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MAAC Forum Addresses the Role of Private Sector in Fighting Corruption

MAAC's support has often been directed at private sector audiences: a number of grants have been awarded to support professional associations and private enterprises to identify and counter their sector-specific corruption risks. Consolidating the discourse on corruption in the private sector and the role businesses can play to counter it, on 24 March, MAAC, in collaboration with the RA Ministry of Economy and the USAID Competitive Armenian Private Sector (CAPS) Project, organized a forum dedicated to the role of the private sector in fighting corruption entitled *Towards Stronger Corporate Integrity*. More than 200 representatives from Armenian and foreign enterprises, international banks, trade associations, government and civil society attended the forum at Ani Plaza Hotel in Yerevan. Opening remarks at the event were given by RA Deputy Minister of Economy Mushegh Tumasyan and USAID/Armenia Mission Director Jatinder Cheema.

Forum participants discussed the impact of corruption on private sector development, the role of enterprises and state in promoting corporate integrity, the role of development banks as agents of change for stronger corporate integrity, as well as ways in which private enterprises and civil society organizations can unite to combat corruption. The forum featured the first presentation of the findings from MAAC's 2009-2010 Corruption Survey of Enterprises.

In her opening remarks, USAID/Armenia Mission Director Dr. Jatinder Cheema emphasized the critical importance of private sector participation in fighting corruption, noting that corruption undermines fair competition, stifles economic growth and political development, and ultimately undercuts investment. "The most important indicator that international investors will be looking at when they plan their investment strategies will be how well local investment is treated. How much administrative time is necessary to deal with government regulation and taxation? How fairly are local business men and women treated in the courts? Can the rule of law be relied upon? How much of a burden does corruption place on the backs of local businesses? Armenia's businesses must engage with government and need to use the legal system to resolve business disputes and respond to corrupt demands, without resorting to bribes. I understand that there are risks, and that the process may take time, but the legal system is like a muscle. It can only get stronger when it is exercised," she said.

The forum highlighted the most promising tools to tackle corruption in business and outlined how companies, investors, and consumer organizations can contribute to corporate integrity and meet the challenges that corruption, including bribery and policy capture, corporate fraud, cartels and corruption in supply chain and transnational transactions, pose to sustainable economic growth and development. International guest

speaker François Vincke, Head of the Anti-Corruption Division of International Chamber of Commerce in Paris, mentioned in his presentation *The Impact of Corruption on Private Sector Development*, that when businesses pursue ethical goals, their corporate efficiency in the medium and long term is enhanced; meanwhile corruption, and bribing in particular, undermines free competition based on fair pricing, quality of goods and services, motivation of staff, expertise, and talent. In response to the question about what businesses could do to combat corruption, Mr. Vincke proposed corporate actions that include self-regulation and self-discipline, the particular expressions of which could be implementing corporate integrity programs, presentation of adequate compliance structures in the organizations, and training corporate staff on ethics and anti-corruption.

The forum was one of the first steps in inspiring the private sector at large to engage in combating corruption. As Casals & Associates President Beatriz Casals mentioned in her closing remarks, businesses are affected by corruption in the first place; hence, it is the private sector that should proactively undertake the leading role in fighting corruption.



François Vincke of the International Chamber of Commerce speaks about the impact of corruption on private sector development

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GNC-Alfa Champions New Corporate Governance Practices



Mr. Avetik Kalantaryan advocates for stronger corporate integrity

The private sector can play a leading role in fighting corruption, especially when businessmen couple their efforts with the public sector. Combating corruption is something relatively new for Armenia, and the engagement of private sector is a necessary component of society's comprehensive anti-corruption efforts. The MAAC forum *Towards Stronger Corporate Integrity*, held on 24 March (see page 1), was aimed at encouraging stronger corporate integrity as a goal for individual enterprises in their fight against corruption. GNC-Alfa, a leading network services operator, actively participated in the forum with its presentation on the role of private sector and the state in fighting corruption in Armenia.

GNC-Alfa, being a relatively new company (established in 2007), has striven to be a responsible corporate citizen of Armenia. "The first thing one encounters when joining GNC-Alfa is a separate section in the employment contract, dedicated to corporate ethics, corporate governance, and corporate culture", - says Avetik Kalantaryan, Sales and Marketing Director of GNC-Alfa. "The company attaches great importance to high standards of corporate governance, and, in particular, to high standards of corporate ethics, and we think that this has been one of the factors of our thriving growth over the past three years", - he adds.

As a particular example of transparent corporate governance, Mr. Kalantaryan presents the company's website; although still under development, it already contains GNC-Alfa's annual audit reports. "For many companies in Armenia audit reports are still considered to be confidential documents, for internal use only. Here at GNC-Alfa it is a part of our unique corporate culture, that audit reports are not merely published in the newspapers' last pages, but are posted on the corporate website and are accessible to all. This is not done only for the sake of becoming more understandable for investors in terms of investor relations, this is also the company's differentiator in the market. We also want to serve as an example for other corporations, so that they post their annual audit reports on the net."

