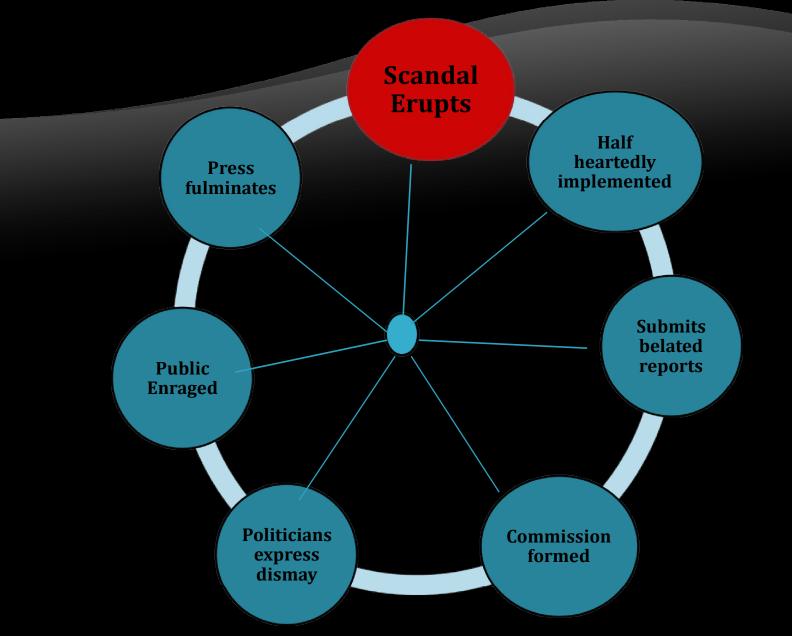
# TACKLING CORRUPTION AND VIGILANCE 2015

by: Dr. K. Saleem Ali

#### **ABRAHAM LINCOLN ON CORRUPTION**

**I** see in the near future a crisis, approaching that unnerves me and causes me to tremble for the safety of my country.....an era of corruption in high places will follow, and the money power of the country will endeavour to prolong its reign by working upon the prejudices of the people until the wealth is aggregated in a few hands and the **Republic is destroyed.**"

#### **CORRUPTION CIRCLE**



# INVALID EXCUSES FOR NOT FIGHTING CORRUPTION

- Corruption is endemic
- Corruption is part of human nature and is always existed
- It is vague and culturally determined
- Cleansing of society of corruption would require wholesale change of attitude and values

### INVALID EXCUSES FOR NOT FIGHTING CORRUPTION

- Nothing can be done if the corruption is systemic
- If the top leadership is corrupt nothing can be done
- Corruption is not harmful. It is a grease for the wheels of economy and the glue of a political system
- Worrying about corruption is superfluous as free markets and multiple party democracy will make corruption disappear

### VALID EXCUSES FOR NOT FIGHTING CORRUPTION

- Legalistic and moralistic approach does not work
- No sincere lobby to combat corruption
- No research on procedures to be followed to fight corruption
- No will power to change policies and decentralise power
- No accountability for the government servant
- No concern to deliver services to the general public
- Indifferent attitude of bureaucracy

# **CAUSES FOR CORRUPTION**

- Illiteracy and poor economic infrastructure
- Change in value system and ethical qualities of men who administer
- Lack of accountability
- Lack of transparency in affairs and deals
- Emergence of a political elite which believes in personal orientation rather than national oriented program ad policy

