Strategies for Using Information Technologies for Curbing Public-Sector Corruption: The Case of the Czech Republic

POLICY PAPER
Released in March 2003

Abstract

This policy paper concisely summarizes the findings of a research on **corruption and the possible employment of information and communication technologies** (ICTs) in curbing it. The paper primarily concentrates on corruption and ICTs in the Czech Republic (CR). The summary of the main findings of the research is followed by **policy recommendations**; hence, the motivation and the goal of all recommendations are presented against the background of the assessment of the present situation. The presented recommendations are formulated in a way that makes them applicable not only in the CR, but also in other East European countries.

Introduction

According to all available accounts, **corruption** is definitely one of the most pressing problems of the East European countries, including the CR. What is corruption and what are the reasons for fighting it? Corruption is the abuse of public power for private benefit. Corruption flourishes where there is no check on the discretionary powers of bureaucrats and where politicians are not held accountable to the citizens. In other words, corruption typically occurs where there is an opportunity for an exchange of resources and services that can be kept covert. Corruption occurs in the context of systems that create **opportunities for corrupt behavior**. Therefore, when searching for the sources of corruption it is necessary to focus not on corrupt individuals, but on **corrupt systems**. Corruption brings substantial **economic, social and moral costs** to the society affected by it. **Essentially, the costs caused by corruption are the reason why corruption should be fought against.** This paper proposes how to fight corruption in the CR with a special attention paid to the employment of ICTs in the anticorruption struggle.

The Scope of the Problem

If an anticorruption strategy is to be viable, it must be designed as a **multi-pronged endeavor** that includes a set of complex measures in different spheres of society and

state organization. More specifically, one needs to define all **dimensions of the anticorruption struggle** and the **role ICTs can play in it**. In order to fight corruption one needs to focus on **three distinctive aspects** – (1) corruption opportunities; (2) corruption incentives, i.e. salaries; and (3) the likelihood of detection and punishment of corrupt activities, i.e. policing. A successful anticorruption strategy should incorporate all the three dimensions. Thus, it has to (1) specify methods for **minimizing corruption opportunities** via increased transparency; (2) diminish corruption incentives through putting in place a **stable system of civil service**, including clearly defined career prospects and a system of remuneration, and (3) increase the **probability of detection of corrupt activities**, i.e. develop concrete control mechanisms. This paper touches upon all the three aspects of the anticorruption effort. However, it primarily focuses on **minimizing corruption opportunities**, as it is **this dimension where ICTs hold the biggest potential for promoting the anticorruption effort**.

In order to propose methods for curbing public-sector corruption with the help of ICTs, it is necessary to distinguish between different types of corruption. There are **various types of corruption** and not all of them can be successfully fought against with the help of ICTs (see Table 1).

Table 1: Typology of Post-Communist Corruption

I. Low-level Administrative Corruption
I.A. Bribery of public officials to bend rules
I.B. Deliberate over-regulation, obfuscation, disorganization
I.C. Using licensing and inspection powers for extortion
II. Self-serving Asset Stripping by Officials
II.A. Diverting public resources for civil servant spoils
II.B. Mismanagement and profiteering from public resources
II.C. Profiteering from privatization
II.D. Malpractice in public procurement
II.E. Nepotism, clientelism, and "selling" of jobs
III. "State Capture" by Corrupt Networks
III.A. *De facto* takeover of public institutions for private business or criminal activity
III.B. Forming collusive networks to limit political competition
III.C. Undermining free elections through slush funds, hidden advertising etc.
III.D. Misuse of legislative power
III.E. Corruption of the judicial process
III.F. Misuse of auditing
III.G. Using *kompromat* for political blackmail and coercion
III.H. Corruption of and in the media

Source: adopted from Karklins, Rasma 2002. "Typology of Post-Communist Corruption." *Problems of Post-Communism* vol. 48, no. 4, 22-32, 24.

Policy Options: the Main Findings

To begin with, all types of **petty bureaucratic corruption** (see Table 1: I.) can be powerfully diminished through the **increased transparency** achieved by using modern electronic media. If all administrative rules, procedures and requirements were **publicized on the Internet** there would be no room for over-regulation and disorganization (see Table 1: I.B.). In a similar vein, if individual administrative decisions were published on the Internet together with the names of responsible bureaucrats it would become difficult to issue a corrupt decision, since it might raise doubts in the informed public (Table 1: I.A. and I.C.). For example, it would be easy to manipulate the waiting list of the applicants for public flats if the list were kept by a single official in her drawer. It would become nearly impossible if the list were kept on the Internet and every applicant could check her position at every moment. The same concerns court decisions. It would be relatively easy for a judge or a court administrator to slow down the proceeding of a case if there were no clear requirement to give account to the parties in the case. As soon as the histories of the cases of a particular court are accessible through the Internet this type of manipulation is made impossible. As a result, an opportunity for corruption in the judicial process is substantially diminished (Table 1: III. E.).

