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Battle corruption in developing countries by arming the public sector

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According to the 2019 Corruption Perceptions Index published by Transparency International,^[1] where 100 is an indicator of a very clean country and 0 indicates that the country is highly corrupt, 86 out of 180 countries evaluated scored less than or equal to 40. Having a score of 40 or less is extremely problematic, because that means these countries are considered corrupt or highly corrupt. These countries are located in Asia, Africa, and Latin America and are generally referred to as “developing” or “underdeveloped” countries. For the sake of ease and respect, we will refer to them collectively as “developing countries.”

Apart from the Corruption Perceptions Index, another important determinant for gauging the state of corruption in a country is how stringent the anti-bribery laws are and how seriously they are enforced. In developing countries, anti-bribery laws are generally enacted and enforced to criminalize public bribery but not so for private bribery. The predominant approach in fighting corruption in these regions is by curbing the demand for bribery. This approach is reactionary in nature and is largely reliant only on penalties and jail terms to act as a deterrent for the public officials accepting bribes.

In developing countries, we rarely see any suggestive literature or guidance notes from anti-bribery enforcement authorities. There is nothing that even suggests a call for compliance programs. Resultantly, compliance in the public sector is an alien concept, and the recognition of the need for these compliance programs is almost nonexistent. But it does not mean total absence of any actions toward compliance and ethics. For instance, one can see a value statement on websites and notices of public dealing offices. Even if there are no compliance programs, there are enforcement and investigation agencies to handle corruption matters. However, in most cases, the agencies are understaffed, clogged with heavy workloads, and underpaid—therefore, prone to practice bribery themselves.

As is evident, a vicious cycle of existing corruption and the inefficient means of curbing it exist in developing countries. When working in alliance with each other, these elements magnify the already existing evils. This article will further explain the need for compliance programs in public sectors in developing countries and the steps that should be taken to build and establish these programs.

Why should government be directed toward compliance?

Public sector agencies provide public services; they spend taxpayers’ money to render these services. These services are used by the general public because, by nature, most of them are not rendered by any commercial organization. They are either free or highly subsidized, because one of the prime objectives of the public sector is the welfare of the people. As such, the aim of this sector is to earn public trust rather than prioritize profit like commercial entities do. In other words, the profit of the public sector should be measured in terms of the level of trust that the general public shows toward them. Therefore, the need to retain and gain such public trust remains

high.

Another aspect to consider is that developing countries are plagued by the lack of resources and poverty. In such circumstances, efficient use of scarce resources for public services becomes the need of the hour. It is here that structured compliance programs can prevent, detect, and correct fraud, waste, and abuse of taxpayers' money. It is only through a well-designed and well-structured compliance program that the public sector in developing countries can regain valuable public trust, shift from a reactive to a proactive approach, protect national assets, improve public service quality, enhance good governance, and ultimately benefit their societies and nations as a whole.

How can public sectors build compliance programs?

The answer to this question lies in the basics of any compliance program. The following discussion focuses on the relevance of the basic elements of an effective compliance program to the public sector and how compliance programs can help keep corruption in check in developing countries.

Self-examination: The risk assessment

As one starts from a risk assessment while building a compliance program in the commercial world, the public sector also needs to start from self-examination in the form of risk assessments to identify its vulnerabilities. In the public sector, the risk of bribery and corruption needs to be assessed using the Fraud Triangle (i.e., the *pressure* to commit fraud, the *rationalization* of the act, and the *opportunity* to do so).^[2]

In developing countries, corruption is so rampant, it is now institutionalized. The *pressure* that senior public officers feel, for example, comes from the negative sentiment at the top of the hierarchy (i.e., their own bosses and, in some cases, even the ministers in the elected governments demand bribes). At the same time, senior public officers *rationalize* accepting bribes, arguing that they are underpaid in regard to their ranks and responsibilities. In the case of lower-ranked officers, this pressure stems from their poor salaries. They rationalize accepting bribes to compensate their limited income.