# **CAUSES FOR CORRUPTION**

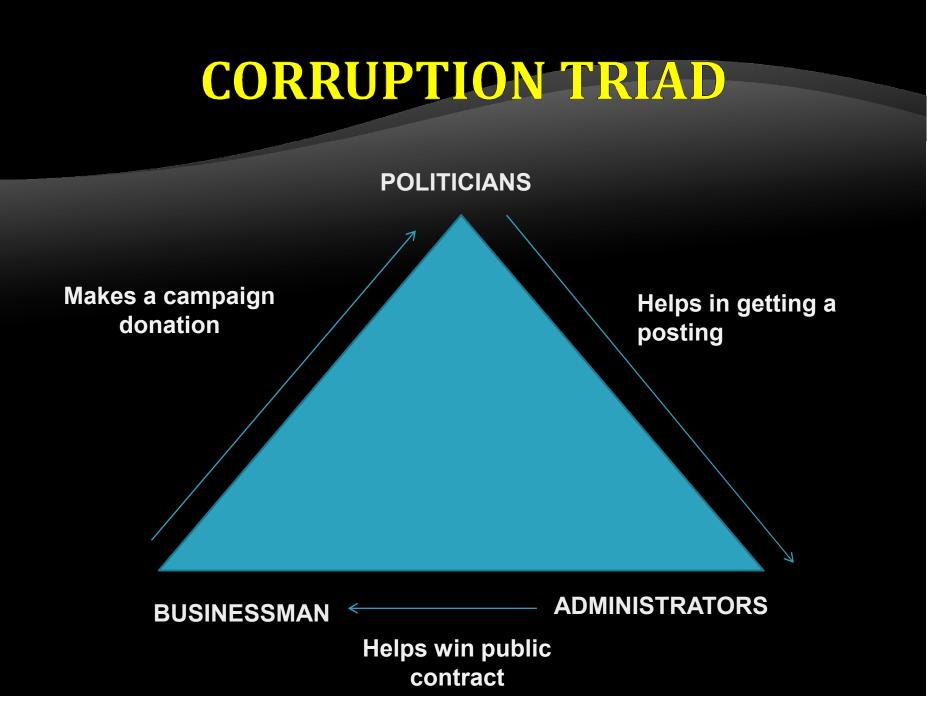
- Option of many political parties
- Encouragement of unhealthy competition Artificial scarcity created by malevolent intentions
- Lack of unity in public opinion
- Tolerance of people towards corruption
- Lack of strict and fast punishment
- Lack of independent investigating agency

#### **KEY FINDINGS ON CORRUPTION**

- Bribery is wide spread
- Public institutions interested to protect people suffer the worst level of bribery
- Government not doing enough to hold the corrupt to account
- The democratic pillars of society are the most corrupt
- Personal connections are seen as corrupting the public administration

#### **KEY FINDINGS ON CORRUPTION**

- Powerful groups rather than public good are judged to be driving government action
- Corruptions flourishes in informational darkness
- Corruption survives in the social environment of tolerance
- Deficiency and difficulty in prosecuting the corrupt
- People state that they are ready to change the system



#### **REASONS FOR CORRUPTION**

- History and culture
- Heritage quotient
- Democratic institutions
- Public policies

### **IMPACT OF CORRUPTION**

- High public investment
- Reduced economic growth
- Low government revenue
- Low investment on operations and maintenance
- Low quality of public infrastructure
- Greater inequality
- Reduces efficiency of audit

# **GROWTH POTENTIAL OF INDIA**

- Pharma industry to be in top 10 by 2020 with 15% growth per year
- 22% international market share in ER&D to reach
  \$42 billions by 2020
- 100% increase in renewable energy capacity
- 11% increase in BPO earnings \$77 billion
- 32.4% increase in cloud services \$326.2 million
- PE & VC in medical services -\$817 million

## **GROWTH POTENTIAL OF INDIA**

- Specialty Chemical industry to grow from \$22 -\$80 billion by 2020
- Entertainment & Media industry to reach \$31.5 billion by 2016
- Increase in Internet services 57%
- Increase in Gaming services 33%
- Indian Food services to increase to \$24.68 billion by 2015 from \$13.01 billion

# **GROWTH POTENTIAL OF INDIA**

- Total coal reserves 267 billion tons
- Total iron ores reserves 25.25 billion tons
- MNREGA
- NRHM
- JNURM
- IAY
- RGNDWM
- Food Security Bill 2013

## **ECONOMIC GROWTH**

- World economy slow down from 3% to 2%
- Indian economy grew from 5.4% to 6.4%
- 11 billionaires and 1,58,000 millionaires
- India will be in top three economies by 2050

# **IMPACT OF CORRUPTION ON GDP**

- \$213 billion lost in illicit financial flow during 1948-2008 corrected value of 462 billion dollars
- Loss twice the external debts at \$213 billion
- \$19 billion lost per year during 2004-2008
- Capital flight represents 16.6% of GDP
- 36% GDP of 2008 at present value lost
- 68% illicit flow was after 1991
- High net worth individuals private companies primary drivers of this illicit flow
- Private sector shifted deposits from developed country banks to off shore financial centers 36.4% in 1995 to 54.2% in 2008

# **IMPACT OF CORRUPTION ON GDP**

- 37% BPL population as per Tendulkar Committee
- 50% BPL population as per Calorific value N C Saxena Committee
- 77% BPL population as Arjun Sen Gupta Report
- 53.7% BPL population as per Oxford Multi-dimension Poverty Index which includes 28.6% severe poverty
- 95% have wealth below 10,000 dollars
- 5% have wealth above 1,00,000 dollars
- 667 lakh ton grain surplus while 75% population is hungry

