

Being Ethical While Remaining Competitive



Is it really possible to work ethically and still remain competitive? There are a great many who doubt this! In business, time is of the essence. If one delays the availability of a product, the competition will beat you to the market. In any case, the

competition is trying every trick in the book to steal your customer from you!

HOWEVER!!!..... would you rather deal with a person or organisation that is honest and reliable or are you comfortable dealing with those who are known to cut corners and cannot be counted upon?

I started my career working in the Foundry Division of the Tata Engineering and Locomotive Co. Ltd. (known as TATA MOTORS today). We ran a very reputable Steel Foundry and were selected to develop the Track Links for the Vijayanta tank, which was being developed by the Heavy Vehicle Factory (HVF), Avadi. We had made several supplies to the satisfaction of the customer but during one particular tender, our product was not selected because a competitor had quoted a lower price. We were sorry to lose such a prestigious order but forgot about it. Six months later, the HVF people were back with us in Jamshedpur, pleading for fresh supplies of track links. It transpired that HVF had rolled out the first Vijayanta tank with track links from our competitor and during the public demonstration of the tank which was being witnessed by various foreign and Indian dignitaries, the track links failed, much to the embarrassment of the Ministry of Defence, and hence the competitor had been blacklisted. The HVF were so desperate to get the supplies from us that they were willing to sign a contract for all their requirements of this casting for three years in order to induce us to start

supplies again.

The problem between Ethics and Competitiveness begins when we think about being competitive first and then try to find the means to achieve this. Once this happens, ethical practices lose out because there are many more unethical short-cuts available. One needs to decide first that he or she will only do business ethically and then find ways by which to become competitive. Once the commitment to ethical practices has been made, an innovative mind will very easily be able to find the route to becoming and remaining competitive.

I would like to welcome you as a member of Caux Initiatives for Business (CIB). We sincerely believe that it is not only possible but a great source of joy and happiness to conduct business honestly and ethically. You, in becoming a member of CIB, seem to share this desire and we would like to help you achieve your goal as quickly and easily as possible. We don't believe that this can be achieved by theorising, or by prescribing or making up lists of Dos and Don'ts or Codes of Conduct. We believe that the finest way in which we could help you is by sharing experiences, the experiences of hundreds of colleagues in business and industry who have resolved to conduct their businesses honestly and ethically and have succeeded in making themselves competitive. In fact many of them occupy some of the foremost positions in their businesses today.

We propose to issue this magazine quarterly to share with you the experiences of fellow members or others; interviews with those who share our beliefs and other matters of interest to help you maintain your passion for ethical practices and keep the pot of your enthusiasm boiling. I do hope that you will enjoy its contents and will share them with others so that our fraternity may grow

With Love, because.....

Only Love is Real!!

Sarosh J. Ghandy
 Director
 Caux Initiatives for Business

Dear Readers,

While writing these lines, I have mixed feelings. On the one hand, I feel humble and happy to deliver our inaugural issue of the quarterly e-magazine from Caux Initiatives for Business. On the other, I feel a bit anxious, as much more could have been done to make this better.

Inspired by the song, “*It's better to light one candle than to curse the darkness...*” we at CIB have a zeal to build and employ a framework for conducting business and industry ethically while remaining competitive, to get translated into actions. Those actions aim to promote inter-country collaborations on best practices, encourage active relationship-building with stakeholders in business, civil society, government decision makers and influencers. We hope, in a small way through this e-magazine, to aid in such a result. The focus of this quarterly publication would be to reflect on the various initiatives that would promote a social, economic, environmental, governmental and civic eco-system which would not be competing with but completing each other. At this point, it would be necessary to say that our efforts will only be enriched by your feedback and collaboration.

While the thought of providing the cyber ink and the air to this e-magazine has been on our mind for a long time, on entering the New Year, 2014 we have chosen the Indian Republic Day, January 26, as the day to release it.

In closing, I feel an urge to share with you the first page of a book, “*Doors Within*”, by Eileen Caddy. Inspired by her inner voice, she wrote the following lines. I believe it would go a long way in helping us in finding faith, fulfillment and inner peace.

