

Combating corruption in the public sector

Success stories

Georgia- Anti- corruption reforms in public services (2003 and beyond)

Initial situation: Before reforms in 2003, corruption permeated nearly every aspect the public administration in Georgia. The traffic police was known for harassing people and extorting bribes. Bribes were needed to get a passport, register property, start a business, obtain a construction permit, and to secure entrance to a university. Corruption in the tax administration was widespread and decimated revenue collection (there were basically no revenue collection at all). Many corrupt government officials had been enriching themselves for years. In 2003 a new young government, dedicated to combat corruption came into power and they were armed with an overwhelming popular mandate (the president had 90 percent of the votes).

The reform: The program of reforms was comprehensive and targeted the core functions of the public sector. Long term strategies to combat corruption were implemented in the following areas: The patrol police, the tax administration, customs, the power sector, public and civil registers, university entrance examination, and local government service provision. These long-term strategies were complemented with short term measures such as high profile arrests and prosecution of criminal bosses, government officials and businesspeople suspected of corruption.

Reforming the traffic police

Corruption was at the core of Georgia's police system and the traffic police were the most visible sign of the corruption. Salaries were very low and officers more or less relied on bribes for their income. To clean up the traffic police ambitious measures were needed. Overnight, the government fired the entire 16.000 man traffic police force. A couple of months later a new police force, hired through a competitive and transparent process, took over. To increase monitoring and detect corruption undercover agents infiltrated the police force, a hotline for citizen complaints was introduced and video cameras on the road sides were installed. To reduce the opportunities for corruption fines were no longer paid directly to the police officer, but through commercial bank. These strategies were complemented by media campaigns aimed at changing people's attitudes towards the traffic police.

Reforming the tax administration

The government's ability to collect taxes was more or less nonexistent before the reform and corruption within the tax administration was widespread. To turn the situation around the government introduced a zero tolerance policy for corruption, with violations of the policy resulting in harsh sentences. As tax revenues increased, salaries increased. Staff incentives were also changed by the introduction of performance evaluations based on the ability to collect taxes. To improve monitoring, cameras were installed in tax officials' offices and target levels of tax collection were set and monitored. Through the introduction of new technology the tax administration was streamlined and online-filing introduced.

Reforming the power sector

With an average of only 6 hour of service, the Georgian power supply was limited and to secure power households and business often had to pay bribes. Part of the problem was the government's inability to collect electricity bills. To restore financial discipline, the power sector was restructured and some services privatized. To change staff incentives, staff of state-owned distribution companies was held accountable for collections of power bills and bonuses to reward good performance were introduced. As a complement media campaigns aimed at changing people's attitudes towards paying bills were used.

Reforming the public administration

Corruption was widespread within the public administration. Bribes were needed for all kinds of services, from registering a business to get a construction permit, obtain a birth certificate or to get admitted to the university. To deal with the problem several measures were introduced. Excessive business regulation was slashed. Entire government agencies, which were not considered to provide significant value, were shut down. So called "one stop shops" where citizens could get their requests administered in one single visit were introduced. New technology was implemented and the interface between citizens and officers were streamlined and new staff was recruited.

Reforming local government service provision

Local governments were responsible for the provision of many public services, but service delivery was poor, corruption widespread and transparency lacking. To improve the situation the countries 1,110 local government was consolidated into just 69 and democratic elections of majors were introduced. Transparency was increased through the introduction of an equalization grant system and improved monitoring. The responsibility for some of the services that had been subject to much corruption was taken over by the central government.

Reforming the customs

To combat the widespread corruption within the customs service the number of import tariffs was cut from 16 to 3. Corrupt officers were fired; a new service culture was introduced and the payment procedures were atomized.

Outcome: Georgia achieved remarkable results in reducing corruption in a short period of time. In 2010, Transparency International placed Georgia first in the world in terms of relative reduction in the level of corruption. Reforms were successful in all of the above areas: tax revenue increased substantially, financing of local government services tripled and power service went up from 6 hour service to 24 hour service.

Source:

World Bank (2012), *"Fighting Corruption in Public services in Public Services: Chronicling Georgia's Reforms"*

South Korea - Anti-corruption reforms in public administration (1993 – 2004)

Initial situation: Korea is known for its high level of corruption as well as its miraculous economic growth. The government-led development between the 1960s to the 1980 resulted in complex regulation and an unclear administration process, which some suggested have led to widespread corruption. Prior to 1992, the government's anti-corruption efforts were limited. Since 1993, eradicating corruption has been a top priority of every new presidential administration in Korea.

