

GLOBAL REPORT  
SEPTEMBER 2020

# Enhancing Government Effectiveness and Transparency

The Fight Against Corruption

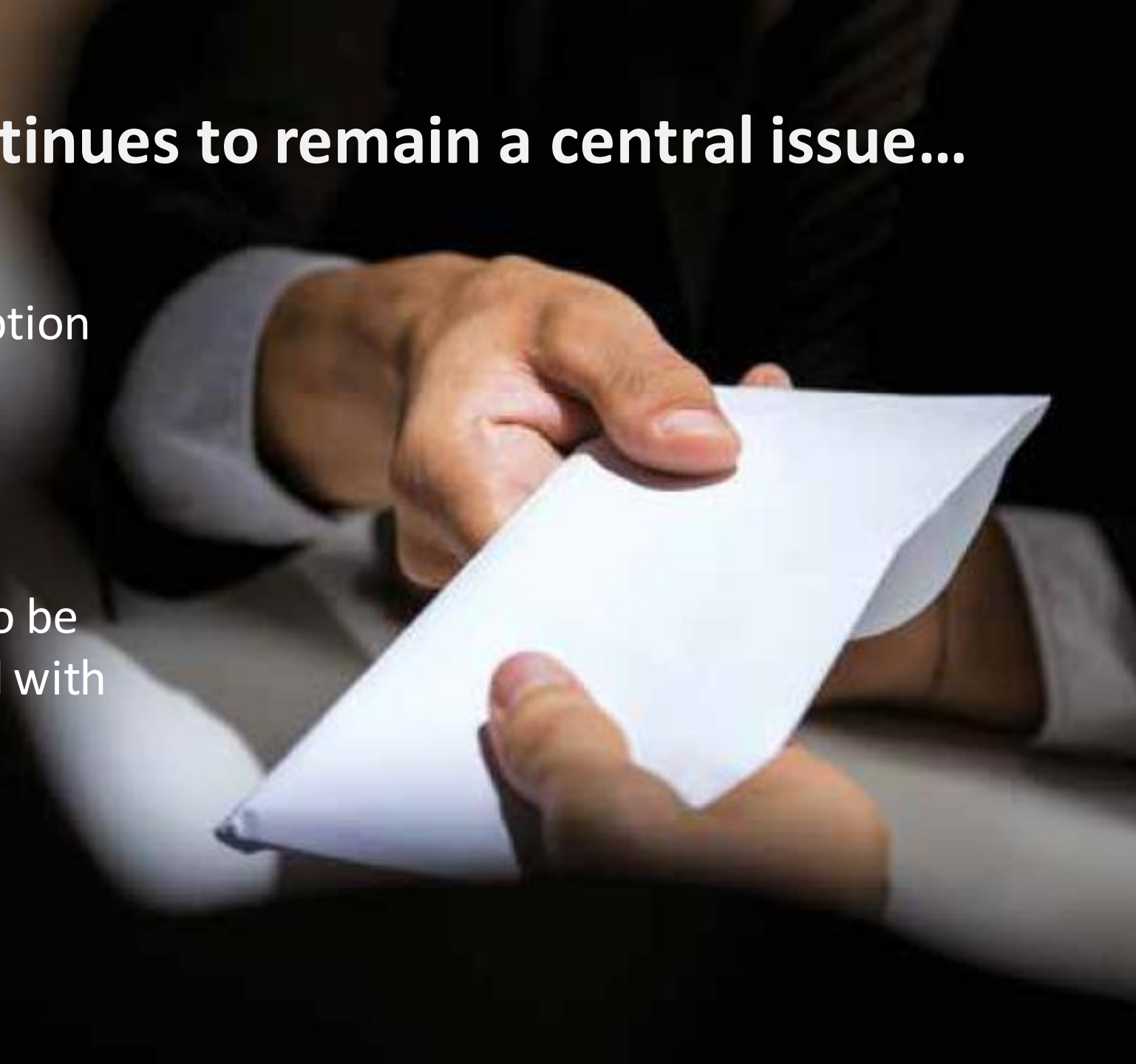


# Anti-Corruption Global Report

15 September 2020

# 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



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PART I

# Confronting Corruption in Sectors and Functions

# Public Procurement



Why does  
it matter



- 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

# Public Procurement



## Opportunities



- 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

# Public Infrastructure



Why does  
it matter



- 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



# Public Infrastructure



## Opportunities



- 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

# SOEs



Why does  
it matter



- 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.

# SOEs



## Opportunities



- 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



Why does  
it matter



- 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

# Customs



## 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

## Service Delivery in Sectors

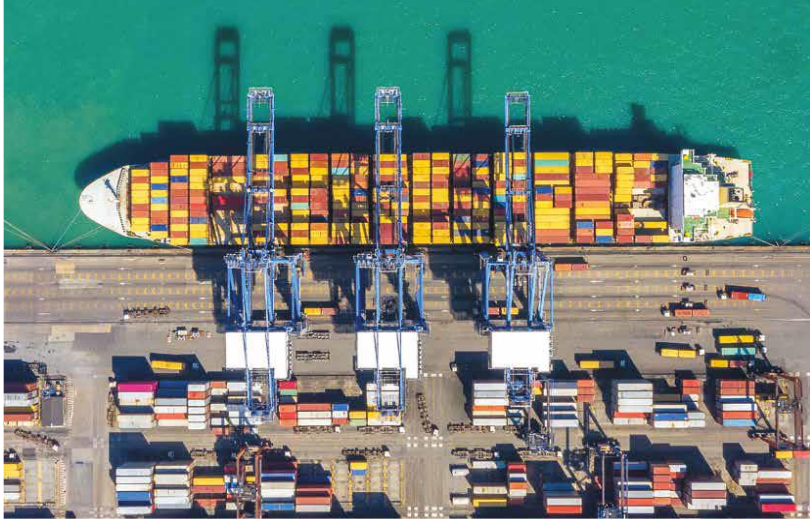


Why does  
it matter



- 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

## Service Delivery in Sectors



## Opportunities



- 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)



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PART II

# Key Instruments for Fighting Corruption



# 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





## GovTech

- 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
- The Financial Action Task Force (FATF): BO disclosure, a tool for law enforcement.
- 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:
  - Exchanging data to detect potential corruption
  - Using tax data as evidence in the prosecution of corruption





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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

