

**Address of CVC
at
Vigilance Study Circle, Hyderabad**

(By Pradeep Kumar, CVC on 7.7.2012)

***Padmashri Dr. S. Subramanian; my colleague
Vigilance Commissioners - Shri R.Sri Kumar and
Shri J.M.Garg; Shri S.V.Prasad, Vigilance
Commissioner, Andhra Pradesh; CMDs, CEOs and
senior officers of various organisations present here;
members of the vigilance fraternity, Ladies &
Gentlemen***

1. It gives me great pleasure to participate in these 9th Anniversary celebrations of the Vigilance Study Circle, Hyderabad. I congratulate the President and Members of the Hyderabad Chapter of Vigilance Study Circle on its successful completion of 9 years in the fight against corruption.

2. The importance of such functions is that it gives an opportunity to deliberate on the problem of corruption and to find effective ways of combating it. It provides a platform for meeting of minds from various areas of public activity to share their ideas and experience. This function would be successful if the people present here

are able to carry back some ideas and good practices and try to implement them in their workplace.

3. Vigilance Study Circle serves an important purpose by extending the reach of the vigilance activity beyond its formal boundaries to areas and activities which have a direct interface with society. The Study Circle is the best form of participate vigilance and should therefore focus on collaborative efforts with the stake holders and the citizens.

4. During the last two years corruption has been in the mainstream of public debate. Coupled with the economic downturn and inflation it has fuelled public anger. Corruption is said to increase inflation by diverting investments into unproductive areas. Corruption weans away domestic and foreign investments as companies find it difficult to do business in such an environment. While it cannot be said definitely whether corruption has increased but certainly the negative perception about corruption in India has increased. While petty corruption has always been a part of our Government since ancient times, it is the cases of grand corruption involving high public officials and huge monetary value which get highlighted in the media.

5. In my view, presently the Indian society is going through a churning. With democracy striking deep roots in the country, economic progress, rising levels of income, globalisation; spread of education; and greater awareness through better communication and information, people now expect better quality of governance. On the other hand the cancer of corruption has corroded every organ of public life.

6. Though the situation may seem grim, let us not go home with the impression that nothing or very little is being done. There is a host of governance reforms being introduced which were long overdue. Some of these measures are at par with the global best practices. The Right to Information Act which we introduced a few years back is a landmark legislation in the world and countries are trying to emulate it.

7. An Act to regulate delivery of public services is being legislated. This would go a long way in curbing petty corruption in the delivery of public services as any delay or inadequate service is liable to be penalised. Such an Act has already been implemented by the Government of Delhi.

8. As funding of elections is a major source of corruption in India, the Election Commission has

recommended various electoral reforms, which are under consideration by the Government. Besides the proposal to create a strong and effective Lokpal a Judicial Accountability Bill to ensure integrity of the Judiciary is also on the anvil.

9. The proposed “Prevention of Bribery of Foreign Public Officials Bill, 2011” aims at discouraging corrupt practices in international business, by Indian companies.

10. For the last five decades, our anti-corruption efforts have largely focussed on the demand side of corruption i.e. the public servant who receives or solicits bribe. With a liberalised economy and changing dynamics between public and private sector, there is a need to focus on the supply side of corruption i.e. the offering of bribe. Various regulatory changes in this direction are being contemplated.

11. The ratification of the UN Convention Against Corruption by India in May last year has given fresh impetus to reforms in anti-corruption efforts in India. The Convention lays down the minimum basic requirements in terms of institutional and legal framework to be put in place by each country to address corruption.

12. The Company Bill, 2011 tabled in the Parliament envisages significant improvements in corporate governance through improved corporate social responsibility, appointment of independent directors, serious fraud investigations, and investor protection especially of minority shareholders.

13. Therefore, I am very optimistic that these important reforms when implemented would result in a paradigm shift in the approach towards fighting corruption and result in improved governance.

14. Fighting corruption is no longer a purely domestic affair as corruption has taken international dimensions. Proceeds of corruption are laundered in other countries through various forms of illicit financial transactions. It is proving difficult to take action against foreign companies which are involved in bribery in India. Therefore, international cooperation in corruption investigations and a concerted approach for recovery of stolen assets has to be accorded priority. The Central Vigilance Commission as a prominent member of the International Association of Anti-Corruption Authorities is leading a Task Force to develop a global Knowledge Management system. This would help the anti-

corruption agencies across the world in exchange of information, knowledge and experience.

15. While institutional and regulatory measures are essential to curb corruption, it is equally important that these measures are supplemented by change in our value systems. Corruption after all is a form of human behaviour, which reflects social values. Corruption would end only if our society imbibes ethical values. School and family play a very important role in this regard. Ethics should become an integral part of our work culture and our lives as responsible citizens. Organisations should promote an ethical work culture in their workplace and it is the top leadership which has to set the tone.

