

EUROMESCO ANNUAL CONFERENCE 2022

Towards more Social Justice and Inclusiveness in the Mediterranean

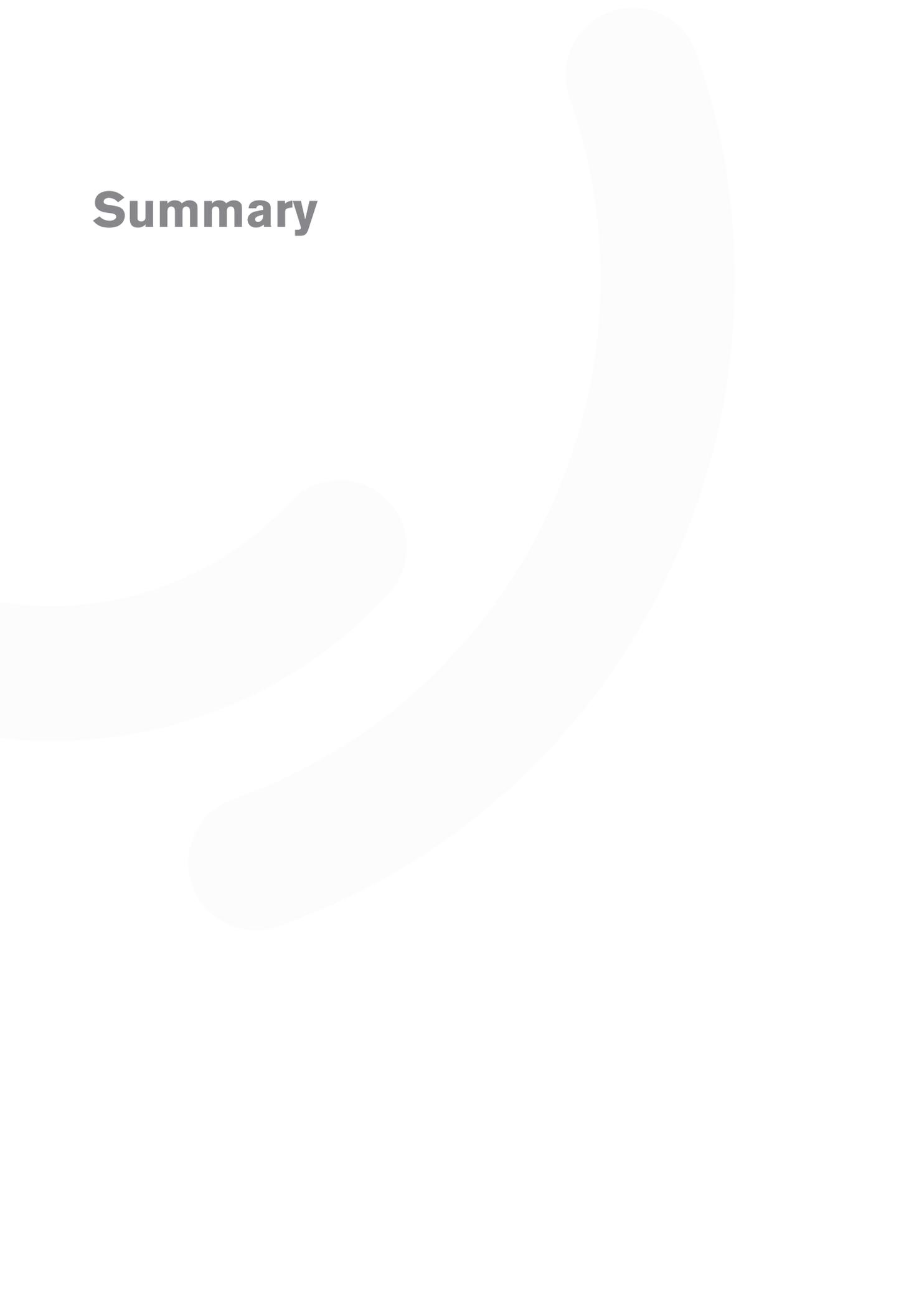
EUROMESCO MULTISTAKEHOLDER DIALOGUE PLATFORMS

Combatting Corruption and Fostering Accountability

Brussels, 30 November 2022

Report

Summary



Within the framework of the EuroMeSCo Annual Conference [Towards more Social Justice and Inclusiveness in the Mediterranean](#), the 2022 edition of the EuroMeSCo Multistakeholder Dialogue Platforms focused on ***Combatting Corruption and Fostering Accountability***.

