

# Anti-corruption

Widespread corruption signifies grave weaknesses in a country's economic and political institutions. Corruption impedes the development of markets, drives away investment, and increases the costs of doing business. It also undermines the rule of law, distorts policymaking, and diminishes public confidence in democracy. CIPE's projects attack corruption from two directions. On the demand side, projects aim to reform ambiguous legal systems, implement standards for government agencies, curtail civil servants' discretionary authority, and link cultural norms to the rule of law. On the supply side, projects address private sector involvement in corruption, in part by improving corporate governance mechanisms.

Bulgaria's Center for the Study of Democracy devised a concerted program to fight corruption while building better governance. It created a system to monitor corruption, organized a coalition of public- and private-sector stakeholders, and developed an action plan targeting regulatory and other reforms. The Colombian Confederation of Chambers of Commerce took a different tack. The confederation developed and promoted a code of ethics for small- and medium-sized enterprises, engaged mayors and governors in transparency pacts with citizens, and advocated for greater transparency in the public procurement process.

## Building a Coalition against Corruption

*by Nafisul Islam*

Bulgaria's transition to democracy and a market economy in the 1990s was severely constrained by corruption. As state resources were privatized, institutional weaknesses left openings for corruption and allowed the influence of former communist *nomenklatura* and organized crime. Corruption reached every sphere of life and weakened public confidence in democracy. According to a survey by the Center for the Study of Democracy (CSD), 57 percent of adult Bulgarians believed that politicians were primarily interested in securing special privileges for themselves and their friends. Eighty-six percent of the survey respondents believed they had to bribe doctors in order to receive medical services.

CSD, a Bulgarian public policy institute, looked to curb corruption through initiatives in certain key areas. Among their strategies were promoting corporate governance, engaging private businesses in anti-corruption efforts, and advocating for institutional reform in the privatization process. CSD had partnered with the Center for International Private Enterprise (CIPE) in policy advocacy and public-private partnership initiatives since the early 1990s, including the development of a pilot anti-corruption campaign. The success of those initiatives prepared CSD to lead the establishment of an anti-corruption group, Coalition 2000.

In 1997 CIPE provided CSD with the seed money to establish this coalition, which aimed to create a cooperative platform of public and private institutions. This all-inclusive platform combined the input and efforts of various stakeholders irrespective of their political or institutional affiliation. Since its inception, Coalition 2000 has been the most prominent example of a public-private partnership in the area of anti-corruption in Southeastern Europe.

## Structuring a Solid Foundation

The institutional structure of Coalition 2000 was designed to ensure transparency, efficient implementation, and optimum partnership between stakeholders. The three major bodies of the coalition are the policy forum, the steering committee, and the secretariat.

The policy forum is perhaps the most important element of Coalition 2000. The forum comprises around a hundred prominent representatives from state institutions, non-governmental institutions, and international partners. The forum convenes once a year to review progress and set guidelines for future work. These meetings work toward building political and social consensus between public and private institutions on the implementation of the larger initiative. The steering committee is charged with coordinating the activities and output of the coalition.

This committee is composed of representatives from both the public and private sectors, including senior government officials, members of parliament, senior judges, trade union leaders, and business representatives. The secretariat is responsible for providing day-to-day operational management for the coalition's programs and activities. The secretariat also surveys developments and initiatives – both locally and internationally – in the field of anti-corruption and informs the steering committee of these trends. Together, the three bodies oversee the activities of Coalition 2000.

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## Creating a Plan for Action

The Anti-corruption Action Plan for Bulgaria was one of the first initiatives of Coalition 2000. The plan's goal was to reform the design and implementation of anti-corruption policies in Bulgaria. It laid out a detailed explanation of the coalition's approach to reform: creating a favorable institutional and legal

environment, increasing transparency, enhancing civic control, and changing public perceptions. The plan was a cooperative effort from the beginning. Key stakeholders – including government ministers, foreign ambassadors, heads of NGOs, and members of inter-governmental organizations – participated in the draft preparation of the plan before it was endorsed by the policy forum in November 1998. The Action Plan is assessed and revised annually to include any changes in the strategy or policies of the coalition.

The policy agenda set by the Action Plan allowed the coalition to comprehensively address policy areas most vulnerable to corruption. It outlined steps to reform public administration, the judicial system, the privatization process, and regulation of private enterprise. Antonio Vigilante, Resident Coordinator of the United Nations in Sofia, described the Action Plan as “more than an anti-corruption plan; this is a plan for good governance as well.”