On the *opportunity* front, the public sector needs to identify and improve the poor control mechanisms that provide opportunities for public officers to demand and accept bribes. Digitization of public services helps to address the opportunity component to a large extent, though more improvements are needed in this area.

By analyzing their operations, processes, and prevailing circumstances against the Fraud Triangle, public sector agencies can map their risks and build their compliance programs accordingly.

The tone at the top, mood in the middle, and buzz at the bottom

The aforementioned phrase holds immense importance in the public sector. Tone at the top is the ethical and value-based culture created and cascaded down by the leadership. In developing countries, corruption in the public sector starts and emanates from the top. Some ministers have made it to the news for indulging in pursuits of bribery and corruption. This gives the wrong message, and instead of an ethical culture based on values and trust, a negative culture of bribery and corruption develops, which in turn institutionalizes and normalizes corruption. Leaders at the top must not only be vocal against corruption but must also “walk the talk” and set examples of their own good conduct and behavior. Once the top sets the right tone, the mood in the middle will start correcting itself and will endorse and cascade the “tone” further down to the lower ranks, and ultimately the culture of trust will emerge. Confidence of the lower-ranked public officers will be instilled, and the nation as a whole will move toward a good government system.

Value statements, codes of ethics, policies, and standards

Laws, rules, and regulations more often than not apply equally to the private and public sectors across countries. The public sector, however, needs to aim not just at fulfilling the legal and regulatory requirements, but also to establish an ethical culture based on values and trust. It is safe to say that compliance programs are hollow without ethics at their center. Such values need to be shared and visualized, and every employee in the public sector, regardless of rank, should be able to relate to such values. Public sector agencies should establish inspiring mottos, unique value statements, and codes of ethics that articulate and expand on their values. They must also create underlying policies that not only reflect their standards of conduct and services to the public but also act as a guide to the public officers in their service to the public. The public sector also needs to focus on reflecting such policies in the processes through which they deliver public service. These should be made transparent at all levels. Needless to say, such values should not just be on paper but must gradually reflect the day-to-day services rendered.

Communication, education, and training

For any compliance program to be effective, adequate communication of the values, code of ethics, and policies must be there. However, in the public sector, often there are no active efforts to build effective communication and education programs. Due to lack of communication, public servants feel disoriented and disengaged with the established values, ethics, and mottos. Another important aspect is communication with the general public. Developing countries are struggling with ineffective dissemination of information regarding services rendered by the public sector. Most of this information is not available on public websites, which has allowed corruption to grow, as the public is left unaware of the public sector's processes, contacts, and more. Citizens eventually fall prey to bribery demands from dishonest public officers who unnecessarily delay the process to extract some quick cash.

Adequate resources and experienced staff

The compliance and ethics officer role is rare in the public sector in developing countries, as there is little to no recognition of the need for it. Responsibility for ensuring noncorrupt conduct and honest behavior is generally seen as an allied administrative duty of the officers per the existing organizational structure. There are no dedicated personnel with expertise for this purpose alone. The public sector in these countries needs to develop a compliance organization as an independent pillar alongside the existing organizational hierarchy. This should be accompanied by sufficient resources and personnel who can be objective and independent in driving the compliance program, while ensuring corruption-free conduct. The public sector needs expert opinions and can learn from the commercial world on how to build every element of their compliance program.

Detection: Monitoring and auditing

In the public sector, while there is already an existing system for interdepartmental inquiries, dedicated investigating agencies, and public auditors, it still suffers from understaffing, lack of expertise, and heavy backlogs of cases. The public sector needs to scale its efforts not only for auditing purposes but also to build regular monitoring capabilities. Just like in private corporations, the public sector should use and leverage the services of external consultants, auditors, and expert investigators. With the digitization of records and the automation of processes, the public sector can even enhance its monitoring by using smart technologies like artificial intelligence and data analytics to flag unusual approvals and suspicious patterns.