Promoting more inclusive and fair societies not only requires improving the situation of specific groups, but also acting against the impunity of others and establishing strong accountability mechanisms. Corruption is a major cause of the lack of trust of citizens in their system. It deprives the economy of resources that could be used for the benefit of all and in some countries, it largely explains the shortcomings of public services.

In its New Agenda for the Mediterranean, the EU renewed its commitment to the rule of law, democracy, and good governance as the bedrock for stable fair, inclusive and prosperous societies. The promotion of modern, efficient, and accountable public institutions and policies and the fight against corruption are key priorities for the Euro-Mediterranean partnership.

In the EuroMeSCo [EuroMeSCo EuroMed Survey](#) on a Renewed Partnership with the Southern Neighbourhood which was launched ahead of the publication of the New Agenda for the Mediterranean and which counted on around 800 respondents from across the region, “corruption, insufficient governance and institutional capacity” were identified by respondents on both shores of the Medi-

terranean as an important constraint on cooperation between the EU and its southern partners. Experts consulted expressed that, in order to support reforms in the field of good governance, conditionality and enhanced engagement with civic, economic and social actors is crucial.

Through the two platforms (Business Platform and Civil Society Platform), think tankers, experts, civil society representatives, private sector actors and policy stakeholders analysed anti-corruption policies, accountability mechanisms and public administration reforms to boost predictability, transparency, and accountability. The Business Platform looked into the opportunities private sector cooperation offers to promote business integrity and transparency. The Civil Society Platform explored the role of civil society in monitoring the implementation of reforms and in ensuring better service delivery, accountability and transparency.

These platforms were organised by the European Institute of the Mediterranean (IEMed) in the framework of the EuroMeSCo: Connecting the dots, a project co-funded by the European Commission’s Directorate-General for Neighbourhood and Enlargement Negotiations, Regional Programmes Neighbourhood South Unit (DG NEAR B2) and the European Institute of the Mediterranean (IEMed) that aims to connect the dots between diverse stakeholders – think tanks, experts, civil society, the private sector, academia – as well as between the EU, its Southern Neighbours and the wider region.

BUSINESS PLATFORM

Combating corruption in the private sector and boosting business integrity

Setting the Scene

Alain Bifani

Founding President, Lebanese Citizen Foundation

Aymen Belgacem

Economist, International Monetary Fund

Testimonials

Ahmed Bastawy

Managing Director, ICEALEX

Jihen Boutiba

Director General, BUSINESSMED

Hussam Hawwa

Chief Executive Officer, Difaf SAL

Diane Pallez

Policy Analyst, Anti-corruption, Middle East and Africa
Division, Global Relations Secretariat, Organisation for
Economic Co-operation and Development

Moderation

Emmanuel Cohen-Hadria

Director, Euro-Mediterranean Policies Department,
European Institute of the Mediterranean (IEMed.)

Emmanuel Cohen-Hadria introduced the session by explaining that promoting more inclusive and fair societies -the overarching theme of the EuroMeSCo Annual Conference- not only required improving the situation of vulnerable groups, but also fighting against the impunity of others and establishing strong accountability mechanisms. Corruption is a major factor explaining the lack of trust of citizens in their system. It deprives the economy of major resources that could be used for the benefit of all and explains to a large extent the shortcomings of public services. The results of recent Euromed surveys conducted by the IEMed have shown that corruption is a widespread concern among respondents and is seen as a major constraint that prevents Euro-Mediterranean co-operating from bearing its fruits.

