Promoting Transparency, Integrity and Accountability in the Public and Private Sectors

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PRESENTATION OVERVIEW

• Overview of Transparency, Integrity and Accountability Issues (TIA) in the Public and Private Sectors in the EECCA Region (35 minutes):
  – Presentation on the CPI (Facilitator)
  – Interventions by Participants

• Promoting TIA in PSP in WSS (35 minutes)
  – Presentation on: the Obstacles to; Tools; and the Elements of an Action Plan (Facilitator)
  – Interventions by Participants

• Summary of Discussions (10 minutes)
HOLISTIC SYSTEM

Public Sector

Civil Society

Private sector
TIA SUBISSUES IN THE PUBLIC AND PRIVATE SECTORS

Public Sector

- Deficiencies in Legislation
  - Gaps
  - Inconsistencies
- Governance Deficiencies
  - Fragmentation of Responsibilities
  - Water Management is Viewed as a Technical Issue
  - Overlapping of Responsibilities
  - Institutional Gaps, Discretion
- Deficiencies in Regulation
  - Institutional Weaknesses
  - Excessive/Too Stringent Regulation (e.g. Norms for Discharges from WWTPs)

Private Sector

- Deficiencies in Information Disclosure
- Deficiencies in Using Company Funds Leading to
  - Inappropriate Involvement in Local Politics
  - Inappropriate Charitable Contributions
  - Inappropriate Uses of Gifts and Entertainment
- Insensitivity to Social and Environmental Impacts
CPI (2009) IN THE EECCA REGION (1)

- The Corruption Perceptions Index (CPI) ranks countries/territories according to how corruption is perceived to exist among public officials/politicians.
- Based on surveys in 180 countries and territories.
- In the EECCA Region, between 4 and 8 surveys were used per country.
- Evaluation of the extent of corruption (i.e. frequency and/or size of bribes in public/private sectors) in countries/territories is carried out by 2 groups: country experts (resident/non-resident) and business leaders.
## CPI(2009) IN THE EECCA REGION (2)

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CPI (2009) IN THE EECCA REGION (3)

- **ARMENIA**
  - Political/economic elite control judiciary, media, business.
  - Inconsistency in implementation of AC legislation; unwillingness to address Grand Corruption

- **GEORGIA**
  - Consensus that petty corruption has been significantly reduced
  - Concerns about high-level corruption and in the judiciary
  - Government is urged to promote greater transparency and public trust in AC agencies and ensure related reforms are continuously monitored and assessed.

- **AZERBAIJAN:**
  - Government committed to improving business environment and increasing awareness of importance of curbing corruption.
  - Government has entered into open dialogue with network of AC NGOs and TI Azerbaijan
  - Over the 5 years, 5 TI Advocacy and Legal Advice Centres (ALACs) – offices that help citizens claim their rights in corruption cases – have been opened
  - Corruption remains endemic
  - Government should enforce AC legislation
CPI (2009) IN THE EECCA REGION (4)

- **KAZAKHSTAN**
  - Progress in government AC efforts to improve conditions for foreign direct investment
  - Low CPI score indicates that corruption is systemic, particularly with the judiciary, the police, property rights, land registration and construction projects.

- **UKRAINE**
  - Political turmoil has lead to political corruption in private and public sectors; high citizen tolerance of corrupt practices

- **RUSSIA**
  - President Medvedev admitted publicly that corruption is endemic
  - Problem aggravated by lack of transparency and democratic accountability (e.g. state corporations) and excessive role of government in economy and business sector, which spurs the supply side of corruption
  - AC legislation, initiated and promoted by the President and passed by the Duma in December 2008, has yet to have an impact.
PROMOTING TIA IN PSP IN WSS: OBSTACLES

• Nature of WSS Makes it Highly Prone to Corruption
  – High Capital Flows and Involvement of the Construction Sector
  – Over the Period FY 2005-2009, the Water Sector Accounted for the Third Highest Case Load of the WB’s INT

• Planning and Budgeting
  – Bias in Project Selection

• WSS Sector is Prone to ‘Grand’ and ‘Petty’ Corruption

• Lack of Transparent Competition in Tendering and Procurement Decisions

• Project Construction
  – Not Building to Specifications
  – Fraudulent Invoicing

• Project O&M
  – Non-compliant Operation of Water Treatment and Wastewater Treatment Plants with Health and Environmental Standards

• Corruption Most Affects Those with the Weakest Voice
  – Marginalized Communities, the Poor
  – Impedes the Achievement of the MDG Goals
PROMOTING TIA IN PSP IN WSS: TOOLS

- Corruption Risk Assessment (CRA)

- Undertake Baseline Surveys
  - Integrity/Quality

- Integrity Pacts

- Freedom of Information (FOI)/Right to Information (RTI)

- Promoting Integrity in Public Sector Organizations

- Business Principles for Countering Bribery (‘Business Principles’)

- Develop a Comprehensive, Monitorable Governance Improvement Plan (GIP)
PROMOTING TIA IN PSP IN WSS: PRINCIPLES, ELEMENTS AND SUCCESS FACTORS OF A GOVERNANCE IMPROVEMENT PLAN (GIP) (1)

**Principles**

- GIP needs to be Inclusive and Tailored to the Local Context
- Where Relevant, Cleaning Up Corruption Should Not be At Odds with the Needs of the Poor
- Sector Financial Sustainability through Independent Regulation

**Elements**

- Undertake a Comprehensive CRA Focusing on Issues Vertically and Horizontally at the Macro, Sectoral institutional and Project Levels.
- Undertake Appropriate Baseline Studies
- Financiers of PSP projects to Expand Due Diligence Requirements to Include Anti-bribery Provisions
Elements (Contd.)

- Strengthen Capacity of Consumers, Civil Society and the Media to Hold the Sector to Account
- Integrate all these Components into a GIP

Success Factors

- Political Will to Fight Corruption
  - Backed Up by Adequate Laws, Institutions, Systems
  - Implementation/Enforcement
CONCLUSIONS

- Promoting PSP of WSS in the EECCA Countries Faces a Number of Major Governance Challenges
  - From a Macroeconomic Viewpoint, 2/3 of the EECCA Countries are Ranked Among the Lowest 25% in TI’s CPI;
  - The Water Sector is Considered to be Highly Prone to Corruption.

- Tools Exist to Identify the Impediments to Assuring TIA in PSP in WSS

- POLITICAL WILL is the Key Ingredient to Assure the Success of an AC Program
CLOSING REMARKS

`There is no defense for corruption. Corrupt payments destroy business opportunities and drag down economic growth..... Corruption undermines free politics and free markets.

Financial Times editorial.

Transparency is a first line of defense against corruption. Through transparency, organizations can communicate to stakeholders and the public their values and policies and how they are being translated into action.... Transparency and commitment to values and openness about policies and processes will not only enhance a company's reputation but act as a substantial deterrent to those wishing to act corruptly.

Huguette Labelle, Chair, Transparency International
BIBLIOGRAPHY

- Transparency International (2009). *Business Principles for Countering Bribery*
BIBLIOGRAPHY (Contd.)


FINAL SLIDE

THANK YOU FOR YOUR ATTENTION!