Regulatory regimes were identified as one of the primary causes of the high incidence of corruption between businesses and government. CSD’s main initiatives against corruption aimed to make licenses, permits, and registrations fewer in number and easier to obtain. CSD’s advocacy work on legislative reform in the field of privatization, supported by CIPE, was instrumental to the success of the regulatory reforms in the 1998 Action Plan.

## **Cutting Corruption, Monitoring Progress**

One notable achievement of the coalition has been bringing anti-corruption to the forefront of the policy agenda. There had been virtually no discussion in Bulgaria about this issue prior to CSD’s work. Due to CSD’s activism in this area, the public is now less tolerant of rent seeking and demands increased accountability from public officials. This widespread awareness and vigilance largely explains why administrative corruption has been slashed to half its 1998 level.

Measuring corruption, through CSD’s Corruption Monitoring System (CMS), was an important method the

coalition used to raise awareness. The system is a set of quantitative and qualitative monitoring instruments designed to generate information about the scope and dynamics of corruption. The CMS also measures related perceptions about corruption among the public, public sector officials, and other professional groups. The system's main product is the Coalition 2000 Corruption Index (CI), which summarizes the general dimensions of corruption and corrupt behavior, and is published on a quarterly basis. The qualitative and quantitative surveys of the CMS have confirmed that political elites as well as the public recognize corruption as a major impediment to democratic and free market systems.

Anti-corruption is now a strategic concern of the Government of Bulgaria. The government's first comprehensive anti-corruption document – the National Anti-corruption Strategy – was prepared with the active participation of Coalition 2000 and was largely based on the 1998 Action Plan. In early 2006, CSD was the primary institutional participant in drafting the government's three-year anti-corruption strategy, which called for a comprehensive mix of prevention and enforcement. The national strategy also led to the development of a system of indicators to monitor progress and actual impact, based on CSD's monitoring system.

Coalition 2000 was a strong proponent of the institution of the ombudsman, now accepted as a key element of a transparent governance mechanism. Since the election of Bulgaria's first ombudsman in April 2005, this office has investigated a significant share of complaints received. Within the first year and a half, the ombudsman received nearly 2,500 individual complaints and alerts. In almost 97 percent of the cases, the ombudsman took action regarding the specified matter. Most complaints referred to property issues such as land restitution, but there were considerable numbers of complaints pertaining to social issues, public services, and administrative services.

Coalition 2000 has made great strides in establishing the fight against corruption as a mainstream concern on the policy agenda, and in evaluating its progress. Today, government

in Bulgaria no longer denies that corruption exists, and is implementing an active strategy against it. The public, once accepting corruption as a matter of fact, is now verifiably less tolerant, demanding increased accountability in public service. CSD's Corruption Monitoring System has demonstrated that corruption can be measured and that measurement is crucial to developing successful solutions.

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## **Sources**

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## Creating Frameworks for Anti-corruption and Ethics

*by Nafisul Islam*

Drug trafficking and terrorism are often portrayed as the most severe threats to Colombia's economic and political progress. But in a survey conducted by the Colombian Confederation of Chambers of Commerce (Confecámaras) and the Corona Foundation, more than 37 percent of Colombians identified corruption as the country's main problem. Confecámaras pioneered the Probidad ("integrity") project in late 1999 to fight corruption in the public sector and change the culture of business in Colombia. The goal of the project, a multi-faceted private sector initiative supported by the Center for International Private Enterprise (CIPE), was to promote business ethics and develop a transparent business culture. It also sought to respond to pervasive corruption by forming legal and regulatory foundations for ethical business.

The private sector had always played a minor to insignificant role in challenging Colombia's pervasive corruption, mainly due to a fear of political retribution. Confecámaras became the first private sector organization to undertake a dedicated anti-corruption campaign in Colombia; because of their initiative there is today a greater awareness of corruption and its relationship to the private sector.

CIPE encouraged Confecámaras to drive a policy advocacy campaign that would engage both the public and private sectors on the issue and create a better environment for ethical business. When the Probidad project was initiated, a substantial portion of Colombia's government resources were distributed through public contracts. The absence of transparent rules and regulations in the procurement process created opportunities for widespread corruption. These circumstances spurred the Probidad project to work toward curbing corruption with a particular focus on restructuring the procurement process.