Alain Bifani argued that corruption has long term consequences. When some companies find mechanisms to occupy premises instead of paying their rents,

to avoid paying taxes, to recruit informal workforce, to steal electricity, to smuggle goods without paying customs duties, they prevent better and more competitive companies from taking over. This, in turn, prevents economies from prospering, which not only affects national economies but also the economies of their neighbours and partners. The speaker stressed that analysing corruption patterns involving the private sector in the MENA region could not be done without taking into account the responsibility and the complicity of the public sector.

The case of Lebanon illustrates a regional phenomenon, whereby laws are voted or other mechanisms put in place to favour specific organisations or individuals, to the detriment of others. After the civil war in Lebanon for instance, a law entrusting the reconstruction of the city centre to a company was enacted. This led to the dispossession of land owners with very low levels of compensation



to the benefit of tycoons and former politicians. Similarly, solid waste management has become a structurally corrupt business in Lebanon, with direct collusions between entrepreneurs (ready to swamp streets with garbage if necessary) and corrupt politicians or media figures.

Another phenomenon is when private companies are used as façades by ruling political elites. This in turn leads to creating de facto monopolies in some sectors, where these companies end up being awarded a large chunk of public contracts. This has been the case with the taxi business in Syria and is also often happening in the IT sector across the region. Such monopolies jeopardize the entry of better and more competitive companies and result in citizens losing not only purchasing power but also access to quality services.

Corruption practices also include elaborate techniques, such as the use of separate accounting books, one for the tax authorities and one for the shareholders that benefit from the fraud. The speaker also gave the example of corruption schemes in the health sector (involving for instance senior officials' family relatives having counterfeited anti-cancer medicines) and in the banking sector.

Corruption practices are facilitated by dysfunctional or complicit judiciary systems, often characterized by structural vacancies kept on purpose in order to undermine their work. In many countries, judges are appointed by the political elites and end up serving their interests. In 2011, the speaker and his team exposed a VAT carousel fraud. Despite the amount of evidence collected and sent to the General Attorney, the criminals were never called in front of the judge and in some cases criminals even managed to be compensated for late reimbursements of VAT.

Some progress has been made on fighting tax fraud, as a result of the Panama Papers and the [Global Forum on Transparency and Exchange of Information for Tax Purposes](#). Bank secrecy in particular, a major obstacle to fight corruption, was challenged in Lebanon.

Aymen Belgacem presented the findings of a recent IMF publication on "Informality, Development and the Business Cycle in North Africa". The level of informality in North African countries is very high. In general, the level of informality correlates with the level of income of countries. In other words, there tends to be less informality in middle-income countries than in low-level income ones. However, this is not a strict correlation. The prevalence of informality cannot be explained indeed only by the level of development of a country. Poor governance and inadequate policies are the main factors explaining the level of informality. Over the study period (2005-2017), the indicators of informality have improved in some countries and deteriorated in others. The deterioration of the indicators of informality can be correlated with the deterioration of public governance indicators, including corruption.

Product and labour market reforms also have an impact on the levels of informality. Removing barriers of entry and enhancing competition for instance lead to less informality. The same goes for digitalisation and simplification of administrative procedures.

Another finding is that women, young people, and people with low revenues are more likely to be in the informal sector. However, informality also concerns wealthier individuals in some cases that are better-off by staying in the informal sector, which reflects problems of governance.

Jihen Boutiba stressed the importance of multi-stakeholders dialogue in addressing

corruption as well as other challenges. Businessmed promotes dialogue between employers, social partners and public authorities and offers a platform for inclusive consultations and public-private dialogues. It is within these inclusive and locally owned platforms that stakeholders need to agree on what can be done to improve business integrity and fight against corruption, which is one of the reasons behind phenomena such as brain drain, or the lack of foreign investments. The speaker gave the example of the SOLiD project, thanks to which trade unions, employers organisations, civil society and government representatives had signed a charter listing 12 issues to address, including on corruption, transparency and integrity.

