



Public Integrity: Anti-Corruption Strategies, Economic Development and Good Governance
An International Summit, June 6-8, 2012

Executive Summary

Introduction

This report highlights key findings from the international summit “Public Integrity: Anti-Corruption Strategies, Economic Development & Good Governance,” June 6-8, 2012. Convened by New York City Global Partners, Inc., in cooperation with the New York City Department of Investigation, the summit brought together mayoral delegations from cities around the world to examine priorities and successful strategies to combat government corruption at the local level. The Public Integrity Summit was the tenth New York City Global Partners summit convened by the Bloomberg Administration. Global Partners summits have served as platforms for global cities to share best practices and identify steps to strengthen policies and programs at home. Previous summits have focused on building local economies and a strong workforce, reforming education, improving public health, transforming government through technology, preventing terrorism and crime, and delivering services effectively to diverse populations.

Participants at the Public Integrity summit represented cities that have established integrity operations and others seeking to develop capacity at the local level. New York City Mayor Michael R. Bloomberg and leaders from around the world discussed the significant role integrity plays in strengthening local democracy and creating an environment that supports economic growth. Delegates represented Amsterdam, Antwerp, Bangalore, Bangkok, Bogotá, Budapest, Caracas, Chicago, Córdoba, Dubai, Durban, Guangzhou, Hamburg, Heidelberg, Hong Kong, Jakarta, Johannesburg, Istanbul, Medellín, Mexico City, New York City, Panama City, Prishtina, Québec City, São Paulo, Seoul, Tokyo and Toronto. Delegates also represented the national government of South Africa and the regional governments of Catalonia and Québec. Mayor Antonio Ledezma of Caracas spoke on a panel, and Mayor Aníbal Gaviria Correa of Medellín, Director General Hussain Nasser Lootah of the Dubai Municipality, and Mayor Régis Labeaume of Québec City attended the summit.

Setting the Policy Agenda: Mayor Bloomberg’s Keynote

New York City Mayor Michael Bloomberg, in his morning keynote speech, set the policy agenda for the day’s proceedings. As the world urbanizes at an unprecedented rate, cities have an increasingly important role in their nation’s economies. At the same time, city governments are taking on added responsibilities for public services. The Mayor pointed out that Tokyo accounts for one third of Japan’s GDP while Mumbai produces 40 percent of India’s tax revenues and said, “With growing economic power comes, unfortunately, greater opportunities for

corruption at the city level.” According to the World Economic Forum, corruption is responsible for more than \$2.6 trillion lost worldwide each year.

From the Mayor’s perspective, corruption should not be a cost of doing business and is not a victimless crime. It prevents money earmarked for public health, public safety, or other essential government services from going to the people or projects that need it. In the private sector, it increases the costs of doing business, distorts the market, deters investment, stifles innovation by penalizing entry-level entrepreneurs, and can ruin the reputations of respected corporate citizens. In the greater society, corruption weakens the enforcement of laws. This not only endangers citizens but causes them to lose confidence and trust in government, leading them to cynicism and apathy.

Mayor Bloomberg dismissed one final myth concerning corruption – that it is simply inevitable and beyond our power to eradicate – by affirming that organizations like the New York City Department of Investigation (DOI) have developed strategies and investigative procedures that can root out corruption at its source. He believes the key to successful anti-corruption policy is to replace a culture of complacency about corruption with one that promotes accountability and prevention.

Ambassador Stuart Eizenstat: International and National Legal Frameworks for Fighting Corruption

In his afternoon address, Ambassador Stuart Eizenstat, former U.S. Deputy Secretary of the Treasury and Under Secretary of State, stressed that fighting corruption by establishing international standards and regulations is a recent phenomenon and that there is still much work to be done. In the 1970s, efforts in the U.S. and abroad did increase, and the U.S. Foreign Corrupt Practices Act (FCPA), passed in 1977, was a milestone piece of legislation and set a standard for other countries to follow. U.S. based companies suffered in the short-term as a result of the unequal standards, and by one estimate lost as much as \$100 billion complying with the FCPA. It was not until 1997 that the playing field was leveled with the passage of the OECD Anti-Bribery Convention signed by 38 countries responsible for two-thirds of all international trade.

