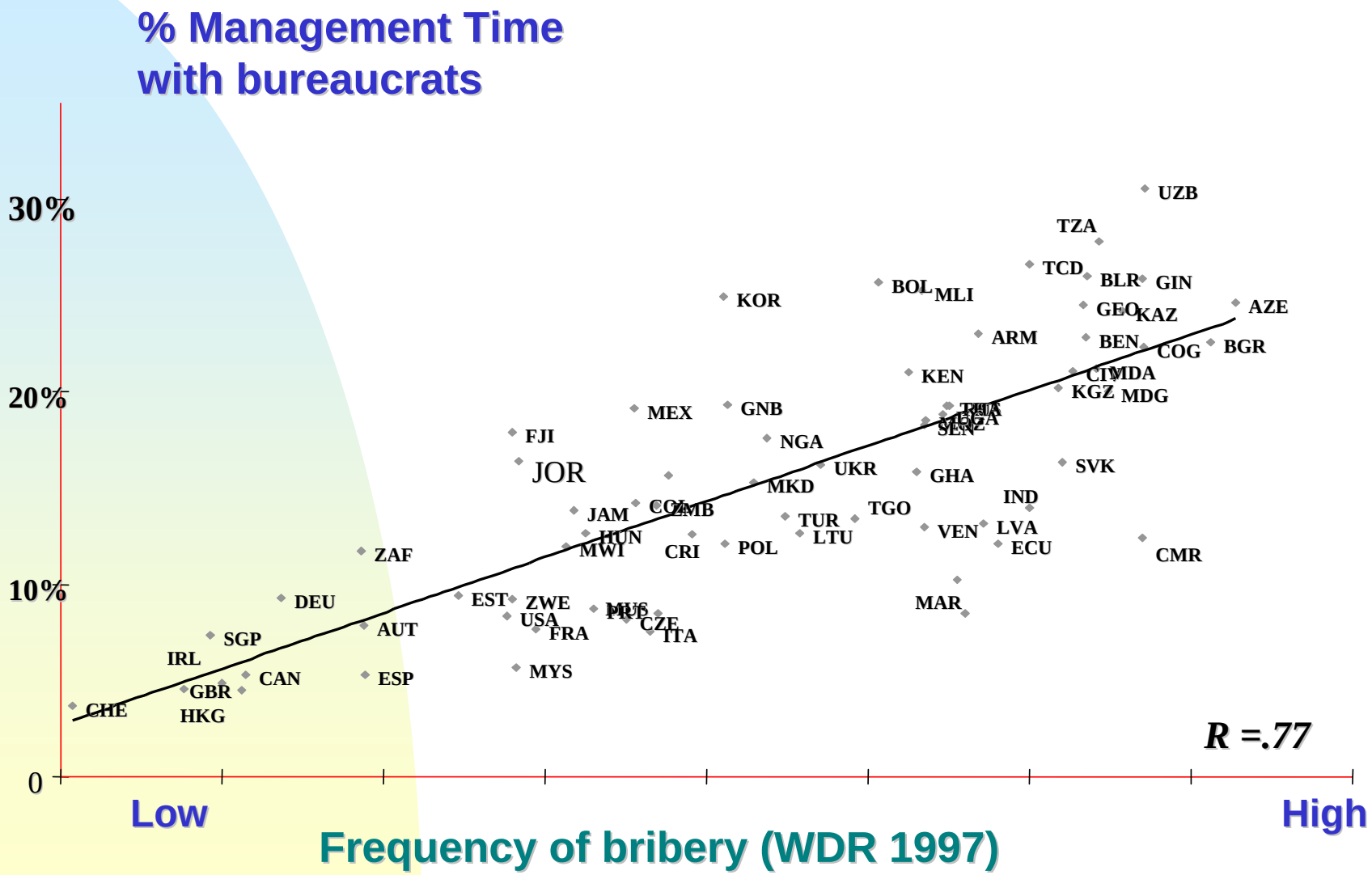
Even more important (than regulatory interventions) in understanding bribery and corruption is the degree of regulatory discretion.