The reform: Major institutional reforms have been implemented. These reforms include mandated asset declaration for high-level officials, revision of the public service act, expanding the range of public officials subject to asset registration and post-employment restrictions. A freedom of information act went into effect in 1998 and a comprehensive Anti-Corruption Act was passed in 2002, after continuous push and efforts by civil society. The Act introduced the national level Anti-corruption agency. A new system to assess and monitor corruption was developed by the President's Special Committee on Anti-Corruption. In 2003, a Code of conduct for public officials was enacted.

The open system - introduced in 1999, allows the public administration to provide services to citizens online without face-to-face interference. The E-Systems also include a nation-wide Government Procurement System, which allows public institutions to submit offers for bids or contracts and obtain information on companies that want to conduct business with them. This online system also allows the public to track civil applications and obtain data. These comprehensive Anti-corruption efforts have been accompanied with extensive investigation and punishment of the corrupt elite.

Outcome: Various surveys of the experience of petty corruption consistently suggest that the level of petty corruption has decreased remarkably since the late 1990s. In Korea, between 5 and 8 percent of business leaders cited corruption as the key obstacle for doing business in 2003-05, but the percentage has fallen slightly to 4 – 5 percent during the last three years.

Source: World Bank (2013), *“Improving Governance and Addressing Corruption: A Few Lessons Learnt”*

Azerbaijan- Reducing corruption in Tax and Customs Administration (2004-2008)

Initial situation: For a variety of historical and cultural reasons corruption has been endemic in Azerbaijan. Often, paying bribes was the only viable means for citizens to obtain services from public officials. In 2003, a new president (Ilham Aliyev) came into power (he took over from his father). After his inauguration the new president decreed several anti-corruption initiatives, most notably the adoption of the Law on Combating Corruption in 2004, the establishment of the Commission on Combating Corruption in 2005, and the State Programme on Combating Corruption 2004-2006, aimed at reducing corruption in particularly within the tax administration.

The reform:

By 2004, when the new reform program came in to force, the tax administration had already undergone some modernization changes, mainly by the introduction of computer systems in collecting taxes. The new Anti-corruption reforms mainly consisted of the following efforts (i) the enactment of a consolidated tax code, (ii) the establishment of a full service large taxpayers unit, (iii) the adoption of automated systems in several functions, and (iv) the creation of a taxpayer services program. Since 2005, the modernization process continued with (i) the tightening of the VAT registration controls, (ii) the implementation of an integrated computer system for all taxes, (iii) the introduction of electronic filing, and (iv) the establishment of a one-stop shop business registration in early 2008.

In addition, reforms to strengthen human resources management were implemented. A common critique of the public administration of Azerbaijan was the politicization of recruitment of staff. To combat this problem a central system of competitive and anonymous examinations to determine job placement in the public sector was implemented. In addition, a rotation principle for public officials in the police and in the tax and customs authorities was introduced as a measure to counter corrupt practices in these organs. Monitoring was increased by the strengthening of registration controls and VAT payments were made more transparent by a system of VAT bank accounts.

A special effort was made to reduce corruption in the customs service, where administrative loopholes, had lead to significant tax evasions and to low collections of VAT imports and customs duties. To correct this problem, a system where custom clearance and card payments was made through a “single window” was implemented. This practice increased transparency in the implementation of customs and minimizes the one-to-one interaction between importers and customs officers, thus reducing the opportunities for corruption.

Outcome: It has been recognized that the tax reform has resolved tax administration irregularities regarding VAT collection, such as the fraudulent establishment of businesses with the sole purpose of requesting VAT refunds and noncompliance with registration procedures. Between 2005 and 2007 the tax administration saw a 50 percent reduction in the number of registered VAT taxpayers. However, although the Tax Administration has strengthened its system, some irregularities remain to be corrected.