Ambassador Eizenstat also stressed the significance of cities in combating corruption when he said, “Limiting the demand for corruption is primarily achieved by regulating the procurement process and a significant amount of procurement in the world occurs at the local level.” New York City is one example of a city that is a leader in clean procurement processes since the Mayor’s Office of Contract Services (MOCS) only contracts with ‘responsible vendors’ who have the “technical capability and financial capacity to fully perform the contract requirements.” The key here, according to Ambassador Eizenstat, is transparency. The MOCS uses a publically accessible database (VENDEX) that lists information on prospective vendors and every city contract over \$100,000.

Ultimately, for transparency to be effective at the city or national levels though, there must be enforcement. Currently only seven of the 38 countries that have signed the OECD convention actively enforce it. Ambassador Eizenstat asserted that a lack of political will was holding

countries back from effectively fighting corruption.

Establishing Successful Integrity Agencies

The New York City Department of Investigation (DOI) has long been a global leader in anti-corruption. Led since 2002 by Commissioner Rose Gill Hearn, the DOI is the oldest and largest public integrity agency in the United States. It employs approximately 300 people in a wide range of fields including investigators, auditors, attorneys, computer forensic specialists and New York City police officers. As Commissioner Gill Hearn related in her presentation, the DOI is effective because it has been given the necessary authority, independence, and resources to undertake investigations. It has wide-ranging powers including the ability to issue subpoenas, take testimony under oath, grant immunity and issue public reports. She also explained the importance of DOI's independence, which derives from a 1986 executive order which dramatically changed the structure of the department. Before 1986, City agencies had their own Inspectors General. This organizational structure proved problematic because the Inspectors General lacked independence from their agencies. As a consequence of the 1986 executive order, agency Inspectors General were removed from their agencies and placed directly under the supervision of the DOI, accompanied by a transfer of budget and personnel. Commissioner Gill Hearn discussed the strategies that have contributed to DOI's successes. These include educating vendors and city employees, as well as arrests and the recovery of funds fraudulently billed or stolen from the City. In 2011, DOI delivered 4,600 lectures on public integrity, arrested 731 offenders, and recovered \$500 million for fraudulent work billed to the City in the "CityTime" payroll project.

While New York has been a model for many public integrity agencies around the world, other cities are also making exciting progress in the fight against corruption. Director of Training and Development John Shanahan, a panelist from Hong Kong, shared the experience of Hong Kong's Independent Commission Against Corruption (ICAC). Since its inception in 1974, ICAC has helped make Hong Kong one of the least corrupt cities in the world. With its robust 1380 employees, it engages in a three-pronged approach of enforcement, education, and prevention. Their prevention department has statutory powers to inspect government programs and make recommendations, while 150 ethics officers in 81 government bureaus conduct integrity instruction and develop training packets for staff.

The summit also highlighted emerging public integrity agencies. Commissioner Robert LaFrenière represented the recently created Permanent Anti-Corruption Unit of Québec (UPAC) on a panel. He recounted the history of UPAC, which was established in 2011 following an investigation into the construction industry in the province of Québec and based on advice from the NYC DOI. Commissioner LaFrenière credited the quick and effective work of UPAC investigations to the fact that many of the components comprising the agency, like the provincial Commission for Audits or the Building Board, were already in place. The unit already has a budget of \$30 million and has arrested more than 40 business magnates and elected officials this year.

Horizontal/Vertical Cooperation

Although public integrity agencies in cities are on the front lines in the fight against corruption,

sometimes they are assisted by other agencies. Commissioner Gill Hearn and United States Attorney for the Southern District Preet Bharara discussed how investigative and prosecutorial branches of government cooperate to curb corruption. U.S. Attorney Bharara said that he often works with the DOI on cases, despite the fact that he is a federal government official, while Commissioner Gill Hearn is a city official. Key to their successful relationship is open communication during all periods of an investigative process. He believes it is important for both the auditors and the attorneys to be aware of a potential case at its inception so they can determine if evidence collected is not only a legitimate sign of corruption, but also sufficient for the attorney's office to bring a case against the offenders.