# **IMPACT OF CORRUPTION ON GDP**

- Malnutrition is prevalent in 43% of the population
- Lack of micro nutrients in 74% of the population
- 50% households lack basic facilities
- Life expectancy is less than Pakistan
- 68.7% of the population is below international poverty line (@ USD2 per day)
- Adult literacy rate is less than that of China and Sri Lanka
- Youth literacy rate is less than that of Nepal
- Child mortality rate is the highest in South East Asia
- Birth rate is three times that of the death rate
- 55% of Class IV school children do not understand two digits

# CORRUPTION & UNDER GROUND ECONOMY

- Corruption and shadow economic activities are a fact of life
- The shadow economy includes:

all market-based legal production of goods and services that are deliberately concealed from public authorities :

to avoid payment of income, value added or other taxes,

to avoid payment of social security contributions,

to avoid having to meet certain legal labor market standards, such as minimum wages, maximum working hours, safety standards, etc., and

to avoid complying with certain administrative procedures, such as completing statistical questionnaires or other administrative form

### REASONS FOR INCREASE OF THE SHADOW ECONOMY

- Factors Influencing the Shadow Economy
  - Increase of the Tax and Social Security Contribution Burdens 35-38% 45-52%
  - Intensity of State Regulations 8-10% 10-15%
  - Social Transfers 5-7% 5-8%
  - Specific Labor Market Regulations 5-7% 5-8%
  - Public Sector Services 5-7% 5-8%
  - Tax Morale 22-25%

### **GROWTH OF SHADOW ECONOMY**

- 41.3% -43.2% 37 African countries
- 41.1% 43.4% 21 Central and South American countries
- 38.1% 40.1% 25 East and Central European countries
- 31.7% -33.4% 10 South and West Pacific countries
- 28.5% -30.4% 28 Asian countries
- 16.8%-16.3% 21 Highly developed countries

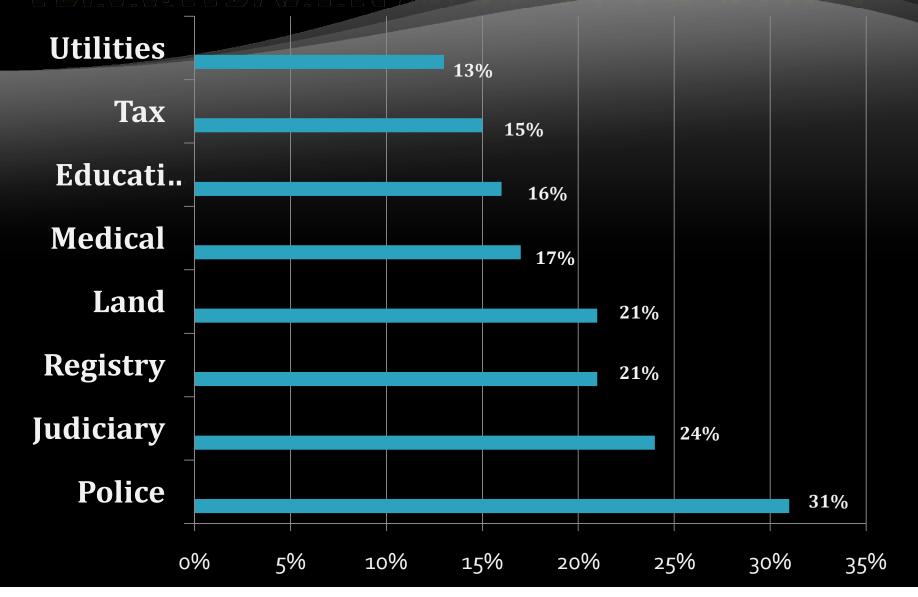
INDIAN SCENARIO (KPMG Survey)

- 51% fear that rising corruption will make India less attractive for foreign investment.
- 68% believe that India can achieve more than 9%
  GDP growth if corruption is controlled.
- 68% believe that corruption is induced by the Private Sector and the Corruption level will remain at the same level irrespective of the legislation.

### **INDIAN SCENARIO**

- 84% believe that Indian government has not been very effective in enforcing anti-bribery and corruption laws.
- 90% felt that corruption negatively impacts the performance of stock markets by increasing volatility and affects long term investments.
- 99% felt that the biggest impact of corruption on business was its tendency to skew the level playing field and attract organisations with lesser capability to execute projects.