The employment of ICTs can also powerfully foster **the anticorruption struggle against the corrupt practices included in the second group of the typology of post-communist corruption** (see Table 1: II.). A computerized system makes it possible to develop more accessible tools for controlling the 'shadow' budgets established for diverting public resources for personal benefits (II.A.). Naturally, left on its own, computerization does not solve anything. Moreover, it can only provide an additional opportunity to qualified computer operators to gather funds for themselves. **Although ICTs cannot automatically bring transparency to a mismanaged system, they can facilitate it**. It is far easier to control a computerized payroll system than to be checking piles of papers. Hence, although ICTs themselves cannot put a stop to the misuse of public resources, they make it possible to disclose it better, if their employment is accompanied by the strengthen control mechanisms, i.e. if the probability of disclosure is increased (Table 1: II.A.). The same concerns mismanagement and profiteering from public resources (Table 1: II.B.) and profiteering from privatization (Table 1: II.C.). ICTs make it more probable for monitoring agencies and the police to discover cases that belong to this category. Moreover, ICTs can also be a major obstacle for the cultivation of **corrupt ties in the political system**. If political parties were obliged to submit their annual financial reports to an independent auditor and to publicize them on the parliamentary website, it would bring a powerful systemic tool that could prevent political corruption (Table 1: III.B.; C.; D.).

The importance of ICTs for the **transparency of public procurement** (Table 1: II.D.) has already been widely demonstrated. The Internet is typically used for providing comprehensive information about biding opportunities at a single website that can be accessed by potential bidders and citizens. Although the direct evidence is missing, it is believed that the employment of the Internet will make public procurement schemes more transparent and accessible to a wider range of bidders, thus leading to a decrease

in prices of public contracts. However, the employment of ICTs cannot automatically improve mismanaged procurement - the example of the CR demonstrates that providing comprehensive information on the Internet is not a magic solution. Although since 2000 all calls for public tenders must be publicized on a central website, public procurement in the CR displays signs of manipulation and corruption. The same applies to nepotism, clientelism and "selling" of jobs (Table 1: II.E.). Although publicizing vacant places on the Internet seemingly improves the situation, it does not in itself prevent nontransparent deals that are usually made prior to the job opening.

The employment of ICTs may play an important role in **preventing some types of grand political corruption**. There is, probably, no possibility for using ICTs against corruption if the state is completely captured by criminal networks (Table 1: III.A.; B.). However, ICTs can definitely help minimize corruption opportunities in the cases of **illicit party finance**, **legislative** and **judicial corruption** (Table 1: III.C.; D.; E.).

First, **political parties** should be obliged to subject their annual financial reports to an independent auditor institution and the reports together with the reports of auditors should be made accessible on the website of the Parliament. For example, in the CR political parties submit the reports in one hard copy that is accessible in the library of the Chamber of Deputies. This does not ensure that the wide public can keep its eye on party finance in the CR. If the reports were made publicly accessible through the Internet the situation would be much better. This measure would also serve as an additional disciplining mechanism for party bosses to submit as detailed and true reports as possible.

Second, there is no regulation of **parliamentary lobbying** in the CR, which means that lobbying activities cannot be controlled. In order to make the situation more transparent the obligatory registration of lobbyists should be required and the list of the recognized lobbyists should be made public through the Internet. This list should also contain the record of the lobby activities of the recognized lobbyists.

Third, ICTs can improve the situation in the **judiciary**. If the record of court cases were publicized through the Internet every citizen could check each step of the procedure and the final decision at home or at work on the computer. Most importantly, if the computerized system were introduced it would become impossible to obstruct court procedures. Obstructions often excessively delay the final decision. Further, specifically in the CR, the employment of ICTs can help solve the problem of corrupt registration of firms by commercial courts. Presently, as it is not absolutely clear what the exact requirements for firm's registration are, the courts often turn the applications down and the whole procedure becomes too long. In addition, this system creates corruption opportunities for middlemen – some attorneys and attorney offices – who obtain the registrations in return for the extra payments from the applicants. If the exact requirements for each commercial court were published on the Internet the probability of rejection would be substantially decreased and the opportunity to extract bribes from the applicants would no longer exist.