South African Public Protectorate Thuli Madonsela presented in a workshop how her national office probes corruption on the municipal level when a local partner does not exist. The Public Protectorate office is the national Ombudsman and chief public investigator of the Republic of South Africa, and works closely with accountability agencies like the Auditor-General, the National Prosecuting Authority, and the Financial Intelligence Centre. In South Africa the Public Protectorate's oversight is not just national, but extends to approximately 1,000 government units, including metropolitan and district municipalities. For example, Public Protectorate Madonsela presented the case of Dipaleseng Municipality, which was experiencing violent local protests because of lack of delivery of basic services. It fell to her office to examine the evidence, and it was determined that there was improper conduct and virtually no compliance with relevant legislation.

Transparency and Civil Society

Chicago is also working to make city government more accountable to the public. The city's Inspector General John Ferguson explained details of the "Open Chicago Initiative" in a workshop outlining how the city was implementing three new transparency components. For example, the office now publishes the raw data and audit responses that support their analyses. As a consequence, both the public and private enterprises can understand how the department functions and how it targets malfeasance.

Web-based technology and social media are also being utilized to help fight corruption. Director Joachim Schwanke of the Department of Internal Investigations (DII) in Hamburg described a new, progressive transparency law that will aid his bureau by posting online all contracts over €100,000 as well as other important data. Although it will be beneficial to the DII, the genesis of this law actually came from concerned citizens. They disapproved of spiraling costs of public-private projects like the unfinished Hamburg Elbe Philharmonic Hall, and pressured the local government by gathering thousands of signatures for a greater transparency law.

The strength of civil society is also apparent in the work of Swati Ramanathan, co-founder of Janaagraha Centre for Citizenship and Democracy in Bangalore, India. She spoke on the endemic corruption present in India and how the Janaagraha Centre's website "I Paid a Bribe" attempts to tackle this problem by harnessing the collective energy of its citizens. The website allows users to upload statistics and stories about when they were forced to pay a bribe to conduct normal business. The speech emphasized that technology has allowed a frustrated

populace to respond to fraud and corruption and try to shame both individuals and the government into making changes in societal norms and government regulations.

Key Findings and Recommendations

A new public discourse on anti-corruption

- Corruption can only be successfully brought under control when the public places it front and center on the political agenda.
- Successful anti-corruption strategies often begin with the public demanding change in the culture that accepts political corruption.
- In places where corruption is viewed as simply a part of doing business, educating the public is critical. Changing a culture of corruption is possible only with wide public support garnered through a clear understanding of the hidden costs of corruption and fraud. Mass media education campaigns like that of Hong Kong's Independent Commission Against Corruption which has used a wide variety of techniques including television ads, can effectively increase public support for anti-corruption efforts.
- When local governments recognize that corruption increases the cost of doing business and adversely affects the public and private sectors they will begin the work of establishing an effective anti-corruption agency.

Successful components of public integrity agencies

- Creating a centralized, politically independent public integrity agency or strengthening an existing agency is critical for implementing any effective anti-corruption policy.
- Agencies must have the capacity to investigate and refer for prosecution allegations of corruption and be empowered to establish preventative measures to stop future abuses. Agencies should continue to evolve over time and perform self-assessments to refine methods and improve effectiveness. Anti-corruption agencies must have direct and exclusive supervision of the investigative staff charged with carrying out corruption investigations in the various agencies it oversees, as well as control over its resources and the ability to conduct confidential investigations. In New York City, establishing a system of Inspectors General within the City's integrity agency and under the sole direction of the integrity agency's Commissioner allows the agency to act independently and be an effective watchdog.
- Anti-corruption agencies must have a wide-ranging approach that includes risk analysis, investigation, prevention, training and cooperation with other local actors. While many agencies in cities around the world initially developed from a specific call for an investigation, over time, the majority of agencies are evolving to have a more comprehensive, proactive approach. For example, Hamburg's Department of Internal Investigation evolved from an internal affairs division for the police to a comprehensive department with oversight over all administrative agencies.