

GLOBAL INTEGRITY SUMMIT

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OUTCOME PAPERS

Integrity and
Anti-Corruption



Towards an Integrity 20

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INTEGRITY AND ANTI-CORRUPTION

Corruption itself comes in an array of guises. While mega-corruption scandals (e.g. in government procurement) steals the headlines, petty corruption is widespread and impacts upon many more citizens and businesses. Petty corruption itself needs to be distinguished between bribery (paying to get something you don't deserve) from extortion (being forced to pay for something you do deserve).

While it was once thought that corruption was a viable development option (bribing the Colonel provided predictability for investors) it may be seen as a 'fast road to a dead end' for economies where it becomes widespread.¹ This wide recognition has led to many good ideas for combating corruption – possibly too many good ideas to pursue in isolation.

FROM COMBATTING CORRUPTION TO BUILDING INTEGRITY

While countries are encouraged to develop national anti-corruption plans, these often appear as a list of actions comprising separate legal, institutional, economic and ethical measures rather than a **highly co-ordinated multi-path strategy** of mutually reinforcing measures (of the kinds found in developed 'integrity systems'). Even the strongest anti-corruption programs suffer a flaw. Governance goals cannot be reduced to negatives like combating corruption. If corruption is seen as the 'abuse of entrusted power for the personal benefit or party political gain' it is necessary to know what the 'correct' use is. This leads us to the more central concept of **integrity** ('the use of entrusted power for publicly justified and officially endorsed purposes'). The point of government is not merely to avoid the abuse of entrusted governmental power – a goal that could be achieved much more thoroughly by eliminating government. The point of concentrating people, power and resources in our institutions is to further the interests of the public even though this generates the risk of corruption – the abuse of that power. Accordingly, governance systems need to be designed to **maximise integrity** and minimise corruption, maladministration and other failures of integrity. Integrity and anti-corruption systems can be seen, in part, as a form of macro institutional risk management – including risks other than corruption. But they should also be seen as something more positive, ensuring that communities secure the claimed benefits the institutions they create and permit.

INTEGRITY SYSTEMS

While anti-corruption agencies are generally an important part of such governance systems, they can only be a means for protecting the integrity of other institutions in pursuing their publicly justified purposes. Concentrating too many powers in the hands of an ICAC (Independent Commission Against Corruption) constitutes a corruption risk in itself. This led to a realisation that the promotion of integrity and combating corruption requires a set of integrity institutions, backed by legal ethical and economic measures, mutually supporting and cooperating with each other when they are fulfilling their role and mutually checking when they do not. It has also been recognized that integrity systems are not confined to 'state' institutions from the three traditional arms of government. They include 'fourth arm' institutions that operate independently of the executive such as auditors-general, ombudsmen, judicial commissions, public service boards and inspectors-general. Integrity systems also include NGOs (local and international, large and small), an independent media and, in some cases, faith based organisations. While corporations have significant responsibilities and can play an important role, the role of professions in promoting integrity is starting to be recognized.

This combination of measures was given various names – 'ethics regimes' in 1991, 'ethics infrastructure' in 1996 (OECD) then 'national integrity system' in 1998 (Transparency International (TI)) – of which the last has enjoyed the widest currency. Interestingly, given the location the G20, all of them were inspired by the root and branch reform process followed by Queensland in the early 1990s.

¹ Potentially, the very mechanism that provided predictability (paying off those whose actions could affect the success of the enterprise) and which made early quick growth possible ended up inhibiting that growth as more and more people had to be paid off.

A number of methodologies have been developed for assessing and analysing integrity systems, including two by TI in conjunction with researchers. These methodologies offer the possibility of integrating legal, ethical, institutional and economic means for promoting integrity and combating corruption. However, many anti-corruption efforts are not informed by such approaches and remain mired in a long list of measures, good in themselves, but not integrated.

GLOBAL INTEGRITY SYSTEMS

While this suggests the use and refinement of the ethics infrastructure/national integrity system approach to integrate current and future anti-corruption measures adopted by the G20, they do not, in their current form, deal with two of challenges facing G20 countries in promoting integrity and combating corruption. First, many of the integrity issues G20 countries face are not confined to single countries. The G20 became a leaders meeting because of problems within the global financial 'system'. Addressing such issues requires the mapping, analysing, assessing and improving of sectoral integrity systems at a global level – starting with global finance. The B20 (business 20) has also raised the importance of addressing integrity in international trade negotiations (and, presumably, their implementation).