Confidential reporting channels and a speak-up culture

Whistleblower protection laws exist in many developing countries, but there are examples where whistleblowers have been subjected to harsh treatments and even killed. Except for reports submitted by telephone call or letter to the assigned officer, no other modern and confidential reporting channels can be seen in the public sector of developing countries. Serious efforts are needed to regain the trust of the public as well as public sector employees so they feel they can come forward to report cases of fraud, embezzlement of public funds, bribery, corruption, and other acts of misconduct. Reported matters should be screened, and actions should be taken when misconduct is proved. Results should be made public while masking the details about the reporters, the accused individual, the data on reported matters, and the processing of such reports. This increased transparency will help whistleblowing systems gain trust while also maintaining the confidentiality of whistleblowers. Ultimately, the culture of speaking up will develop. Real action on this front will also act as a deterrent to the corrupt public officials, instilling fear that their misconduct will be reported and that disciplinary actions will be taken.

Speedy and timely response

Justice delayed is justice denied. In the public sector, years pass during departmental inquiries, and seldom do they result in disciplinary actions. When any disciplinary actions are challenged in the courts of law, they often get stuck in the already-clogged judicial system. Corrupt public officials receive the benefit of the doubt, and the final outcome often results in reinstatement along with back wages plus interest. All this results in an inadequate and delayed response to corrupt behavior. In contrast, commercial organizations benefit from their flexibility, speedy investigations, and timely response to misconduct.

The public sector needs to implement reforms to make investigations faster. The flexibility of outsourcing investigations to expert agencies can speed up the entire process. Special and fast-track courts may be established for cases involving corruption charges. Some of these reforms, by their very nature, need to happen through legislation. The burden of proving innocence may eventually be put on public officers accused of corruption charges.

Incentives for good conduct and honesty

Appropriate incentives for good and honest conduct are essential for the success of a compliance program. In developing countries where the public can witness dishonest and corrupt public officers getting richer through bribery and honest public officers struggling to make ends meet, simply preaching values and ethics can be extremely difficult and ineffective. The public sector needs to rework its performance evaluation systems, keeping honesty and good conduct as two of the important parameters while also considering promotions. At the same time, creative incentive programs need to be designed free from favoritism and nepotism, and they should reward honest public officers with promotions, salary raises, awards, and other forms of recognition.

The long—but clear—road ahead

It can be safely concluded that from the corruption point of view, the public sector in developing countries is in shambles. Public sector agencies must resurrect values, ethics, and codes of conduct. This can be achieved only through well-designed and structured compliance programs where all elements are present and functioning effectively. The development of compliance programs in the public sector will not only help increase accountability but also will equip the system with tools to create a cleaner, corruption-free public sector. As is evident, this task cannot be left to the existing public sector officers, as they are inexperienced. It should be delegated to professionals who are trained and have experience building and establishing compliance programs. There is a long way to go to undo the harm already done due to rampant corruption in developing countries, but a structured approach that focuses on implementing compliance programs—element by element—will make a big

difference.

Takeaways

- Corruption in the public sector of developing countries needs immediate correction to safeguard taxpayers' money, regain public trust, and ensure efficient use of scarce resources.
- Corruption in developing countries can be resolved with the establishment and implementation of structured compliance programs for the public sector, specifically.
- Each and every basic element of an effective compliance program holds immense relevance and importance for the public sector.
- The public sector needs compliance departments to be independent pillars within existing organizational hierarchy and design.
- Development of compliance programs in the public sector needs input from well-trained and experienced compliance and ethics professionals.

¹ "Corruption Perceptions Index," Transparency International, last accessed December 1, 2020, <https://bit.ly/3lzVqGI>.

² Donald R. Cressey, *Other People's Money* (Montclair: Patterson Smith, 1973), 30.

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