Corruption and Regulatory Discretion



Source: Kaufmann, UNDP/OECD, 1998

Time Management Spent with Bureaucrats and Frequency of Bribery



Source: Kaufmann and Wei (1998) Data analysis based on survey conducted under the World Bank's World Development Report 1997.

IV. Elements of Reforms

- When corruption is endemic, piece-meal reforms are not likely to make a difference. Partial solutions can offer some help to countries with strong and clean government traditions. Other countries need more comprehensive reforms. There are no quick fixes, but reforms of other countries offer important lessons.

IV. Elements of Reforms

- Need for strong political will - a critical starting point for sustainable and effective anti-corruption program
- Focus on prevention - change systems through changing values, creating a culture of professionalism and training. Also includes providing adequate pay and ensuring deterrence

IV. Elements of Reforms

- Evaluate vulnerabilities - identify government activities most prone to the problem and review both substantive law and administrative procedures
- Enforce accountability mechanisms and learn from good practices and examples of others
- Implement comprehensive anti-corruption legislation - by agencies of manifest integrity

IV. Elements of Reforms

- Establish broad ownership of reforms - create strong partnerships with civil society and private sector

- Make corruption “high risk” and “low profit”

IV. Elements of Reforms

- The development of a coherent, comprehensive strategy must involve and attack several fronts. Most countries will not be able to do everything at once. Dedicated reformers need to decide where the problems lie and what kind of policies will be most effective.
- Four components of reforms: Prevention, Enforcement, Public Awareness, and Institution Building

Prevention

- Simplify government programs and procedures
- Minimize and/or eliminate areas of discretion
- Demystify and depersonalize government through civic education (includes raising public awareness of their rights and responsibilities)
- Compensate public service with decent wage, reward good performance, publicize role models

Enforcement

- Establish independent investigators, prosecutors and adjudicators who will perform professional duties in an independent fashion
- Provide adequate powers of investigation and prosecution consistent with international human rights norms
- Develop channels for effective complaint making or whistle-blowing
- Impose powerful disincentives for the would-be corrupt, e.g., civil penalties, black listing

Public Awareness and Support

- Ascertain public perception in order to provide baseline against progress of anti-corruption reform will be measured
- Provide enabling environment for free press and a dynamic civil society, including passage of Freedom of Information Laws

Institution Building

- Establish an independent commission against corruption with broad investigative and prosecutorial powers, as well as public education mandate. Needs to have: political backing from leadership, independence, adequate powers, and highest integrity
- Strengthen oversight institutions, e.g., Office of the Auditor General, Office of the Ombudsman
- Improve performance and quality of public service

Institution Building

- Examine need for Elections Commission to ensure independent and partial review of the electoral process
- Strengthen legislative mechanisms for accountability, e.g., Public Accounts Committee
- Strengthen capacity of police to function effectively as frontline investigatory agency and enable it to work closely with other oversight bodies
- Improve access to justice and strengthen capacity and independence of the judicial body

Example 1: Hong Kong ICAC

Hong Kong Independent Commission Against Corruption

- established in 1974
- independently functions from the police force and reports directly to the Governor
- well-paid staff
- wide powers → able to investigate and also prosecute corruption cases
- mandated to engage in public education campaign

Example 1: HK ICAC

- follows the strategy of credible enforcement and changing attitudes of public, as well as officials → measured by high volume of complaints received, many not anonymous

- strong government commitment → signaled by appointment of persons of unquestioned integrity, as well as early investigation and prosecution of "big tigers"

Example 1: HK ICAC

- Success factors:
  - strong political will and long-term commitment
  - independence
  - more than adequate resources
  - active participation of an informed public
  - series of oversight committees and independent judiciary check the ICAC
  - relatively small and contained constituency

Example 5: Seoul Integrity Pact

- TI's Integrity Pact was introduced by the People's Solidarity for Participatory Democracy (PSPD) in Korea and recently adopted by Seoul city government
- It is an agreement between Seoul city and companies submitting bids that bribes will neither be offered nor accepted in public contracts
- All bidders for the city's construction projects, technical services and procurement are required to sign the corruption-fighting pact

