

BUILDING INTEGRITY IN GOVERNMENT INSTITUTIONS:

Tax, Customs, Budgeting and Audit

Working Group 4

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Rapporteur Report

Session Chair: Dr. David Ndi

Rapporteur: Erastus Ethekeon

1. Javier Velasquez
2. Ichara Bodasing
3. George Razafimantsoa
4. Michael Murray
5. George Razafimanantsoa, Madagascar

Topics Discussed

1. Corruption prevention through evaluation: The example of South Korea by Yoo Chin Nam
2. Extractive Industries Transparency Initiative (EITI) a.k.a Publish What You Pay, by David Murray
3. Customs and tax reforms in Madagascar
4. Customs reform experience in South Africa

Yoo Chin Nam, Korea

The panelist gave a brief overview of the recent anti-corruption developments in Korea in the realm of economic, legal and institutional reforms. He outlined the challenges faced by Korea and some of the measures to address them. He attributed major tangible results and success in the fight against corruption to Korea's Evaluation System. Some key insights into this system are as follows:

- It is designed to change the attitude of public officials towards corruption.
- It consists of two weapons for reform:
 - Integrity assessment: this involves examining attitudes and behavior of public officials and measuring their perceived integrity; and
 - Anti-Corruption Task Evaluation: involves evaluation of the effectiveness of anti-corruption measures already taken by government agencies through inspection and evaluation by Anti-corruption Commission.
- Emphasized the presidents' strong will and commitment to reform and anti-corruption. The president presides over anti-corruption meetings of the various government agencies on monthly basis. Supports initiatives of the Commission
- The Korean peoples' demands for reform and their participation in anti-corruption

- The president’s personal involvement with the Integrity Assessment and Task evaluation processes has boosted the credibility and ownership of the reform agenda by government agencies.

David Murray, UK

Explained how the “Publish What You Pay” initiative works and how it could help curb corruption in the Extractive Industries such as oil, logging, etc. key highlights of the presentation include:

- Requirements for disclosure of revenues derived from extraction of resources such as oil, forest wood
- President Obasanjo’s “three legged chair” approach – requires disclosure of payments made by corporations, disclosure of actual receipts by government agencies and disclosure through independent audit. This method of transparency and accountability has been proposed in Nigeria but faces resistance from select corporations and government agencies

Ichara Bodasing, South Africa

Highlighted the need to take into account unintended reform. For instance, the establishment of the South African Customs Union (SACU) led to the rise of illegal trade. Reforms thus are a delicate balancing act.

George Razafimanantsoa, Madagascar

Highlighted some ongoing reforms in Madagascar aimed at reducing government bureaucracy at the customs department by ensuring that one person handles clearing at a time and on a rotational basis.

Lessons learned / recommendations

- i. The primacy of proactive leadership from the top i.e. the chief executive is paramount in the fight against corruption in all sectors and in particular in the revenue management sectors that are sensitive by nature. South Korea and Nigeria were cited as good examples of leadership by example as the respective president have taken a proactive and hands on approach to fighting corruption.
- ii. Mobilizing public support to help in bringing transparency and accountability in the revenues collection, expenditure and generally management vital.
- iii. The success of mobilizing public support depend on factors such as:
 - Accessible and simplified budget information to enhance public participation.
 - Public support requires the government to demonstrate the dividends that arise from reform. Governments that show people benefits from reform can marshal the public’s support; necessary to steer the anti-corruption path that is risky at times but nevertheless required. In this regard Georgia was cited as an exception because public support was

sustained because savings from reduced corruption benefited people who had taken three years without pension and wages.

- Value for Money: reform is needed on the expenditure side of public finances. It was noted most governments concentrated on the revenue raising reforms measures and neglected the expenditure aspect.
- iv. Counter reform has been emphasized as an impediment by representatives of the countries represented in the discussion except Georgia. Georgia demonstrates that counter reform can be neutralized by explicit political support and goodwill from the chief executive and public support
- v. Reform champions are needed in the fight against corruption. However, it was cautioned that isolated individual efforts while useful may also be risky and not sustainable. A case for a reformist tax administrator who was forced to resign for her reform activism was cited as an example. It was recommended that reform movement / champions require gathering a critical mass to sustain reform efforts and pressure.