Diane Pallez explained that fighting corruption and promoting business integrity is a priority for the OECD, not only when cooperating with its members (the OECD has established a number of standards, good practices as well as an anti-bribery convention) but also when working with its partners outside the OECD. As part of its MENA competitiveness programme, the OECD promotes reforms with 18 countries in the MENA region. Promoting public-private dialogue on anti-corruption and business integrity is a priority under this programme. The cooperation has been channelled mainly through the regional Mena OECD Business Integrity Network (MOBIN), which gathers anti-corruption agencies, business, governments, and civil society representatives every year. The next meeting of this network is scheduled in spring 2023.

The OECD also works through a bilateral track, promoting collective actions to fight corruption with some of its partners. A pilot phase has been developed with Morocco, with a focus on energy, transportation, and health sectors, where the OECD sponsors collective actions with

the objective to establish common rules and protocols to promote business integrity. The OECD is planning to expand this approach to other countries in the region, including Algeria, Saudi Arabia and Iraq.

Hussam Hawwa shared his experience as a social entrepreneur in Lebanon, pointing both to challenges and recent progress and changes in the country. He mentioned two main challenges. First, the marginalisation of small companies. As an illustration, the speaker mentioned he had been recently invited by the Ministry of Energy and Water to attend a platform on the water sector in Lebanon gathering all stakeholders including large companies. Representing a small company, he soon realized that he had been invited as a “civil society” representative instead of representing his own company. Second, it became difficult for local companies to compete with NGOs to attract and keep human resources, since NGOs can often pay their employees in fresh dollars, unlike small local companies.

However, new independent political forces and civil society are emerging and have managed to put governance issues, including corruption, on the agenda. More and more cases of impunity and corruption are being exposed and this trend is likely to continue. The Lebanese population has become increasingly aware about corruption. Some initiatives have been taken in order to monitor public procurement and contracting processes in details, screen announcements and results. Training sessions for public officials have been organised in order to equip them with the right skills to deal with contracting processes. Further technical audits and monitoring of contractors are needed.

Ahmed Bastawy cautioned against looking into the private sector as a homogenous entity. The needs of large companies

and corruption patterns within those companies differ from those in small companies and start-ups. The speaker shared his experience in dealing with start-ups across the region and with the donor community and international organisations. Only a small portion of the money spent by donors and investors ends up benefitting the people who really need it. In Egypt, start-ups were not always ready to absorb the amount of investment coming from Venture Capital (VC). Without a proper governance framework, the money invested has often been consumed very rapidly. Instead of creating jobs, investments in start-ups have sometimes led to layoffs. In Egypt, the UN supported the preparation of an anti-corruption strategy. Digital transformation and a more direct connection between the tax and the social protection systems will help in fighting corruption.

Participants raised a number of issues in the discussion, including the following ones:

- The link between the prevalence of corruption in a country and the low level of foreign direct investments.
- The risk of a possible political manipulation of anti-corruption campaigns in some countries, when the fight against corruption becomes an excuse to eliminate political opponents or to bend business operators.
- The rise of another pernicious discourse that first tends to portray corruption as a legitimate redistributive system and a mechanism to buy social peace on the one hand and second demonize economic liberalism and de-demonize in parallel corruption.
- The need for donors to be very cautious about discourses coming from their partners regarding their efforts to fight corruption.
- The importance of public-private partnerships in Egypt, which had identified the main challenges of the business community, including bureaucracy.
- The need to monitor and evaluate the reforms.
- The need for a strong political will to fight corruption, that often starts with an overhaul of the tax system and an empowerment of tax authorities, as the example of Spain had showed.
- Social characteristics of some countries in the region were, in the absence of a strong and delivering public services, family ties remained very important.
- The responsibility of the international community, be it international companies willing to bribe counterparts to get contracts, but also complacent international donors that were passively encouraging corruption and bad governance. Donors Conferences for the benefit of Lebanon (Paris 1, 2 and 3 for instance) had a pernicious effect, since they had created a sense that there would always be someone to bail out the country and thereby allowed for bad practices and bad governance to continue.
- The EU support to anti-corruption programmes and efforts throughout the region, through regional initiatives (including the EU support to the Middle East Regional Technical Assistance centre based in Beirut and implemented by the IMF, but also an upcoming regional sub programme on anti-corruption to be implemented in cooperation with UNICRI, the Council of Europe and Transparency International) as well as bilateral ones (including supporting the integrity and anti-corruption Commission in Jordan, supporting the implementation of the anti-corruption strategy in Lebanon, and train Palestinian officials on anti-corruption).
- The effects of corruption-related EU sanctions. The argument was made that sanctions can be very effective in

