NGO PERSPECTIVE: FROM WORDS TO DEEDS

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Issues

• Policy distortions

• Institutional incentives

• Governance
Implications

- More costly public investments
- Lower government revenues
- Lower expenditures on operations and maintenance
- Lower resource surpluses

Poorer economic performance
Controlling Bribery and Civil Liberties

Source: Kaufmann and Sachs (1998)
Bribery vs. Civil Service Professionalism

$r = 0.86$

Civil Service Professionalism vs. Bribery
Corruption and Rule of Law

S&P-DRI Corruption Index vs. Rule of Law (ICRG, average 1990s)

r = 0.82
Bribery vs. Civil Service Professionalism

The diagram shows a scatter plot with countries on the x-axis representing Civil Service Professionalism and the y-axis representing Bribery. The correlation coefficient $r=0.86$ indicates a strong positive correlation between the two variables. Countries are marked with their acronyms, and the trend line suggests that countries with higher levels of civil service professionalism tend to have lower levels of bribery.
Corruption and Rule of Law

S&P-DRI Corruption Index

Rule of Law (ICRG, average 1990s)

$\rho = 0.82$
Even more important (than regulatory interventions) in understanding bribery and corruption is the degree of regulatory discretion.
Time Management Spent with Bureaucrats and Frequency of Bribery

% Management Time with bureaucrats vs. Frequency of bribery (WDR 1997)

Corruption Perception By Regions

- OECD
- East Asia
- Central/Eastern Europe and Baltics
- Middle East and North Africa
- Latin America and Caribbean
- South Asia
- Sub-Saharan Africa
- Former Soviet Union
Multipronged Strategy for Combating Corruption
Multipronged Strategy for Combating Corruption

Economic Policy:
- Deregulation
- Tax Simplification

Civil Service:
- Pay
- Meritocracy

Financial Controls:
- Audit
- Procurement

Legal-Judicial:
- Independence
- Judicial Strengthening
- ADR Mechanisms

Public Oversight:
- Parliamentary Oversight
- Civil society and media
- “Power of data”/Surveys
- Independent agency/NGO
The Response

Institutional and Civil Service Reform:
- Transparent Privatization in Ecuador
- Salary Reform in Bolivia
- Disclosure of Assets in Bolivia and Georgia

Legal-Judicial:
- Revamp of Supreme Court in Bolivia
- Competency test of judges in Albania
- Mediation in Albania

Economic Policy:
- Deregulation and Delicensing in Bolivia
  - Revamping Customs in Ecuador and Latvia
  - Tax Administration in Latvia and Ecuador
  - Tax/Customs Code Reform in Albania

Financial Controls:
- Procurement Reform in Bolivia, Ecuador and Georgia

Public Oversight and Civil Society:
- Ombudsman in Albania and Bolivia
  - Private Sector Coalition in Bolivia
  - Diagnostic Surveys and NGO monitoring in Ecuador and others
Latin American
Anti-Corruption Tool Kit

Introduction

As the TI movement passes from a period of awareness raising to one where concrete actions are taken to fight corruption, there is an accompanying need to document the activities of the National Chapters in order to demonstrate best practices and lessons learned. Civil society has enormous potential to create mechanisms for social control, demanding and promoting action for accountable and responsive public administrations. The Latin America Anti-Corruption Tool Kit is an effort to highlight this potential and provide inspiration for others within the TI movement and beyond.

The Latin America NCs have articulated a desire to systematise their practical experiences and to share the anti-corruption tools they have developed. The Latin American Anti-Corruption Tool Kit presents a range of anti-corruption activities in an accessible and concrete format. The cases draw attention the importance of collaboration with the public and private sectors and the need for coalition building within civil society.

The write-ups situate the tools in the specific national socio-political context and in the context of the responsible organisation. You will find detailed descriptions of the stages of implementation, sections on tangible positive and negative results and lessons learned. The Latin American Anti-Corruption Tool Kit covers a range of activities, in different areas, including:

- Corruption control in public procurement
  - Integrity Pacts, Colombia
  - Integrity Pact, Panama
  - Public Hearings, Argentina
  - Price Comparison, Colombia

- Transparency in Election Processes
  1. Visible Candidates
     - Argentina
     - Colombia
     - Ecuador
     - Panama
  2. Monitoring of Election Campaign Financing
     - Argentina
The Response

Price Comparisons

- Professional Coordination
- Homogenous products
- Primary data (invoices, contracts)
- Information analysis (price ranges, averages)
- Bulletin, Publications, Dissemination
- Monitoring Results
The Response

Public Hearings

- Meeting with Stakeholders, including media
- Levelling Playing Field; Technical Experts
- Agenda, Trade-Offs Assessment, Discussion, Minutes
- Explicit Resolution of Issues
The Response

Integrity Pacts

• No-bribery commitment by bidders
• Commitment of government to prevent extortion and acceptance of bribes
• Disclosure of payments
• Sanctions against bidders who violate their no-bribery commitment
• Involvement of civil society in monitoring bid evaluation, award decision process and implementation of the contract
Ominous Correlations: Governance