Example 5: Seoul Integrity Pact

- Violators of the Integrity Pact will be disqualified from submitting bids, or face termination of contract. They will also be banned from bidding for other contracts for at least 6 months to 2 years.
- The Integrity Pact was first implemented with the bidding for a 610 million won waterworks project
- It will be applied to a total of 62 cases of contracts worth 117.8 billion won by the end of the year

Example 5: Seoul Integrity Pact

- To ensure success, the city will appoint 5 eligible citizens as Ombudsmen at the recommendation of the PSPD, the lead NGO in this effort

- All city contracts will be subject to the Integrity Pact for complete implementation next year

Example 5: Seoul Integrity Pact

- Elements for success:
  - strong political commitment by Seoul metropolitan government to implement Integrity Pact
  - active participation of civil society in the implementation and oversight
  - integral part of already comprehensive and on-going anti-corruption programme for the City of Seoul

Example 6: Effective Media

Philippine Centre for Investigative Journalism

- an independent, non-profit media agency specializing in investigative reporting
- founded in 1989 by 9 Filipino journalists who realized the need for newspapers and broadcast agencies to go beyond day-to-day reportage
- PCIJ believes that the media play a crucial role in scrutinizing and strengthening democratic institutions

Example 6: Effective Media

Media should be a catalyst for social debate and consensus for public welfare

MEDIA → WELL-RESEARCHED INFORMATION → CITIZENS → INFORMED OPINIONS and DECISIONS → ACTION

Example 6: Effective Media

- PCIJ focuses on providing training for investigative reportage to full-time reporters, freelance journalists and academics
- PCIJ stories make an impact. Well-researched and well-documented, these reports have contributed to a deeper understanding of issues.
- Reports have prodded government action on issues like corruption, public accountability and environmental protection.

Example 6: Effective Media

- In addition to training, PCIJ uses information technology to optimize research and investigation, as well as systematize access to data
- Since last year, PCIJ has been conducting 10-day training seminars on “Investigating Corruption” both at the national and regional levels

Example 6: Effective Media

- Success factors:
  - professional expertise
  - focus on capacity building and training
  - self-sustaining operations
  - high quality outputs attract financial support from donors

Common Success Factors

- Independence
- Effective legislation
- Coherent strategy
- Enforcement
- Effective oversight
- Funding
- Training
- Professionalism
- Public involvement
- Political commitment at all levels

VI. Issues for Discussion:

Key Topics within the framework of an overall study on Transparency and Accountability in the Public Sector by Elia Armstrong and a team of international experts:

- **Financial Management**
- **Human Resources Management**
- **Information Management**

VI. Issues for Discussion:

Financial Management:

- To what extent are policies and practices in financial management framework, budgeting, revenue, and internal and external audit transparent, with in-built checks and balances?

Procurement

- To what extent are policies, procedures and practices of procurement based on public competitive bidding in most large tenders leading to the awarding of contracts to the most qualified and responsive bidders with lowest cost?

Auditing

- To what extent are systems of internal and external audits independent and incorporate mechanisms for the implementation of results of these audits?

VI. Issues for Discussion:

Human Resource Management:

- To what extent are policies, procedures, and practices of human resource management based on stated official values, codes of conduct, legal restrictions on criminal conduct, conflict of interest disclosure, investigations and disciplinary procedures?

- To what extent are policies, procedures and practices of civil service recruitment, promotion and rewards based on merit, fairness and legality?

VI. Issues for Discussion:

Information Management:

- **To what extent are access to information, record management, freedom of media and the freedom of association of civil society ensured through constitutional provisions, relevant legislation and capacity for implementation of the legislation?**

VI. Issues for Discussion:

Political Framework

- **To what extent does the national political system provide for adequate checks and balances between the executive and legislative branches, freedom of media, freedom of association, and independence of the judiciary?**

VIII. Concluding Remarks

- Corruption has an impact in the political, social, and economic realms.
- Measures implemented in only some, but not all of these areas will not achieve the desired effect.
- All three must be jointly addressed in order to effectively address issues of corruption and improve integrity in governance.