GNC-Alfa not only integrates transparent corporate governance into its organizational routines, but also has been actively engaged in private-public partnerships aimed at ensuring greater transparency and accountability in different areas. The company has been an active partner of the Armenian government in the introduction of e-governance in Armenia. "We believe that if we, as main providers of e-infrastructure, can become part of e-governance system in Armenia, then we will have contributed to the anti-corruption agenda of the Armenian government", - explains Mr. Kalantaryan. "In an electronic network, all participants have equal rights, no subjective opinions and attitudes are possible, people can send applications online and get their replies online. When people do not see each other during their interactions, we decrease corruption risks. E-governance also allows for controlling the flow of citizens' applications within the state system. It's in the context of providing an infrastructure support to e-governance, e-learning, and e-medicine that we see our role as a representative of private sector to couple our efforts with the government in order to promote the e-agenda in Armenia".

Mr. Kalantaryan is confident: "Those companies that are engaged in transparent and fair business – they have a future. We try to serve as an example. With time we will strive to adopt even more new approaches and tools of transparent corporate governance".

Tavush AAC to Work Closer With Tavush Marzpetaran to Prevent and Decrease Corruption Risks



Marzpet of Tavush Mr. Armen Ghularyan (sitting third from right) and AYLA President Mr. Karen Zadoyan (sitting third from left) sign the Memorandum of Understanding

In less than a year after the MAAC's nationwide network of Advocacy and Assistance Centers (AACs) was fully established, it has already achieved tangible successes supporting many of the 2500 citizen visitors who have faced corruption-related situations. Active in the area of prevention as well, AACs have been working closely with the local self-government bodies and marzpetarans (governor offices).

The Tavush AAC, one of the first to open in November 2008, has been very active in its work with governing bodies. On 26 February, the Armenian Young Lawyers Association (AYLA) NGO, which operates the Tavush AAC signed a Memorandum of Understanding (MOU) with the Tavush Marzpetaran; this document was the last in the series of Memorandums of Understanding signed between AYLA and City Administrations of Ijevan, Dilijan, Berd, and Noyemberyan – the largest cities in the marz. The goal of these MOUs is to prevent and decrease corruption risks in the region by promoting procedural and systems-level reforms and raise public awareness about the importance of combating corruption.

The Tavush MOU signing ceremony was attended by the Deputy Prime Minister and Minister for Territorial Administration of Armenia, the governor of Tavush, and the president of AYLA. During the ceremony Deputy Prime Minister Armen Gevorgyan welcomed the initiative and expressed hope that the services of AACs would become easily accessible to everybody.

The ceremony took place following the seminar organized by AYLA on *Procedural and Systems-Level Reforms as the Most Important Components of Anti-Corruption Policies*, which was aimed at establishing partnerships with local and state government institutions. The seminar was attended by representatives of government, international organizations, civil society organizations and mass media. The deputy governors of Tavush marz, mayors of Ijevan and Berd cities, the prosecutor of Tavush marz, as well as the Chairman of the First Instance Court of Tavush marz were among the participants.

2009-2010 Corruption Surveys of Households and Enterprises

Regularly gauging citizens' perceptions and attitudes towards corruption is a prerequisite for an informed and effective combat against corruption. Corruption surveys of households and enterprises are necessary tools for MAAC, the Government of Armenia, and others to understand people's attitudes toward corruption, the degree of acceptance of corruption, the knowledge of tools through which citizens can participate in fighting corruption, and the level of awareness of anti-corruption initiatives in the country. The first MAAC corruption survey of households, which took place in 2008, generated information on all these topics and became a matter of broad public discussion and policy proposals.

In 2009-2010, MAAC subcontractor Caucasus Research Resource Centers (CRRC) conducted the second annual corruption survey of households and the first corruption survey of enterprises. More than 1500 households all over the country, as well as 400 private enterprise owners and managers answered questions about their personal experience of corruption, sources of information about corruption, and their perceptions of the business environment and the various forms of corruption that may exist. The fieldwork for the household survey took place in the last quarter of 2009 and preliminary findings were presented at the MAAC's 9 December Forum marking International Anti-Corruption Day; the preliminary findings of the corruption survey of enterprises (carried out from Nov. 2009 to Jan. 2010) were presented at the 24 March MAAC forum on corporate integrity.

The 2009 corruption survey of households allowed MAAC to track changes and identify trends. As in 2008, more than half of the respondents in 2009 perceived corruption as a fact of everyday life in the country. Almost as many people as in 2008 thought that the level of corruption in the country has not changed over the last year, and healthcare, education, judiciary, prosecution, and electoral commissions are still considered to be the five most corruption sectors. The survey showed that the general public felt corruption had worsened in the last twelve months.