CORRUPTION SYSTEMS

The second challenge was recognised by a head of the Italian 'clean hands' campaign who pointed out that, in many countries, there are 'corruption systems' which possess all of the characteristics you would want to find in a national integrity system – clear values, strong institutions linked by long term and effective relationships, valuable incentives and very strong sanctions. Indeed, in many countries, the national corruption system is much more effective than the integrity system, not least because of constant attempts by the former to disrupt the latter. Integrity institutions need to recognise that they are generally not just dealing with corrupt individuals and organisations but corruption systems. Accordingly, we need to map, assess and analyse national and international corruption systems to identify weaknesses – just as the corrupt seek to do with integrity systems. To this end, we also need to look at various attempts to disrupt, expose and destroy corruption systems so that those afflicted by them can progress.

Accordingly, G20 countries need to understand, map, assess and analyse the corruption systems that operate within and across these borders through the development of existing work on corruption system assessment and corruption network research. G20 countries should also describe and analyse the various means for tackling large scale corruption based on previous successes and failures. They should also compare the mechanisms for successful reform pursued by member countries (including the reform process in Queensland through a bi-partisan appointed governance reform commission²).

VALUES

Values constitute a vital resource in the battle against corruption and were always seen as a key part of 'ethics regimes/infrastructures' and 'integrity systems.' Laws and regulations can only extend so far, and coercive measures prove most effective when they make sense to, and emotionally resonate with, those expected to comply with them. As the point is sometimes put, culture eats strategy.

Entrenched social mores and traditions ultimately constitute the best long-term defense against new corruption challenges. Honesty, open-ness, probity, fairness and respect One account stresses five 'C's': Connectedness (one does not cheat one's friends); Courage (to stand firm against bribery); Caring (for those who suffer the costs of the action); Cosmology (appreciating one's place in the larger world); and Commitment (acknowledging that challenging corruption is a long-term process, requiring action one day at a time).

Of course, nurturing a transformation in cultural values is not easy. Several points warrant emphasis. First, education can be a key resource in this respect, especially because it can directly target the young. Education can stress the value of the rule of law, and appeal to human dignity and local religious principles.

² Reflecting the fact that, reform of the rules of the game needs to be a bi-partisan or non-partisan affair – without which there is a risk that there will be no game.

However, the corrupt usually know they are doing wrong. And idealistic graduates are more likely to be corrupted by the institutions they join as juniors than purify them. Second, the larger socio-economic context matters; citizens need to know that they have genuine opportunities to succeed through hard work and honesty. Third, official and institutional rewards for outstanding probity, including honours, promotions, appointments and esteem can nourish the growth of social values. Fourth, inspiring success stories must be heeded, as the road to overcoming endemic corruption can sometimes seem impossibly long.

It was previously held that some countries and cultures legitimated or were, at least, more tolerant of corruption. However, when those who live within corrupt societies secure a voice they tend to condemn corruption even more vociferously than first world anti-corruption campaigners. Most long standing cultures have values emphasising integrity and decrying corruption and it is arguably a better strategy to ground integrity systems on those local values rather than be seen to import the western forms of those values, making it easy to complain that anti-corruption campaigners are importing western values.

NOT JUST GOVERNMENTS

While most participants in the G20 process call for ratification of UN and OECD anti-bribery conventions, other institutions clearly have a role. The B20 recognises the key role that corporate responsibility plays in tackling the supply side of corruption and that companies should be incentivised to develop compliance programs and self-reporting of breaches. They emphasise the positive role of corporations in innovation (they are the best ones to develop best practice). However, ethicists would suggest that corporations should go beyond compliance and build integrity into their values, their justification for their existence and their license to operate. NGOs can provide further 'eyes' to monitor the integrity of public agencies (and corporations). And lawyers will rightly demand criminalization for those who fall too far from the aspirations of corporate integrity.