Sources:

World Bank (2011), *“Trends in Corruption and Regulatory Burden in Eastern Europe and Central Asia”*

United Nations (2011), *“Fighting corruption in Azerbaijan: The importance of transparency”*

Russia - Reforms in the Russian Customs Service: 2003-2008

Initial situation: The Russian Federal Customs service is one of the largest Russian government agencies, with over 60,000 staff in 11 time zones. The business community has consistently perceived the Russian custom service as one of the major obstacles to trade facilitation. In Transparency International's Corruption Perception Index for 2006, businesses cited rent seeking by customs officials as one of the most serious problems affecting their operations in Russia. In an effort to integrate with the world economy and increase the prospects of economic growth, the Russian government launched the *Federal Targeted Program of Development of the Customs Service of the Russian Federation for 2001-2003*, in 2000. This program became the basis for the World Bank strategy to modernize the Russian Custom Service, approved in 2003.

The reform: The effort to reduce corruption was an essential part of the large-scale reform project focusing on modernizing the Federal Customs Service. There was a general agreement that change would not be possible, without improving the integrity and professional skills of customs officers, as well as substantially reducing opportunities for rent seeking by both officers and traders.

The Anti-corruption strategy included the following core activities (i) Harmonization and simplification of the regulatory framework, including a new customs code simplifying the custom regulation and customs procedures. (ii) Simple and transparent procedures including the introduction of risk-based verifications to reduce the number of physical inspections and thereby reducing the opportunities for rent-seeking. (iii) Automation of processes; discretion was to be reduced by improving and insuring data exchange and cross-checks, which was made available by the introduction of new technology. (iv) Strengthening and professionalizing customs administration by reforming human resource policies, the organizational restructuring and improving the management systems. A new code of ethics was introduced and had to be signed by every customs official, who also received ethics training. In addition, external feedback mechanisms were reinforced and a personnel inspection unit and an independent appeals mechanism were established.

Outcome: The reforms have shown positive results in several areas, the percentage of import declarations selected for physical inspection has been reduced by 78 percent, export declarations selected for inspection have been reduced by 89 percent, and the average clearance times for vehicle inspections have declined 63 percent. The Business Environment and Enterprise Performance Survey (BEEPS) showed a 45% reduction in bribe frequency from 2005-2008—the percentage of Russian firms stating that informal payments were frequent when dealing with customs decreased from 11% in 2005

to 6% in 2008. The BEEPS results complement the results of the internal stakeholder survey which also revealed fewer negative experiences, such as having to make additional payments to customs officials. However, despite major progress in critical areas, global rankings such as the World Economic Forum's Enabling Trade Index and the World Bank's Logistics Performance Index suggest there is still significant room for further improvement in customs administration.

Sources:

World Bank (2011), *"Trends in Corruption and Regulatory Burden in Eastern Europe and Central Asia"*

World Bank (2011), *"Russian Federation Customs Development Project: Measurable Progress"*

World Bank (2007), *"The Many faces of corruption"*

Bolivia – Combating Corruption in revenue administration 1997 and beyond

Initial situation: Throughout the 1990's successive Bolivian governments engaged in several initiatives to improve the public sector and reduce corruption, but the attempts produced little. In 1997, one month after a new government lead by Hugo Banzer came into power Transparency International placed Bolivia as number 7 on the list of the world's most corrupt countries. This news created a window of opportunity for the government to launch an anti-corruption initiative, which gained much popular support.

The reform: The reform program was called *The National Integrity plan* and consisted of a long term strategy to address structural issues. The focus of the reform was on strengthening the institutions through enhanced capacities and transparency and consisted of three major components. (i) A juridical reform aimed at improving the administration of justice as well as enhancing enforcement capacities. (ii) Public administration reform including implementation of modern systems for managing public expenditures and human resources. (iii) Short term anticorruption actions to build credibility of the overall reform.

One of the main problems in the tax administration was the politicization of personnel selection and lack of training of staff. There was a constant personnel rotation and high turnover of staff. Wages were low and there were no clear career path. A fundamental part of the reform therefore focused on developing human resources. A comprehensive merit based hiring process was implemented and more than 80 percent of the staff was replaced. Clearer and more technical job profiles were introduced and the salaries were increased by 36 on average.

Other problems were lack of financial resources, inadequate administrative and technical organization, lack of service culture, and a tax policy aimed at providing exemptions and benefits to specific taxpayers. To deal with these problems norms and procedures were streamlined and a new tax core was introduced. The new tax code significantly reduced the number of legal dispositions, which were often

contradictory and granted many exemptions and special treatment for specific taxpayers. Control facilities were strengthened through a new register of taxpayers and new technology, including a new online tax collecting system operating through commercial banks. Monitoring was improved by new inspection and control processes including the introduction of atomized audit selection system and a new investigatory unit was introduced to identify evasion.

