Why corruption continues to remain a central issue...

• Increasing sophistication and unprecedented scale of corruption globally
• COVID-19 pandemic spending heightens risks
• Traditional approaches need to be redesigned and complimented with new ones
• Anti-Corruption remains a collective responsibility
Corruption challenges are viewed from three perspectives – with selected focus areas for each.
A few key messages

• Progress may not be linear, but every reform lays a foundation

• The “how” is as important as the “what”

• Multiple drivers of reform (e.g., technology, transparency, political leadership)

• Whole-of-government and sector specific interventions, both important

• Integrate modern tools for greater impact

• Collaboration within and across boundaries is key

• Measuring progress is challenging; indices have limitations; need careful interpretation

• Historical, social, economic and political realities key for design of AC interventions
PART I

Confronting Corruption in Sectors and Functions
Procurement accounts for huge public spending – anywhere between 10%-25% globally.

Rampant corruption in the sector with multiple entry points; estimates in the range of 10-30% of cost of capital projects.

Creates wrong incentives for firms; distorts competition and economic growth.
• e-GP systems present an opportunity but have had varying degrees of success due to a variety of reasons
• Transparency and frequency of audits have proved to be critical
• Other factors that have worked include:
  i) incentives and the capabilities of the institutions;
  ii) transparency and efficiency of the procurement system;
  iii) overcoming opposition to change; and
  iv) harnessing forces in the private sector and civil society
Global infrastructure needs are huge – estimated at $3-4 trillion annually.

Maximizing private sector participation is critical, but the perception of corruption undermines trust and disincentivizes quality contractors.

Each phase of the project cycle has vulnerabilities to misconduct.
A broad alliance is needed to foster transparency and openness, using multiple tools

- Political commitment across the project cycle
- Mobilizing citizens and stakeholders and strengthening their hand through transparency and openness
- Build momentum to influence the political economy considerations

Case examples: Infrastructure Transparency Initiative (CoST), controlling risks in PPP renegotiation, and Open Contracting in Colombia
• High-profile scandals in SoEs in countries like Brazil, South Africa, Angola, and Malaysia
• The diverted resources are often used to benefit political groups
• Corruption risks arise from:
  i. weak legal and regulatory frameworks,
  ii. weak corporate governance
  iii. lack of transparency and disclosure of SOE finances;
  iv. poor financial reporting practices, and
  v. ineffective government and citizen oversight.

Why does it matter
• Sequencing of SOE reforms based on their political and institutional feasibility can help overcome entrenched interests
• Strengthening SOE legal and regulatory frameworks; and professionalizing SOE board of directors and senior management, among others
• If necessary, SOE restructuring or privatization – when possible to assure a level playing field and integrity in the process
Customs

- Vital in trade facilitation and protection of national borders, as well as revenue collection
- Trade taxes (tariffs, excises and import value added tax) can be 30-50% of revenues; more in fragile states
- Corruption disincentives foreign investors who rely on smooth import of inputs and export of goods
- Officials often enjoy discretionary powers but risk-based systems of control and accountability are often absent or weak

Why does it matter?
Opportunities

• Legal and technical reforms are necessary but insufficient

• Supplement by designing mechanisms that create appropriate incentives, limit discretion by public servants

• Target the informal networks of patronage and social control, which often determine the behavior of customs officers
Corruption in service delivery imposes huge costs on governments, businesses and citizens; poor and vulnerable suffer the most.

Each sector impacted by corruption impacts the economy in a unique way.

Impact on critical services like health more important than before in the light of COVID-19.
• Unpacking sector-specific issues (including political economy of reform) and designing appropriate interventions
• Several sector-specific opportunities exist, including use of IT in unique ways for service delivery
• Changing incentives for service providers has worked in some contexts
• Forming sector-specific coalitions of parties impacted by corruption (case study on Nigeria ports)
Open Government Initiatives

- Helpful in promoting an ethos of transparency, inclusiveness and collaboration
- Can lead to a stronger relationship between government and citizens, increasing levels of trust and social capital
- Impact of transparency on improving accountability hinges on several factors (civic space, political will, institutional capacity)
- Social accountability mechanisms such as social audits, surveys, citizen report cards, or grievance redress mechanisms help to address corruption
- Open government may reduce corruption but difficult to measure
Digitization of governments is changing the face of public sector governance and its impact on corruption.

Technological change offers both opportunities and risks for anti-corruption.

Huge opportunity to leapfrog and learn from early starters.

If applied well, big data, cloud-based platforms, biometrics and fintech can be a game changer.

Critical to break technology silos.
Asset and Interest Declaration (AID)

• Aimed at preventing conflicts of interest, detecting unjustified assets
• Many countries have AID systems, there is limited evidence of their effectiveness.
• Cumbersome filing procedures, crucial gaps in the disclosure forms, and lack of transparency and enforcement are limiting the role of AID.
• Report offers guidance on several critical AID system design questions
• The two case studies (from Romania and Ukraine) highlight the impact of enforcement, digitization, and transparency.
Beneficial Ownership Transparency

- Panama Papers and Paradise Papers: highlight use of anonymous companies for concealing corrupt proceeds
- Loopholes enable illicit financial flows (IFFs) to find a safe haven
- CSOs: helping solve technical challenges to effective public disclosure systems.
- Path is not easy. The report presents three diverse country examples (Nigeria, Slovakia, UK)
Exchange of Tax Information and Collaboration on Tax Crimes

• The linkage to tax crimes - corrupt persons do not report their income from corrupt activities.

• FATF includes tax crimes among predicate offenses for money laundering purposes

• Impact on governments: forgone revenues and economic development.

• Tax administrations, specifically, can play a stronger role in the fight against corruption and illicit financial flows in two ways:
  o Exchanging data to detect potential corruption
  o Using tax data as evidence in the prosecution of corruption
PART III

Role of Institutions in Fighting Corruption
Anti-Corruption Agencies (ACAs)

- Lot of visibility, huge deployment of resources; yet limited impact of ACAs
- Most ACAs have fallen short of the organizational standards set by the United Nations Convention Against Corruption (UNCAC)
- Debate on the right model
- Different experiences from the three agencies in UK, Lithuania and Bhutan
Supreme Audit Institutions (SAIs)

- Can and have played a key role in detecting and preventing corruption
- Important that they have the right mandate, tools and trust of the government
- Independence and autonomy of SAIs are key determinants of their effectiveness
- An institution where continuous capacity building and training is required; need for financial and human resources
- Effectiveness also hinges on the country context and norms of behavior
Justice System

• Gap between the laws and their actual implementation

• Under-resourcing (both financial and human resources).

• Target multiple levels: system-wide, at the criminal justice chain level, and at the institutional level.

• Each institution to diagnose performance bottlenecks and internal corruption challenges.

• International cooperation between jurisdictions to fight against cross-border corruption.
CONCLUSIONS

• Corruption is stubborn but not intractable

• Progress is not necessarily from the large visible initiatives, but also from the more focused efforts that go unobserved

• Impact is not necessarily a jump in global survey rankings

• Combining measures: sector-specific interventions, plus transparency and accountability measures that apply to the whole public sector.
CONCLUSIONS

- Case studies have in common six cross-cutting drivers. Incorporating a combination of these drivers is more likely to produce results:
  - Political leadership
  - Institutional Capacity
  - Transparency
  - Incentives
  - Technology
  - Collaboration