The first corruption survey of enterprises revealed that more than half of the respondents (56%) think that corruption is a very serious problem in the country, with a further 36% thinking that corruption is somehow serious problem. The electoral system, the penitentiary national institution, and the judiciary are perceived by business leaders to be the most corrupt public offices, and corruption is perceived to be most severe amongst high ranking officials. Yet, more than 80% of business leaders think that corruption can be reduced in Armenia.

The corruption surveys of households and enterprises are not only an indispensable tool for gauging citizens' perceptions of corruption, diagnosing of institutional corruption dysfunction, and quantifying of social and economic costs of corruption, but also an important data source for shaping policy dialogue on how to better tackle corruption. In April-June, MAAC and its subcontractor CRRC will conduct a nationwide campaign to publicize the findings of the surveys and make the findings and dataset easily accessible to the citizens, media, civil society organizations, academia, and youth.

Speaking About Corruption...

Anti-corruption initiatives are much more effective when they include a public awareness and public education component. Deep understanding the nature of corruption, full awareness of its detrimental effects, and sound knowledge of the tools to fight it are prerequisites for any successful combat against corruption. For that reason, MAAC is always searching for audiences big and small to speak about corruption. A few examples of such audiences:

On 4 March, MAAC made a presentation on the nature of corruption and ways of tackling it at the Alumni Quarterly Event organized for the US Government-sponsored alumni of the Edmund S. Muskie Graduate Fellowship (Muskie) and Global Undergraduate Exchange (Global UGRAD) programs, administered by IREX Armenia. More than 20 alumni of Muskie fellowship, representing private sector, NGOs, academia, and the government, took part in the informal discussions. On 12 March, MAAC introduced anti-corruption concepts to a lively discussion group of some 15 youths at the Youth Education Studio EDUC NGO in Yerevan. Another presentation, on the fight against corruption in Armenia, was delivered on 15 March by MAAC to fifty participants of "Yerevan in Five Days" program, organized by USAID/AED Youth and Community Action Program.



MAAC COP Francois Vezina explains corruption to EDUC NGO youth

If your organization wishes to learn more about corruption and what it can do to combat it, please contact us, and we will organize a presentation tailored to your group's needs.

MAAC Extends Grants Projects Aimed At Increasing Anti-Corruption Awareness Among Youth And Introducing Anti-Corruption Education

On 11 February, MAAC extended the grants to NGO Center Civil Society Development Organization and The Future is Yours NGO.

Starting in February 2009, the NGO Center Civil Society Development Organization (NGO Center) has been implementing a project aimed at creating greater awareness among youth about corruption, its short and long term negative impact, and the actions that youth can undertake to combat it. Within the framework of the grant project, NGO Center organized fifteen TV talk shows in the Northern regions of Shirak, Lori, and Tavush; the talk shows discussed how corruption affected youth.

In order to follow up on the successes of the project (which was scheduled to close in February 2010), MAAC agreed to extend the NGO Center's grant till May 2010. The extension will allow NGO Center to undertake a training program for a group of active youth on corruption and how to detect it, hold internships for training participants at the broadcast and print press offices, and establish an anti-corruption club of young journalists.

MAAC also extended the grant to the Future is Yours Charitable Social NGO, which has been implementing the "Education Against Corruption" project since April 2009, the goal of which has been the adoption of an anti-corruption course for high schools by the Ministry of Education and Science and the National Institute of Education. Within the scope of the project, a guidebook was developed to assist the teachers in instructing on anti-corruption.

MAAC extended the grant project to allow The Future is Yours NGO to increase the number of teachers to be trained from 1050 to 1410, thus involving one teacher from each of the 1410 public schools in Armenia.

MAAC Approaching the End?

How time flies! MAAC is approaching the end of the final year of its base period and on 11 July, it will be three years old.

So much has been accomplished in those years – 11 Advocacy and Assistance Centers now dot the Armenian landscape, the country has a new Anti-Corruption Strategy, the Ministry of Health is promoting greater transparency in public healthcare, the Ministry of Education is preparing to introduce anti-corruption education at school, the State Revenue Committee has adopted guidelines and trained 400 tax officials to detect and report fraud and corruption, the government is readying to draft a comprehensive code of ethics for all government employees, CSOs and private sector groups have implemented their own anticorruption projects in all marzes, annual surveys now tract citizen and enterprise understanding and engagement in the war on corruption and help to inform government policy. Increasingly, the media, television in particular, is airing shows about corruption, exposing unlawful practices and indirectly promoting greater transparency and accountability. Forums and other discussion formats are being used to openly discuss the need for a change in behavior and attitude by corrupters and their victims, and show the progress being made as well. And what about the future of MAAC after July 2010? We want you to be the first to know – so check out the MAAC Website – a news flash should appear no later than 11 May! "So much to do, so little time".

Do You Know?...

All issues of the AAC Newsletter are available online at www.aac.am and www.shpak.am.

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