To decrease the widespread fraud and corruption related to VAT refunds a new computerized system aiming at minimizing and the degree of human contact was introduced and inspection control processes were improved.

Outcome: The reform was successful in reducing corruption in the National Tax service and stemmed the loss of public funds. This was for example manifested in a substantial decrease in the amount of VAT refunds paid to exporters and Bolivia greatly improved its score in Transparency Internationals Corruption perception survey, during the years following the reforms. However, the problem of corruption has not been eliminated and in recent years Bolivia's survey in Transparency Internationals has worsened, which might suggest that the positive results have not been sustained under new governments.

Sources:

World Bank (2007), *"The many faces of Corruption"*

U4 Anti-Corruption recourse centre, *"U4 Expert Answer: Corruption in Tax Administration"*

Mexico – Reforms of the Tax Authority (late 80's and beyond)

Initial situation: In the 1980s, Mexico's Tax Administration Service, known by the acronym SAT, faced numerous challenges. First and foremost, SAT lacked an information management system to keep track of taxpayers and government employees. Second, with 300 tax offices sprinkled across the country, it took months for SAT to receive and process tax returns. Furthermore, taxpayers struggled to decipher which of Mexico's 60 tax forms to submit. Once submitted, each tax form had to clear 14 desks at SAT. Tax evasion was rampant, and SAT staff members lacked proper training in conducting audits and enforcing payments. SAT officers were also known to sell tax forms that were supposed to be free and engage in other forms of corruption.

The reforms: Reforms in the late 1980s and early 1990s helped modernize SAT and improve services by introducing a new information management system, computerizing records, simplifying forms, building staff capacity, identifying and minimizing corruption, and engaging private companies to help meet SAT's goals. In the mid-1990s SAT created an online program for tax services, known as "e-SAT". These early reforms lay the foundation for the renewed effort to combat corruption in the beginning of the 00's. The Anti-corruption strategy consisted of three main efforts; (i) the establishment of a system to anonymously denounce likely acts of corruption using phone, email or paper communication. (ii)

continuous monitoring of the internal transparency and service indexes using surveys, and (iii) evaluating staff reliability and reviewing the employment practices – with a focus on the removal and rotation of staff – for those in high-risk positions. These three efforts were complimented by public disclosure of tax officials’ income and assets, media campaigns, the establishment and dissemination of institutional values and cooperation.

Outcome: Although some of SAT’s progress has backslid over time, the early reforms brought about major changes in Mexico’s tax collection administration and broke the cycle of corruption and weak institutional practices. The more recent Anti-Corruption efforts have resulted in 4,056 denunciations that resulted in the removal of 1,567 public officers between 2003-2008. Moreover, the perception of corruption of SAT members has declined with 55% from 2002 to 2008. However, corruption still persists; the majority of SAT’s personnel hold a position susceptible to corruption, especially those working at customs.

Sources:

U4 Anti-Corruption recourse centre, *“U4 Expert Answer: Corruption in Tax Administration”*
 Kaufmann (2008), *“Mexico creates model for tackling corruption in tax administration”*
<http://blogs.worldbank.org/governance/mexico-creates-model-for-tackling-corruption-in-tax-administration>

Brazil - Improving service delivery and increasing transparency in the state of Bahia

Initial situation: In the mid-1990s, shortcomings in Brazil’s service delivery systems were particularly acute in Bahia State, the country’s poorest. The State’s vast size—417 municipalities with 13 million people spread over 350,623 square miles—made providing coverage particularly difficult. In 1995, the Bahia State Government embarked on an ambitious reform program including ambitious efforts to increase transparency to transform the quality and efficiency of service delivery.

The reforms: One of the main obstacles for efficient service delivery in Bahia was the fragmentation of services and the vast number of government agencies. To solve these problems major efforts to consolidate key agency functions into single service centers (SAC) and improve transparency and efficiency was undertaken. The ‘One-Stop-Shop’ concept allowed a citizen to complete a number of transactions in a single visit. The “SAC” reform was based on the following key components: (i) simplification of administrative procedures for both citizens and civil servants, (ii) collaboration among administrative units involved, (iii) development of computerized information systems in all administrative units, (iv) availability of trained human resources, (v) a well-developed network of computer equipment, (vi) specific allocation of duties and responsibilities among all functional components aimed at reducing overlapping and increasing synergies.