INNOVATION AND TECHNOLOGY

Innovative solutions are often necessary to combat corruption. While technology offers new avenues for wrongdoing, it equally offers promise in responding to and pre-empting the abuse of power. Increased transparency can be possible by placing government procurement contracts online, available to local community members. In developing countries, smartphones can be used to take date- and location-stamped photographs by officials checking up on service-delivery.

MULTI-USE MECHANISMS

The importance of ownership transparency is now widely recognised. As late as 1998, calls for full traceability of all international transactions to aid the recovery of looted asset was resisted on 'privacy' grounds. This impeded efforts for transparency in chasing tax avoidance/minimisation/evasion. The need to combat terrorism swept away much of that resistance. The B20 supports ownership transparency and the C20 (civil society 20) calls for public registries which are required to disclose accurate beneficial ownership information in open data format of companies, trusts and other legal structures to tackle tax avoidance, tax evasion, corruption, money laundering and terrorist financing. Effective whistle-blower protection also has an important role across tax and finance as well as in combating corruption.

WHY SHOULD THIS BE A PRIORITY FOR G20?

The importance of combating corruption (and, more generally, the promotion of integrity) is not questioned inside or outside the G20. Nor are ideas for doing so in short supply. However, integrating these answers into coherent integrity systems is difficult. Many of the problems the G20 confronts are not strictly a matter of corruption but of a lack of ethics and integrity. Many see the 'Global Financial Crisis'/'Great recession' as at least partly caused by serious failings in the ethics and integrity of bankers, ratings agencies and the professional lawyers, accountants and auditors who worked for them. The same can be said of the LIBOR (London Interbank Offered Rate) scandal and currency manipulation. In other areas of the G20 agenda integrity is critical and failures of integrity are not essentially a matter of corruption – including financial regulation, BEPS and infrastructure.

G20 action on anti-corruption is worthwhile, for history has shown that international measures can work. While it has limitations, the OECD Anti-Bribery Convention has had positive impacts, and periodic review mechanisms can prove powerful pressures for compliance. So too, if domestic constraints can be placed on multi-national corporations, then these powerful institutions have strong reasons to level the playing field by throwing their support behind anti-corruption measures.

SOME ISSUES TO BE CONSIDERED

- Where are the most acute internal and external corruption risks facing G20 countries?
- What are the most effective measures for mapping and countering corruption and how can they be coordinated into effective integrity systems? What contribution should corporations, NGOs, professions and faith based communities make? How can domestic or international pressure be applied to multi-national corporations to provide them with self-interested reasons to support anti-corruption initiatives?
- How can we protect whistleblowers? How can we design integrity institutions so that we do not need them?

SOME POSSIBLE SUGGESTIONS FOR THE G20 ARISING OUT OF THESE SESSIONS

What should the G20 do?

- The Brisbane Leaders' Declaration should emphasise the importance of promoting integrity as well as combating corruption and encourage the development of integrity systems and understanding their opposite (corruption systems). Anti-corruption measures are just one part of the more fundamental task of achieving institutional integrity, and anti-corruption measures need to be embedded in that larger framework.
- The G20 should endorse existing international efforts (at the OECD and UN) to combat corruption, and consider how the G20's decisions could support these efforts through domestic and international pressures.
- The G20 Action Plan 2015-2016 should commit to extending the ACWG, preferably renamed IACWG and include integrity and corruptions systems assessments at national and global levels in its workplan.
- The G20 should urge its members to encourage their integrity agencies, professions and academics to collaborate in integrity and corruption systems research within and across their borders.
- The G20 should encourage their research funding bodies to recognise this work as among their priorities including collaborative research projects involving corporations and relevant professions and NGOs.

What is the deliverable?

- Improved integrity systems and corruption systems methodology. Delivery of 10-15 integrity systems assessments under the new methodology and 3-5 pilot corruption systems assessments.
- Collection of best practice in tackling endemic and systematic corruption.

What is the timeframe?

End 2014: Inclusion of reference in Leaders' Communique and Action Plan 2015-2016. Identification of assessment teams in each country and in each global sector. Identification of leaders of those teams.

First half 2015: Planning of integrity systems assessments and corruption systems assessments. Identification of case studies for tackling endemic corruption.

End 2015: Completion of integrity systems assessments.

First half 2016: Completion of pilot corruption systems assessments and case studies for tackling endemic corruption.

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