# **INTERNATIONAL SCENARIO**



### RECOMMENDATIONS OF AMARTYA SEN AND TRANSPARENCY INTERNATIONAL

### RECOMMENDATIONS OF TRANSPARENCY INTERNATIONAL AND AMARTYA SEN ON DEALING WITH CORRUPTION

- Make integrity and trust the founding principle of public institution and service
- Bring back rule of law
- Hold the corrupt to account
- Clean up the democratic process
- Give the people tools and protection to fight against corruption

### RECOMMENDATIONS OF TRANSPARENCY INTERNATIONAL AND AMARTYA SEN ON DEALING WITH CORRUPTION

- Bring in social change and awareness
- Legislative and institutional changes
- Use technology
- De-centralize power
- Encourage media exposes
- Bring in public and private sector accountability

*"Corruption is like a ball of snow; once it's set a rolling, it must increase."* 

-Charles Colton

# STRATEGY TO DEAL WITH CORRUPTION AND VIGILANCE

- Step 1: Analyse corrupt system.
- Step 2: Diagnose how the corrupt system works to find a solution.
- Step 3: Design an inclusive strategic plan of action to reform corruption
- Step 4: Implement the strategic the plan, reassess and further refine the strategy
- Step 5: TQM
- Step 6: Open contracting

## **ANALYSING CORRUPTION**

### **ANALYSIS OF CORRUPTION**

Corruption Requires <sup>"</sup> Finding corrupt person

" Making payments

Delivering what is corruptly purchased

All Done inconspicuously

# **CORRUPTION IN BUSINESS**

- Corruption is crime of calculation. It takes place if gain is more than penalty.
- Legalistic and moralistic approach does not work.
- A Global Phenomena which aims at Short Term Gains.
- Mutually Agreed and Difficult to Detect.
- Limits competition and Creates Black Money.
- Fuels Parallel economy and widens Socio-Economic Disparity.

# **DIAGNOSING CORRUPTION**

# DIAGNOSIS OF HOW CORRUPT SYSTEM WORKS

 $\bullet C = M + D - R \qquad R = T + A + S$ 

• C = M + D - (T + A + S)

#### • C = $\underline{M + D - (T + A + S)}$

E

# DIAGNOSING CORRUPTION IN THE SYSTEM

- Technical studies and experiments for vulnerability assessments
- Systematic anonymous surveys of employees and clients
- Participatory diagnosis : workshops for those involved in corrupt systems
- Involve private sectors and citizens

## **DESIGNING STRATEGY**

# DESIGN A STRATEGY FOCUSSING ON SYSTEMS

- Design objective performance indicators, peer and client review system
- Design an improved audit and management information system to obtain information about service delivery
- Change agents
- Divide large decisions into separable tasks

## DESIGN A STRATEGY FOCUSSING ON SYSTEMS

- Clarify and limit discretion
- Reduce monopoly
- Enhance accountability and transparency.
- Introduce spirit of competition in service delivery.
- Setting rewards and penalties
- Raise the "moral costs" of corruption.

- Strengthen institutional capacity through e-Governance.
- Utilise objective performance indicators and audit to implement the program.
- Utilise peer review and citizen's evaluation for implementation.
- Induct more experts for effective delivery of service.
- Client consultation

- Organise change agents in your department.
- Align with favourable forces national, international, private sector, NGO.
- Pay for performance
- Organize the inter-agency coordination body with a focal point.
- Choose a relatively easy-to-fix problem first.

- Utilise training for skill enhancement to ensure better delivery.
- Break the "culture of impunity" by punishing high level officials.
- Raise the profile of the anti-corruption effort through publicity.
- Anti-corruption campaign to galvanize broader and deeper changes in governance to usher in:
- Privatization with high quality regulation

Introduce concept of "ethics in governance"

- Honesty
- Leadership
- Objectivity
- Accountability
- Effectiveness
- Responsibility

- Integrity
- Trust worthiness
- Openness
- Legitimacy
- Efficiency
- Fairness
- Serving the public interest
  Selflessness
- Introduce concept of "heritage quotient in governance"

### **OPEN CONTRACTING**

#### **OPEN CONTRACTING**

- Strategy to increase contract transparency and monitoring
- Publication of contracts from awarding process to the monitoring and evaluation of contract implementation.
- Proactive disclosure of mandated and non-mandated contract information in a use friendly format
- Award process monitoring process evaluation process to be online
- Should not harm competition divulge confidential information