- countries such as Lebanon, as long as they were really used to sanction all corrupt officials and not only those that are perceived as less close to EU's or some member states' interests, in which case sanctions can become counterproductive.
- The importance of professional media to expose corruption cases.
 - The importance of seizing opportunities in the fight against corruption. For example, the 2008 economic crisis led to a renewed fight against tax heavens and bank secrecy. Blacklists or the Magnitsky act had the same effect.
 - The importance to fight informality to efficiently fight against corruption.

CIVIL SOCIETY PLATFORM

The role of Civil Society in enhancing accountability and transparency and in fighting corruption

Setting the Scene

Carole Alsharabati

Founder and Member, Sakker El Dekkene

Aymen Belgacem

Economist, International Monetary Fund

Testimonials

Achref Aouadi

Founder and former President, I WATCH.

Abdelaziz Nouaydi

Secretary General, Transparency Maroc.

Shereen Talaat

Co-Director MENA, Arab Watch Coalition (AWC).

Lora Ujkaj

Policy Officer, Rule of Law, Governance and Security,
Directorate-General for Neighbourhood and Enlargement
Negotiations, DG NEAR A2, European Commission.

Moderation

Jenny Gilbert

Project Manager, EuroMeSCo, Euro-Mediterranean
Policies Department, European Institute of the
Mediterranean (IEMed)

Jenny Gilbert introduced the session by framing the platform within theme of the EuroMeSCo Annual Conference 2022. Combatting corruption and fostering accountability and transparency is strongly linked to social justice given that promoting more inclusive and fair societies not only requires improving the situation of specific groups, but also acting against the impunity of others and establishing strong accountability mechanisms. Corruption causes distrust of citizens in their system. It deprives the economy of resources, and in some cases, it explains the shortcomings of public services.

Civil Society Organisations (CSOs) play an important role in combatting corruption. By raising awareness, they can change attitudes towards the issue and contribute to holding people accountable. They also play a role in educating and training, as well as contributing to anti-corruption strategies and legislation. The Civil Society Platform aimed at exploring the role of civil society in monitoring the implementation of reforms and in ensuring better service delivery, accountability, and transparency.

Carole Alsharabati introduced the case of Lebanon, a country with a high corruption rate; it currently ranks 150 on the [Corruption Perception Index](#). She explained how corruption has been impacting all spaces, severely affecting areas such as environment, health, education, security, customs, social protection, and society at large. It is estimated that corruption costs every Lebanese person 10 thousand dollars during their lifetime. It has led to a context of political apathy, where citizens often don't know they can play a role to combat this issue, leading to a "rational disengagement".

To break this vicious cycle of disengagement, Sakker El Dekkene ("Close the Shop") was launched in 2014, an NGO set up to combat institutional corruption in Lebanon. As part of its actions, it opened Dekkenet Al Balad, a temporary shop selling items such as passports, degrees, permits, and arms, as a prank to denounce that Lebanon has become a shop where all kinds of corrupt transactions take place. The NGO also launched a [web-site](#) to measure corruption and collect