Electronic media not only directly help curb public-sector corruption by increasing the transparency of the political and administrative systems, but can also facilitate the activities and cooperation of the actors focused on fighting corruption. As corruption flourishes when there is a **monopoly of power** (usually on the side of state bureaucrats), it is vital that actors other than the state officials get involved in the anticorruption campaign. Therefore, it is the activities of **nongovernmental organizations** and **media** independent of the state that are vital in keeping the engine of the anticorruption struggle going. In this respect, ICTs can enhance the involvement of diverse actors representing various social interests so as to (1) de-monopolize the anticorruption effort; and (2) to enable various actors to obtain information about the activities of other actors. This holds the potential of increasing the transparency of the whole system without concentrating the power of control in the hands of a single institutional actor such as the state. This strategy fully utilizes the potential of the ICTs. It aims at a **decentralized model of corruption control** and therefore, preempts the mismanagement of information technology by asymmetrically empowered actors such as the state or municipal bureaucrats.

However, although the employment of ICTs should ultimately contribute to a more decentralized organization of public administration, their introduction needs an agency to coordinate the activities of all involved actors. Therefore, the recent establishment of the Czech **Ministry of Informatics** is the concrete response to this demand. However, **the employment of ICTs for curbing public-sector corruption has not yet found the way to the agenda of the new institution**. In view of the demonstrated opportunities for the use of electronic tools in the anticorruption fight, **this is regrettable**. The Ministry of Information should without delay start cooperation with the Ministry of Interior which is primarily responsible for the preparation and fulfillment of the governmental anticorruption strategy. Presently, in the CR the anticorruption strategy does not pay any attention to the employment of ICTs. **The coordinated effort of the two ministries should bring the issue to the political agenda and stimulate cooperation with other central offices of public administration and ministries** such as the Ministry of Justice. **The employment of ICTs must be incorporated into the governmental strategy for curbing corruption.**

Conclusions and Policy Recommendations

Policy recommendations for the employment of ICTs in the anticorruption campaign in the CR are specified as follows:

1. In cooperation with the Ministry of Informatics the **Ministry of Interior** should prepare a conception **for publicizing all administrative rules, procedures, and requirements on the Internet**. No area of public administration should be characterized by over-regulation and disorganization. Presently, the situation in some fields of public administration is highly opaque. **This diminishes the effectiveness of public administration and creates opportunities for corruption**.

2. In cooperation with the Ministry of Justice the **Ministry of Informatics** should prepare a pilot project for the **employment of a web application** that would provide information about the **development of court cases**, including all main events such as court hearings, appeal and referral of cases, results from a higher instance. This **information system should be introduced into a selected county court in the CR**. This would introduce a mechanism that could prevent unsubstantiated delays of court decisions. The record of every case would be publicly accessible through the Internet, including the record of names of the individuals responsible for concrete decisions.

3. In cooperation with the Ministry of Informatics the **Ministry of Interior** should prepare a **program of training** based on international experience and designed for **policemen and members of specialized anticorruption units** that operate in the CR. The training should be focused on the possibilities for using ICTs in the investigative and monitoring activities of the police and other investigative and law enforcement agencies.

4. In order to utilize the potential ICTs hold for making **public procurement** more transparent, the **Ministry of Informatics** in cooperation with the Office for the Protection of Economic Competition should work out a **methodology that would allow not only for publicizing biding opportunities on the Internet, but also for organizing the tenders themselves electronically**. The present system provides information about public tenders; however, it is not possible to organize **full-fledged e-tenders**. If e-tendering were introduced it would enable wider range of interested bidders to take part in tenders and it could also challenge the presently entrenched firms which artificially increase prices of public contracts.

5. In order to achieve at least a minimal control over parliamentary lobbying the **Ministry of Interior** should prepare a legal norm on the obligatory registration of lobbyists. The list of the registered lobbyists should be made public through the Internet. The list should also contain the record of lobby activities of the recognized lobbyists.

6. The **Ministry of Interior** should prepare an amendment of the relevant legal norm that would make the publication of political parties' annual reports on the Internet a **compulsory requirement for obtaining public funding**. This measure should be accompanied by related measures in **the form of an auditing institution that would focus on controlling revenues and expenditures of political parties and legal limits put on possible types of private donors.**

The employment of ICTs can bring more transparency into public administration and politics. Also, increased transparency will have a tangible effect on corruption only if it is accompanied by measures in two other dimensions of anticorruption struggle - **minimizing corruption incentives**, i.e. introducing a stable system of remuneration and career prospects for public servants and **improving policing**, i.e. increasing the probability that corrupt activities will be disclosed. **Strengthened control mechanisms and strict penalty provisions should become important components of any successful anticorruption strategy**:

1. In cooperation with the Police Directorate the **Ministry of Interior** should prepare a **method for police investigation** focused on cases of great political corruption. The goal of this recommendation is to increase the probability of disclosure of corrupt politicians at the central as well as municipal levels.
2. The **Ministry of Interior** should prepare a proposal that would ensure that those **ministerial departments and areas of public administration that are vulnerable to corrupt activities** (e.g. customs, departments that organize big public tenders, traffic police) are regularly exposed to **audits** of their internal procedures by monitoring and law enforcement agencies.

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