#### **ADVANTAGES OF OPEN CONTRACTING**

- Good quality governance
- Better value for money
- Better quality outcome
- Improved service delivery
- Reduces corruption

### OPEN CONTRACT PRACTICE BY TRANSPARENCY INTERNATIONAL

- Placing contracts in the public domain with limited redaction on commercially sensitive information, including updated contracts with change made after the contract was originally signed
- Release of detailed summaries of projects and the contracts underlying them
- Information on studies that provide the rationale for the project and its adoption
- Reporting on the performance of projects under implementation
- A process by which information is authenticated/validated

## OPEN CONTRACT PRACTICE BY INDONESIA

- Contract price, start and finish dates and contractors
- name and addresses
- Contracts and contract variation
- Reports on project performance
- Audit reports
- Fund disbursement
- Invoice and invoicing information

# OPEN CONTRACT PRACTICE BY COLOMBIA

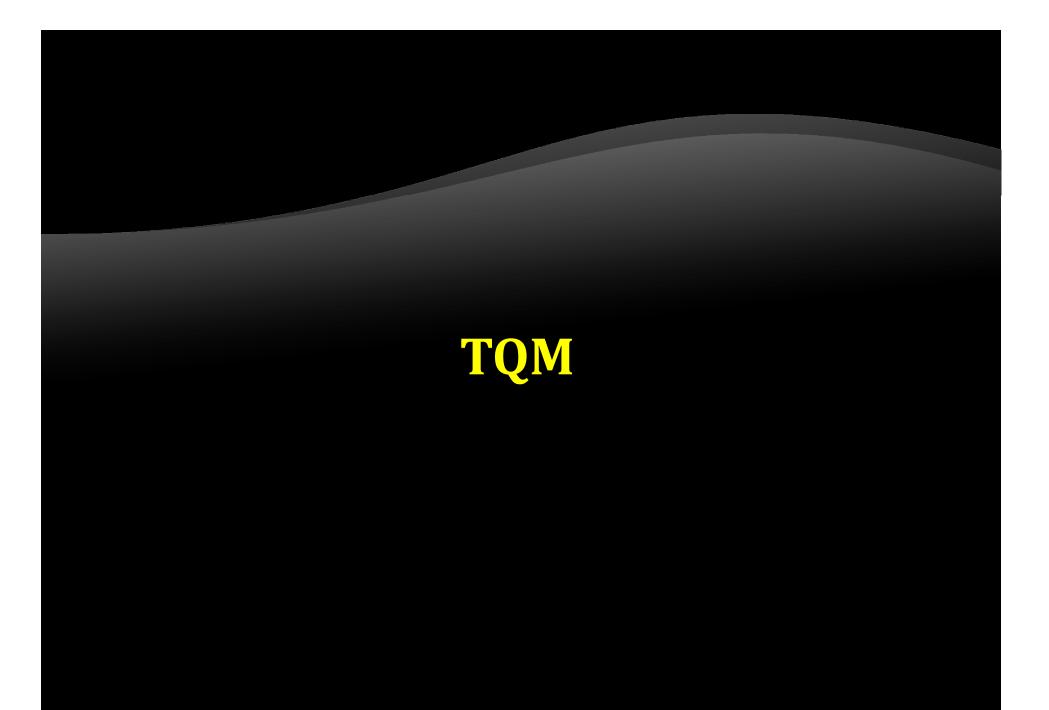
- Draft terms of reference
- Definitive terms of reference
- Clarifications during selection process
- Act from the awarding meeting
- Contract
- Contract extension and other modifications
- Evaluation report

#### **BEST PRACTICES**

- Integrity pact
- Independent external monitor
- Transparency in tender processes
- Time bound process of procurement
- Acceptance of bank guarantee
- Negotiations
- Receipt and opening of tender
- Pre-qualification criteria

#### **BEST PRACTICES**

- E-tendering process
- Leveraging of technology
- Use of website
- Back to back tie up with PSUs
- Consideration of Indian agents
- Quality and safety policy
- Enterprise risk management policy
- Sustainable development policy





- Culture change to position a company for greater customer satisfaction, profitability and competitiveness
- Managing the entire organization to excel in the above
- Conformance to quality of product
- Applicable to all parts of the organizations
- Places customers at the fore front of quality decision making
- Emphasizes on greater roles and responsibilities of every member of the organization to influence quality