data. It contains the mechanism for reporting bribes and gives a detailed overview of reported incidents all over the country to find out where people were reporting most about corruption. Carole Alsharabati explained how, by 2019, awareness had been raised but this also increased impunity, therefore a change of strategy was needed. Siren, the organisation that launched the NGO decided to work from inside the system, building on some of the qualities Lebanon has, for instance digital systems and Lebanon's young tech talent. This required figuring out how to tap into the skills from the private sector and connect them with an institution within the public sector to plant seeds of change inside the state. A digital audit and oversight system was put in place in collaboration with the [Central Inspection](#). The Inter-Ministerial and Municipal Platform for Assessment, Coordination and Tracking (IMPACT) was created, a digital oversight system which allows the Central Inspection to get data from across central and local authorities to be able to complete its audits. Prior to this, everything was processed on paper, thus inspectors had a challenge in accessing data. During the COVID-19 pandemic, IMPACT was used for emergency responses to the crisis, for example for vaccine roll-out (2 million vaccines), were put on the site to be able to digitally monitor the roll-out and ensure vaccines reached Lebanese citizens. A year later, the World Bank reached out to IMPACT to disburse funds, without interference of the establishment.

Carole Alsharabati explained that IMPACT has faced backlash, including accusations of nonconformity with the law; attempts to activate the prosecution; and fake news leaks in the media. Regardless, this anti-corruption mechanism has prevailed thanks to the

strength of an alliance between state institution, civil society, private sector and international donors who support the activity. Carole Alsharabati stressed that civil society alone is effective in raising awareness but, to bring about change, big players must be engaged. The project also relied on the leadership and vision within Central Inspection, combined with the use of smart solutions tapping into opportunities of digitalisation involving young talent.

Achref Aouadi discussed the balance between the level of democracy and level of corruption, and how it is more difficult to fight corruption in weak democracies. He underlined the tendency to discuss anti-corruption and democracy separately, yet an effective approach should be holistic.

He focused on effective citizen engagement in the fight against corruption and on the actions taken by [I WATCH](#), the watchdog organization founded in 2011 in Tunisia after the Revolution. For I WATCH it was strategic to target politically exposed personalities (PEPs) in first place to be credible. He also discussed the importance of tailoring messages and identifying the right messengers, for example by working with local rappers in the form of rap battles and delivering simplified messages to citizens. In order to target older citizens, he emphasized the involvement of religious preachers through partnerships with imams, conveying the message that anti-corruption isn't an external "Western" concept or agenda, but very much rooted in their own culture as Muslims, and as Arabs. Through the collaboration with imams, annual sermons on corruption were organised, providing a key platform, as an imam is more credible to the local communities than an NGO that uses complex terms to inform about anti-corruption.

On the complexity of shaping citizens' behaviour, Achref Aouadi underpinned the importance of changing perceptions. For example, the figure of the "whistle-blower" in Tunisia had negative connotations; they were portrayed as snitches, people with low morals, -the law used the word "ouechi" (snitch). He explained how through the organisation of whistle-blower awards programme every year, -presenting the winners as heroes, informing the public how much money that person has saved them and what could be done with the money saved (for example build a hospital or to pay decent wages)-, perceptions shifted. After working towards the recognition of whistle-blowers as national heroes, I WATCH advocated for a law to protect them, building on the momentum of the self-assessment review for the United Nations Convention Against Corruption Tunisia was undergoing. Given the positive public perception of whistle-blowers, the Tunisian Parliament passed the law. Once the Law was adopted, the challenge was encouraging more citizens to report corruption. This often proves difficult as not all people have the same definition of corruption and tend to report what they consider corruption, leading to a mass of reports which need to be checked. Finally, he addressed the importance of managing citizens' expectations in order to not lose allies in the fight against corruption.

Abdelaziz Nouaydi presented [Transparency Maroc](#) an organisation established in 1996 by jurists, human rights activists, and private sector to respond to the situation of corruption and lack of transparency and good governance. It is subject to the [Charter of Transparency International](#) and currently works in partnership with ministries, universities and judicial services to protect and assist citizens. Its main donors are organisations and institutions from the European Union.

He discussed the role of the [Instance centrale de prevention contre la corruption](#) (ICPC) and the challenges of the fight against corruption in a context where there is a lack of political will, and where several institutions that are key in this matter have been inactive for years. When addressing the influence of external actors, Abdelaziz Nouaydi argued that more could be done by Western countries to encourage countries in the MENA region to intensify efforts to combat corruption in an increasingly complicated environment given the growing influence of countries such as Saudi Arabia and United Arab Emirates which is pushing North African countries towards autocracies.