As part of the modernization initiatives, the State of Bahia also implemented and launched a web site to improve the interaction between the government and its citizens, the private sector, and other

government agencies. The site, administered by the State of Bahia's Secretary of Administration, seeks to increase the transparency of the public administration. The site provides a wide range of services, in the areas of government matters (public finance, government indicators), citizen assistance (health, education, judicial and legal matters, security, labor, social welfare), and private-sector business (notary offices, public bidding documents, small business). As part of this electronic initiative, the government has also implemented an e-procurement online service with the purpose of disclosing on a real-time basis all governmental purchases to suppliers, customers and citizens regarding all steps of the procurement process. The site discloses all electronic purchases, biddings documentation, list of suppliers, and price updates.

Outcome: The SAC concept has enjoyed major success in terms of improving service delivery. It has been replicated in states throughout Brazil and other countries such as Cape Verde, Trinidad and Tobago, Morocco, and Honduras, have sought to learn from this model. In 2004, the Bahia State Government received a UN Public Service Award in recognition of the improvements to service delivery.

Sources: Internal World Bank documents

Rwanda – Anti – corruption efforts (1997-2004)

Initial situation: Rwanda has gone through a painful process of reconstruction, including rebuilding the whole governance systems, structures and institutions after the genocide in 1994. In spite of Rwanda violent past and fragile social fabric, most governance indicators suggest that Rwanda has made significant progress in term of control of corruption since the genocide.

The reform: In Rwanda, anti-corruption efforts have focused on strengthening the legal and institutional framework, improving government effectiveness, building a strong and competent public service, reforming public finance management systems, prosecuting corrupt officials at all levels of the public sector.

Strengthening the legal and institutional framework: Major anti-corruption measures have taken place between 1997 and 2004, with special emphasis given to strengthening the legal and institutional framework against corruption. The government has also adopted a code of conduct and rules of disclosure for public officials, while assets declaration requirements for politicians were integrated in the 2003 constitution. Strong oversight institutions have also been created such as the Auditor General Office in 1999 and an effective Ombudsman Office in 2004 which operates as an Anti-corruption agency except that it does not have prosecution powers. The country has also embarked on a reform of the judiciary to promote more independent and competent courts, including inspection mechanism and disciplinary sanctions to fight internal corruption.

Zero tolerance policy: The government implemented zero tolerance policy at all levels of the public sector. In 2004 for example, all 503 members of the Rwandan judiciary were dismissed, allegedly for corruption and incompetence related matters. In 2007, 62 police officers were dismissed for soliciting bribes (AFDB, 2008). An increasing number of senior officials are also being prosecuted for corruption

related crimes, although observers argue that it is difficult to determine whether the prosecutions are legitimate or politically motivated.

Public service reform: Since 1997, the government has implemented far reaching public sector reforms, including rapid downsizing by about two third with the dismissal of 6000 inadequately qualified employees, the removal of 6500 ghost workers. Benefits have been monetized and salary increased, while new public service laws have been enacted. Since 2005, there has been greater focus on pay reform, improved human resource management as well as training and capacity building. Recruitments are increasingly done on the basis of competitive tests, following objective criteria and institutions have internal and external audit systems.

Improving government effectiveness: The country has also achieved remarkable progress in improving overall governance structures, especially in terms of government effectiveness and transparency of the regulatory framework. Rwanda has streamlined administrative procedures, reducing bureaucratic controls and registration requirements bureaucratic which contributed to reduce red tape and opportunities for petty bribery. As a result, the country boasts one of the most effective bureaucracies and civil service in the region.

Outcome: According to Freedom House 2007, the government's firm and sustained commitment to fight corruption has brought the country a reputation for having less corruption as compared to other African countries. Rwanda performs better than most of the countries surveyed by the World Bank in Eastern and Central Africa in terms of control of corruption, indicating significant progress on all indicators compared to 2002, especially in terms of political stability, government effectiveness and control of corruption. In spite of this progress, there is still room for improvement and remaining implementation gaps. In particular, vertical accountability between government and citizens need to be strengthened, especially with regard to transparency, access to information and participatory processes such as budgeting, planning and monitoring.

Sources:

U4 Anti-Corruption resource Centre, "U4 expert answers: Sources of information on corruption in Rwanda"

Transparency International, "Anti-corruption progress in Georgia, Liberia and Rwanda"