16. For managing integrity in organisations a rule-based approach is not enough and we need to graduate to a value-based system. This means instead of relying on external controls, strict vigilance and threat of punishment integrity should be maintained through value system and work culture. This is best denoted by the Sanskrit words – ‘Niti’ and ‘Nyaya’. Niti stands for organisational propriety and behavioural correctness; while Nyaya denotes regulations and their enforcement through the criminal or disciplinary justice system.

17. Ethics are integral to one's professional skills. Professional competence without ethics is like a knife without a handle. Young Indians, whether in industry or in the business schools, must be exposed to business ethics, corporate governance and corporate social responsibility. The Vigilance Study Circle could undertake various outreach activities in the educational institutions in and around the city.

18. CVC has also recommended the teaching of ethics as part of school curriculum as is the practice in several developing countries.

19. Use of technology and e-governance has proved to be the most potent weapon in the fight against corruption. Use of IT in delivery of public services not only enhances efficiency but also reduces subjectivity and discretion in decision making. It reduces the gatekeeper role of public officials and hence opportunities for corruption. The Commission has been persuading organisations to adopt measures like e-procurement, e-billing, e-payment and IT enabling of various public services. Keeping surveillance through CCTV is also very useful in keeping a check on corrupt and unauthorised activities. The Commission has also developed a mobile-based, e-complaint handling system called VIGEYE.

20. There has been a tendency to blame the oversight agencies for the inability of public servants to take quick, bold and innovative decisions and for spreading a culture of risk aversion. There are also attempts to place the blame for the present day so called “policy paralysis” at the doorstep of the oversight agencies. This is a misperception. The Central Vigilance Commission believes that vigilance is an aid to management and is sensitive to the predicament of the executives. If a procedural deviation is supported by a tenable justification which is duly recorded, the Commission does consider it in the right spirit. There has to be room for honest mistake. Moreover, transparency and adherence to rules lead to better outcomes.

21. I am glad to note that a workshop on ‘transparency in procurement’ has been organised as part of this function. This is a very important issue from an anti-corruption perspective.

22. Public procurement in India constitutes about 28% of the GDP. The procurement budget of some of the departments like Defence, Railways and Telecom are higher than the expenditure of many of the State Governments.

23. Public procurement is the government activity most vulnerable to corruption. The quality of the public procurement system has a profound influence on the competitiveness and integrity of the vendors in the market.

24. The prime objective of any procurement is to obtain the best value for money, which means getting the right product or service, at the right price and the right time. Besides objectivity and fair competition, transparency and integrity are equally essential to ensure value for money in a procurement.

25. Competition is often misunderstood to merely mean open tendering or soliciting offers from a large number of vendors. Correct framing of qualitative requirements and objective evaluation of offers are equally important to ensuring true and fair competition.

26. One of the major constraints in public procurement in India is the existence of a knowledge gap. Impropriety or irregularities in procurements are often a result of inadequate understanding of the procurement procedures. The procedures and guidelines are understood and implemented in the letter without an appreciation of the spirit behind these stipulations. A

good Public Procurement Manual is one which explains these underlining principles and guides the procurement managers instead of merely prescribing controls. Such workshops help in bridging this knowledge gap.

27. In India public procurement has never been treated as a specialized activity requiring specialized knowledge. There is absence of a specialized cadre to handle procurement. In most of the developed countries and international organizations, occupying a procurement desk requires some professional qualification. There is a need to either have qualified staff handling procurement or to provide adequate professional training to convert the procurement officials into procurement managers.

28. This is not only true of public sector but also of the private sector. A recent study by KPMG has pointed out that there is a shortage of about one lakh professionally trained supply chain managers in India.

29. CVC has from time to time recommended various reforms in the public procurement system. A new Public Procurement Bill has now been drafted for legislation and several steps are being taken for strengthening the capacity of public procurement proposal in India.

30. The Commission has also recommended the enactment of a False Claims Law, which aims to empower the citizens to fight corruption. Through this provision, any citizen can seek punishment and recovery of money from any contractor who charges extra money from the Government and delivers less than the contracted quantity or quality of goods and services. Such law is prevalent in many other countries. The Government is working in this direction.

31. A serious problem confronted by public procurement in India is the malpractice of cartel formation accompanied by collusive bidding and bid rigging. This is a serious problem which needs to be addressed with the help of the Competition Commission of India.

32. No reform in the Indian public procurement system can be complete without the active role of the private sector which has an equal stake in it. There is a need to sensitize and involve the private sector in promoting integrity and healthy competition in public procurement.

33. At the end, I wish to assure the gathering that the Central Vigilance Commission is deeply committed to combating corruption and in this fight; we are

continuously trying to build our capacity, find innovative ways and integrate the expectations of all stakeholders to the governance process. I hope the efforts of the Vigilance Study Circle, other civil society organisations, the corporate sector, the media and the citizens at large will supplement our efforts in ensuring ethics in public life in this country.

34. I wish this function including the workshop all the success and hope the deliberations are fruitful in adding value to the whole governance process.