Confecámaras began its initiative by conducting three anonymous surveys on corruption that included more than 1,500 respondents in 15 cities in Colombia. The surveys helped gauge the perceptions of businesspeople concerning the local procurement processes. The anonymous format of the surveys allowed respondents to comfortably engage in open discussion on businesses' initiation of and participation in corruption. The results suggested that the timing was right for reform and that it could be effectively initiated by the private sector. Although the majority of the business leaders participating in the survey acknowledged their involvement in unethical business practices, 62 percent said that they were ready to accept the costs of committing to higher ethical standards. The surveys served as a platform from which other anti-corruption initiatives were launched.

## From Surveys to Results

Confecámaras took the lead in developing five key frameworks for its two primary objectives: combating corruption in general and addressing procurement problems specifically. One of these frameworks was the development of Transparency Pacts in early 2003, just before the democratic elections for governors and mayors. The Presidential Program against Corruption invited Confecámaras to participate as a strategic ally in the development of these pacts. The initiative aimed to solidify political candidates' public commitment to transparency. It resulted in a total of 77 elected mayors and governors committing to transparent practices. To complement this process, Confecámaras mobilized citizen organizations to form follow-up committees that would gauge compliance with the Transparency Pact after the elections.

**It is now mandatory for all government agencies to adhere to new guidelines for enhancing competitiveness and transparency in the procurement process. The private sector has become actively engaged in anti-corruption initiatives.**

Not long after the Transparency Pacts project, Confecámaras developed the Ethical Code of Conduct, a voluntary measure to promote higher standards of integrity in business transactions

and to provide protection for firms that are subjected to extortion attempts. For its pilot program in November 2003, Confecámaras selected 10 small- and medium-sized enterprises (SMEs) in Bogota that had subscribed to the code. This pilot program evaluated the effectiveness of the code and incorporated the findings in a revised version. In 2005, Confecámaras published the “Guide for Ethical Management of SMEs,” and followed up with workshops in six cities to promote the guide and explain how ethics could be a competitive tool for businesses. In all, 1,855 businesspeople subscribed to the code and its principles.

Confecámaras was also successful in developing public-private partnerships at the local level. In the city of Manizales, the municipal government made Integrity Pacts mandatory for most large-scale public bids. The city’s new process included an oversight committee comprising participating public sector businesses and agencies, local chamber of commerce representatives, and Probidad project staff. The committee evaluated the procurement process and disclosed any falsified contracts. This process greatly increased the levels of transparency in Manizales’ public procurement system. During the project, 12 Integrity Pacts were signed between the municipality of Manizales and the governor’s office. The initiative was well-received by local business leaders, who aided in revising the procurement process at the same time as making private-public partnerships more transparent.

Probidad advocated at the national level for legislative reform toward transparency in the procurement process. In 2002, the Colombian Government began investigating ways to strengthen and improve the procurement process and to create a new procurement law. Confecámaras was invited to participate in a series of meetings along with other experts on procurement law. As a result of this process, in September 2002 the government promulgated Decree No. 2170, which established new rules for the prevention of corruption in the public procurement process. The decree included five business community recommendations gathered by Confecámaras. All five of these recommendations were incorporated as mandatory requirements in the decree. They addressed the need to publicize the terms of reference of each public bid, expand public awareness, encourage the participation of civil society, ensure objective selection on direct purchases,

and strengthen electronic contracting procedures. The decree made it mandatory for all government agencies to adhere to the new guidelines for enhancing competitiveness and transparency in the procurement process.

## **Creating Sustainable Foundations**

Confecámaras and its Probidad project led the way in developing frameworks for combating corruption and introducing higher ethical standards into the procurement process. Its reputation is now well known in many arenas. Recently, Confecámaras was a leading advocate for the reform of Colombia's Procurement Law No. 80, expected to pass in 2007. The reforms were modeled after the Probidad project's surveys on corruption. Almost all congressional debates on the Procurement Law made reference to research and recommendations produced by Confecámaras; additionally, Confecámaras created key alliances with other private sector actors in support of the legislative changes. The most important changes that were approved included the elimination of automatic concessions and the promotion and strengthening of local SME participation in public bids.

The most far-reaching impact of Probidad has been its success in actively engaging the private sector in anti-corruption initiatives. The Probidad program generated a new relationship between the public and private sectors and introduced a new, more systematic understanding of corruption and ethics into Colombian society. Its code of conduct is regarded as the backbone of strategies to encourage business ethics and promote a new class of business leadership in Colombia.

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