### **ATTRIBUTES OF TQM**

- Meeting customer requirements
  - Doing things right the first time
- Freedom from failure
- Consistency
- Continuous improvement
- Quality in everything done
- Believes in employees ability to solve problem
- Believe that people doing the work have best ability to improve it
- Everyone is responsible for quality

#### **ELEMENTS OF SUCCESS OF TQM**

- Mission statement
  - Management support
- Empowerment
- Proper planning
- Dedicated resources
- Team work / effort
- Measurement
- Continues process improvement
- Customer and bottom-line focus

#### **E- GOVERNANCE**

#### **NATIONAL E-GOVERNANCE PLAN**

- Formulated by the Department of Electronics and Information Technology (DEITY) and Department of Administrative Reforms and Public Grievances (DARPG)
- The NeGP, comprising of 27 Mission Mode Projects (MMPs) and 10 components was launched on May 18, 2006

#### **NATIONAL E-GOVERNANCE PLAN**

- The approach and methodology adopted for NeGP contains the following elements:
  - Common support Infrastructure
  - Governance
  - Centralized Initiative, Decentralized Implementation
  - Public-Private Partnership (PPP)
  - Integrative Elements
  - Programme Approach at the National and State levels
  - Facilitator role of DEITY
  - Ownership of Ministries

"There is enough in this world for every man's need, but not enough for every man's greed."

-Mahatma Gandhi

## FIGHT AGAINST CORRUPTION IN INDIA

#### <u>Structures</u>

- Central Vigilance Commission
- Vigilance Wings and Directorates in all the Ministries and Public Sector Undertakings
- Central Bureau of Investigation
- Anti-Corruption Bureaus at the State levels
- Lokpal Selection shortly
- Initiative by the government
- Initiative by group of ministers

## FIGHT AGAINST CORRUPTION IN INDIA

#### <u>Legal and Policy Framework</u>

- Prevention of Corruption Act, CVC Act, DSPE Act and Lokpal and Lokayukta Act
- Indian Penal Code, Criminal Procedure Code.
- Prevention of Money Laundering Act.

#### **INITIATIVES BY INDIA**

#### **INITIATIVES BY INDIA**

- Prevention of Money Laundering Act, 2002
- Competitions Act, 2002
- Right to Information Act, 2005
- Public interest disclosure and protection to persons making the disclosures bill 2010
- The Prevention of Bribery of Foreign Public Officials and Officials of Public International Organizations Bill, 2011
- The Judicial standards and accountability bill 2011

## INITIATIVES BY INDIA

- The Right of Citizen for time bound delivery of goods and services and redressal of the grievances bill, 2011
- " Companies Bill 2011
- " Benami Transaction (Prohibition) bill 2011
- " Lok Pal bill 2011
- " The Public Procurement bill 2012
- " CVC's National Anti Corruption Strategy
- " National e-governance plan

### RECOMMENDATIONS OF GROUP OF MINISTERS

### **GROUP OF MINISTERS ON ANTI CORRUPTION MEASURES**

- GOM constituted on 6/1/2011consider all measures including legislative and administrative to tackle corruption and improve transparency
- Specially to address
- State funding of elections
- fast tracking of all cases of public servants accused of corruption
- Ensuring full transparency in public procurement and contract
- Discretionary powers of Ministers

#### GROUP OF MINISTERS ON ANTI CORRUPTION MEASURES

- Introduction of open and competing system of exploiting natural resources
- Amending Article 311 of the Constitution to provide for summary proceedings in case of grave misdemeanor on blatant corruption by public servants
- Consideration of relevance/need for section 6A of DSPE Act, 1946

## INTERNATIONAL INITIATIVES AND INDIA

- Signed G-20 Anti Corruption Plan
- Ratification of UNCAC 2011
- Ratification of UNTOC 2011
- Observer in OECD
- Member Financial Action Taskforce (FATF) in November, 2006

- Process of re-negotiation on double tax avoidance agreement with 75 countries for exchange of Tax information
- Asia/Pacific Group on Money Laundering APG, March 1998
- EGMONT Group agreement
- 16 New Task Information Exchange Agents (TIEAS) with focus on tax haven

"It would not be ideal for me, if I were a liar, to teach boys to tell the truth. A coward teacher would never succeed in making his boys valiant, and a stranger to self-restraint could never teach his pupils the value of self-restraint".

- Mahatma Gandhi

"In dwelling, live close to the ground

In thinking, keep it simple In conflict, be fair and generous

In governing, don't try to control

In work, do what you enjoy

In family life, be present"



## **THANK YOU**