Source: World Bank Institute
Mining Sector: Issues

• Sudden wealth, easy money
• Location limitations
• Conflicting interests between mine finders, mine builders and operators, local community, governments, civil society.
• Government regulations, taxation regime, incentive structures.
Mining Sector: Emerging Supply & Demand Forces

- Supply-side:
  - OECD Convention
  - Corporate Codes of Conduct
  - Industry Standards

- Demand-side:
  - Local Governance Framework
  - Institutional & Policy Evolution
  - Role of Multilateral Organizations
Mining Sector: Economics

Cash Costs: Selected Countries

2000 currency

Intensity of Copper Use\(^1\) in Selected Developed Countries (1985=1.00)

1: Copper Consumption Index to Industrial Production Index Ratio
Mining Sector: Economics

Intensity of Copper Use\(^1\) in Selected Developing Countries (1985=1.00)

Per Capita Refined Copper Consumption, 1998

1: Copper Consumption Index to Industrial Production Index Ratio
Mining Sector: Dynamics

- Order takers ➡ Decommoditising
- Cost cutting ➡ Downstream, End-User Strategy
- Productive focus ➡ Partner-approach (manufacture, regulators, complementors)
- Enterprise manager ➡ Structural support (environment, human health, transparency, scrutiny)
Mining Sector: Dynamics

SEGMENTATION

Production Lock-in; proprietary standards

Best Product; cost-advantage

Customer Solutions; promotion

Global Integration; scrutiny

GLOBALIZATION
Addressing the Issues

• Efficient Collection of Revenues
• Extractive Industries Revenue Management
• Budgetary Discipline
• Public Expenditure Management
• Institutional Strengthening
• Transparency and Accountability
• Civil Society Participation & Tracking
Revenue Management

• Revenues Flow through Off-shore Audited Escrow Accounts

• X % Royalties and Dividends to Special Accounts (examples):
  • 80% Poverty Reduction
  • 15% Government Expenses
  • 5% Local Region

• 10% Future Generations Fund
Civil Society Participation & Tracking

- Information Campaign
- Surveys / Consultations
- Poverty Reduction Strategy
- Integrity Pact, Monitoring Arrangements
- Public Access; Feedback; Diagnosis
Conclusions

Levelling the Playing Field

- Establish Coalitions
- Support / Build National Chapters
- Encourage Research
- Enhance Networks, Transfer Know-how
- Experiment Integrity Pacts
- Support Reforms & Monitor
Conclusions

• **A Time for Optimism and Commitment**
  • Greater focus and attention: irreversible commitment
  • Increasingly open and participatory dialogue
  • Innovation: New ideas and experimentation

• **Need for rigor and concrete actions**
  • Empirical and Analytical Rigor: Diagnostics
  • Reforming misgoverned institutions (e.g., judiciary, tax)
  • Political obstacles: powerful losers

• **A Need for Realistic Expectations**
  • Complex challenge: institutionalization
  • Improvement, not perfection
Conclusions

A Role for Everyone

- Competition rest on superior products/services at competitive prices.
- Businesses establish and implement codes of conducts.
- Businesses engage governments and civil society (PBEC Charter, need for work with TI).
- Build-up civil society for sustainable development.
Back-ups
The Future Response: Example

Petroleum Import Dependency
Government Involvement and Levels of Inefficiency

Chart 3
More government involvement results in greater inefficiencies
Countries in the upper left block have high government involvement and low supply inefficiencies. The savings they can accrue through better procurement is shown in parentheses.

Potential savings (million dollars)
High
- Zimbabwe (35)
- Madagascar (3)
- Somalia (5)
- Sudan (18)
- Guinea (6)
- Angola (0)
- Ghana (1)
- Nigeria (4)
- Benin (0)

75%
- Uganda (9)
- Mauritania (0)
- Kenya (8)

Medium
- Zaire (55)
- Gabon (10)

25%
- Lesotho (1)
- Botswana (6)
- Swaziland (4)
- Namibia (4)
- Djibouti (2)
- Togo (0)

Low
- Mali (14)
- Rwanda (6)
- Burundi (11)
- Chad (14)

1 Measured by percent of crude finished products imported by government agencies.
Note: Figures in brackets represent inefficiencies from procurement only (million dollars).
Potential Savings

Chart 2: Potential savings are significant

This chart shows how much money countries can save at each stage of the petroleum stream from initial procurement to final distribution. It differentiates between savings obtained through policy changes (green bar) and through investment (dark bar). The savings are cumulative as you move from left to right (620 + 520 = 1,240 + 180 = 1,420).

Cumulative savings at each stage

- Procurement
  - $90
- Refining
  - $250
- Total supply
  - $840
- Inland distribution
  - $10
- Total savings
  - $920

Cost at each stage (dollars per ton):

- Procurement: $25
- Refining: $20
- Total supply: $15
- Inland distribution: $6
- Total savings: $81

# Oil Rents in Selected Countries

## Estimated Annual Rent ($Billion)

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<th>Country</th>
<th>@ $10/BBL</th>
<th>@ $20/BBL</th>
<th>@ $30/BBL</th>
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<td>30.1</td>
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<tr>
<td>Mexico</td>
<td>9.8</td>
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### Blessing or Curse?

**Average Annual GDP Growth (%)**

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