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About Impact

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By sharing knowledge and engaging in broader dialogue, we aim to improve the understanding and practice of development, in order to achieve better development impact.



Global forum explores why corruption is still blocking the way

ABSTRACT

In November 2006, HAI Governance Consultant Jane Ellis participated in the 12th International Anti-Corruption Conference (IACC) in Guatemala. The IACC is held biennially and is the leading global forum for knowledge sharing and exchange on anti-corruption policy and practice. This issue of *Impact* summarises the key messages, discussions and lessons from the 2006 IACC.

INTRODUCTION

The 12th International Anti-Corruption Conference (IACC) was held in Guatemala City in Guatemala, on the 15-18 November 2006. The central theme of the conference explored the question of 'why corruption is still blocking the way'. The question perhaps may seem naïve, but it is timely given the history of the IACC¹ and the focus various institutions and donors have had on corruption over the past ten years.

The IACC noted broadly that at the global level the increasingly open discussion on corruption has helped put the issue on most political agendas. However, and perhaps unsurprisingly, the actions taken to implement anti-corruption commitments, for example, the agreeing of multiple international conventions, have not matched the political rhetoric.

As such, the IACC emphasised the value of working with a range of stakeholders across sectors to encourage reform. This is best highlighted through a selection of key messages explored at the IACC.

KEY MESSAGES

There is a need to engage more with the **private sector** in developing countries. Clearly the focus here is not on the multinational corporations operating in

developing countries, although that clearly is important, but rather the small to medium enterprises (SMEs), particularly in those countries that have a particularly bad reputation for corruption. In many cases the capacity of SMEs and the associations that seek to support them is limited, which means both capacity building and institutional strengthening is required. And there needs to be a better understanding of the drivers that cause SMEs to participate in corrupt conduct. Those SMEs operating informally, which in some countries constitute about 60% of SMEs, are particularly vulnerable.

While the anti-corruption gaze has broadened, **institutional processes** continue to contribute to corruption. As such there is an ongoing need to address/reform regulatory frameworks in various industries. Weak and inadequate institutional processes have a negative impact on democratic institutions, result in a lack of service orientation and ultimately mean critical decisions are left to the bureaucracy. There is a view that decentralisation can overcome many of these failings, however, there is also a recognition that decentralisation can give rise to other problems. Essentially it becomes a choice between poor governance and corruption at the federal/national government level versus at the local government level. It becomes

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a question of which is easier to address and reform.

It is important to **properly target** reform programs. For example, according to research presented at the IACC, addressing financial accountability and parliamentary oversight has an excellent impact where governance is good but a poor impact where governance weak. Likewise raising awareness campaigns and establishing anti-corruption agencies, are only useful where governance is already reasonably good but tend to be ineffective where governance is weak. In contrast, public sector reform, decentralising and changing the focus of the public sector (to be more service delivery oriented) has a greater impact where governance is weak. Key areas to focus on when governance is weak: economic policy reform, media and judicial independence, rule of law, reducing public sector – research indicates that all these have a higher impact than any other reform.

Finally, there is an increasing focus on corruption in the **water sector** and its impact on the poor. The problems with corruption in the water sector are not unique to water; for example corruption can occur in the construction of infrastructure, operations and service delivery. However the consequences of such corruption can be particularly damaging for the poor; for example water infrastructure is built to favour the rich while the poor continue to source poor quality water. With the water sector being an increasing subject of focus for donors, it is essential that anti-corruption objectives are incorporated into program designs and implementation.

FOCAL THEMES

To address its main theme, the IACC held a number of plenary sessions and multiple parallel thematic workshops. The plenary sessions covered the following:

- Opening Plenary – Towards a Fairer World: why is corruption still blocking the way?
- Plenary II – State for Sale: corruption and embedded networks of influence
- Plenary III – Breaking the vicious circle: corruption and poverty;

obstacles to social and economic rights

- Closing Plenary during which major themes identified at the conference were discussed (and some robust exchanges occurred)

At the end of the Opening Plenary six presidents – from Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama – along with two representatives from Belize and the Dominican Republic, signed a declaration, called the Guatemala Declaration, that commits all participating Governments and leaders to fight corruption, promote transparency, and reach concrete outcomes in the fight against corruption by 2010.

The workshops were conducted around the following themes:

- International instruments and cooperation: the challenge of implementation and enforcement
- Breaking the vicious circle: corruption and poverty; obstacles to social and economic rights
- Towards a sustainable future: corruption and natural resources management
- State for sale: corruption and embedded networks of influence
- Changing for good: the role of private sector in countering corruption and advancing social and economic rights
- Ensuring development works: corruption and aid effectiveness
- Focus on special topics: dealing with security and impunity
- From local to global action: actors, tools and anti-corruption strategies.

DISCUSSIONS

Discussions included: vested and entrenched interests; the need to strengthen civil society including the media, private sector, and community based NGOs; and, the need for political will. One presenter, Mr José Ugaz, a lawyer from Brazil, focused on criminal networks, how they operated and the irrelevance of conventional constraints such as sovereignty, borders, or

About the Author



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From 2000-2005, Jane was a Director of Transparency International Australia, and was involved in a range of work to improve transparency and anti-corruption measures in the Pacific region.

Jane has also worked as a lawyer on a range of private sector and corporate governance issues, including infrastructure and utility regulation and national competition policy.



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jurisdictions as they have large resources, are task oriented and operate globally with no regard to recognised territories. Mr Ugaz argued we need to have a better understanding of the economic incentives driving such conduct and involve governments at that level.

Another presenter, Mr John Githongo of Oxford University (and a Kenyan in exile) spoke of corrupt embedded networks in democracies and how they operate, a topic clearly relevant to this region. The hierarchy tends to be politicians, bureaucrats, security sector networks and business/private sector. The industries most likely to have captured government tend to be extractive, defence/security and communications. Mr Githongo noted that changes of government do not change the bureaucracy which means political reforms often are not reflected in bureaucratic processes, eg procurement. Behaviour worthwhile monitoring, in seeking to identify or locate corrupt bureaucrats, include identifying those who knock back promotions and/or who are quick to suggest that a committee be established to investigate allegations of corruption!

CONCLUSION

It was generally agreed by participants that the embedded nature of corruption meant donors struggle to find an entry point toward addressing corruption. Thus, the challenge is to better understand how to build public opinion and hence political support to essentially encourage or indeed compel reform despite the entrenched interests that are the beneficiaries of existing corrupt systems. Toward that end, it was agreed that the main elements to explore and develop further are:

- Transparency of information flows
- Embedded nature of social norms that drive the incentives of institutions and decision-makers
- Empowerment of civil society

To quote the Honourable Justice Barry O'Keefe, Chairman of the IACC:

"... three simple truths emerged [from the IACC]:

Countries cannot afford to be complacent about corruption;

They must move beyond expressions of political will to take concrete actions;

The people must demand accountability."

MORE INFORMATION

12th International Anti-Corruption Conference 2006

<http://www.12iacc.org>

¹ The first IACC was held in Washington DC in 1983. The initiative for the conference came from a number of anti-corruption law enforcement agencies. While the focus of the initial IACCs was on law enforcement, the scope of the conference expanded thereafter to include other aspects of corruption and anti-corruption and the stakeholders involved in those areas.