Abdelaziz Nouaydi identified three crucial conditions for a conducive environment to fight against corruption: good legislation; independent judiciary and competent bodies and sufficient resources to implement legislation.

Shereen Talaat focused on the role of civil society in enhancing accountability and transparency by working in collaboration with international financial institutions (IFIs) as key development players in the region. She underlined that IFIs are a status quo in middle income and global south countries and how holding them accountable can contribute to fighting corruption at a local level and ensuring that funds are channelled to the right people. In contexts where it is difficult to hold governments accountable, efforts need to be shifted to other actors and IFIs are an entry point. Moreover, they have a huge influence, not only on the economic trends but also on development trends in countries in the region.

When discussing the work of the [Arab Watch Coalition](#), Shereen Talaat explained its efforts to improve accountability mechanisms of the World Bank through the review of its safeguards, and

its work towards accountability reform in the International Monetary Fund (IMF) governance system, -it currently doesn't have safeguards, accountability mechanisms, nor citizen engagement policies. She explained how pushing for more human rights can be an effective step to fight corruption. In this line, she emphasized a workshop organised with the European Investment Bank (EIB) on human rights due diligence, given that they have a democratic mandate and human rights policies, as a starting point to influence other institutions to follow suit in terms of human rights due diligence.

Shereen Talaat advocated for meaningful citizen engagement is a huge step to fight corruption: when engaging IFIs, it is important not to give the upper hand only to the clients (in this case the governments and private sector) but also to sit civil society around the table to report, influence and observe. She also called for real effective communication between civil society and private sector, and advocacy in different countries, including European countries.

In the current context of global poly-crisis situation, Shereen Talaat advocated for CSOs to be more bold when we are speaking about human rights and stressed the need for real political will to bring about change.

Lora Ujkaj emphasized the EU's stance as a firm global promoter of policies to underpin transparency, integrity and stability. She explained that corruption hampers every right and has a cost too high to ignore. For Southern the Neighbourhood, the New Agenda for the Mediterranean is an opportunity to renew the EU's commitment to democracy and the rule of law, human rights and good governance. In this context, the fight against corruption remains at the heart of the EU's engagement in the region, it is a

cross-cutting issue, which needs to be tackled with prevention and repression, in synchrony all the different actors and institutions. She called for a deep and comprehensive approach working on public finance management, transparency of budget, and law enforcement to strengthen investigation capacities, fight money laundering and foster international judicial cooperation.

She highlighted the new Neighbourhood, Development and International Cooperation instrument (NDICI) with 7 billion allocated to the Southern Neighbourhood within the framework of the New Agenda, and its thematic focus on human rights and empowering civil society, as essential actors to sustain the EU's efforts in fighting corruption.

Lora Ujkaj discussed the flagships on rule of law and governance and detailed the EU programmes in place in Jordan and Lebanon, which include setting up anti-corruption commissions and working with investigative journalists. In Libya and Tunisia, actions have been carried out to recover assets coming from criminal activities. She announced a regional programme that will be launched in 2023 with United Nations Interregional Crime and Justice Research Institute (UNICRI), Transparency International, the Council of Europe, and civil society on the fight against corruption which aims to connect dots on the whole criminal justice chain and to deprive criminals from the assets they had, and to reuse those assets for public good, for activities for civil society.

She underlined the key role of civil society for raising public awareness and democratisation, and stressed how CSOs should be more involved in legislation drafting, and consulted more on proposals.

During the open discussion segment questions were raised about the impact

of digital technologies and how technology can be used to corrupt the anti-corruption system. It was pointed out how crucial it is to build technology that is immune to interference of the establishment, taking into account the corruption risks at the beginning in the design phase of the system. The use of complex systems that require technical knowledge, encrypt-

ing data to protect it, and implementation of map systems and monitoring systems are some mechanisms to make it immune to corruption.

The EU's role in building capacities of CSOs was highlighted as well as the need for better coordination of efforts and policies.

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