“LIFT up your heart and enter the New Year with the knowledge that a truly wonderful year is there ahead of you. Behold the very best come forth out of everything. I can tell you what a glorious year it will be. But unless you accept what I say with a heart full of gratitude and expect the very best because your faith and trust are in My word, it will not come about. You have to hold on to My wonderful promise and believe. It is not a question of believing with your mind. You have to believe with the intuition, with that inner knowing which comes from the highest, from Me. Visualize Me going before you preparing the way, making the seemingly impossible become possible. Only the very, very best, the perfect, is for those souls who truly love Me and put Me first in everything.”

So here is wishing you all joy, peace and abundance, now and always and once again, a warm welcome to you dear reader of the CIB quarterly e-Magazine.

Sanjiv Tare
Editor

My gratitude to the Editorial team consisting of, Lt. Col. (Retd.) Allan Burby, Pune; Anil Chopra, Mumbai; Luis Gomes, Goa; T P Mukherjee, Pune and Ms. Vinita Saxena, Panchgani, for all their support, time and help in getting this e-magazine up and running.



Caux Initiatives for Business

For private circulation.

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CIB letter design on cover page created by David Steingruber, Germany*

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Sustainable Supply Chains: why placing ethics over profits pays off

Tom Seal

Guardian Professional, Wednesday 28 August 2013 18.00 BST
Photograph: Martin Godwin

Companies may talk about ethical supply chains, but if they don't independently monitor and audit suppliers, nothing will change.

It is easy for a company to present itself as ethically aware, but whether it has robust policies and measures in place to live up to its values is often a different story.

The race to be ethical used to be clearly led by "born-green companies" - organisations that from day one prioritised corporate social responsibility (CSR) in their supply chains.

Lush, the UK-based handmade cosmetics firm, is one such company. Founded in 1995, it now has over 800 stores worldwide, uses factories in more than 40 countries and saw sales of £321m in 2010/11. It's no surprise that Lush is often cited as example of why ethical supply chains and financial success aren't mutually exclusive.

In contrast, larger corporations have a much harder time convincing a cynical public that their social and environmental credentials haven't been lifted off the back of the nearest bandwagon. Even with the best of intentions, the sheer size of a major corporation's supplier network - sometimes involving thousands of suppliers - makes it hard for them to make quick, effective and transparent improvements.

Lush calls its supply chain approach "creative buying", where a business looks beyond lowest price and bottom line, and instead buys the best, safest and most suitable products in accordance with their ethics.

To do this, companies can't only look at what they buy and the associated cost. They need to also be comfortable with those from whom they buy.

Organisations should seek assurances that their suppliers are also firms with an ethically sound CSR policy. Clear and transparent CSR programmes allow a level of trust to be built into the supply chain for both the purchaser and supplier.

Green policies aren't about appearances, marketing and sales. A credible environmental CSR policy places supply chain processes and practices at its heart. Doing so can reap a whole range of benefits from reduced transport costs, less waste, increased efficiency, lower material costs and even access to government incentive programmes.

But this is the area where the largest disconnect between intentions and actions often exist. It's far simpler to change branding and marketing - and present a company as environmentally and ethically aware - than it is to reconfigure or rebuild an entire global supply chain.

To deliver on the promises made in CSR policies, companies need to effectively monitor performance. However, this is a massive task and research from Procurement Leaders has shown that firms do not have structures in place to ensure their supply chains hit standards, with many companies relying on suppliers themselves to self-audit. A firm may talk about a sustainable supply chain, but if they aren't auditing their suppliers how can they back up their claims?

When an organisation gets things right, however, the rewards can be substantial. For



example, in 2010 PepsiCo uncovered over \$60m in energy-saving opportunities as a result of a carbon management and energy assessment programme it undertook with its suppliers.

Effective auditing not only sends a strong message to suppliers, it increases transparency and helps identify problems that need remedying.

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Whilst the cost of a thorough auditing process may seem prohibitive in the short-term, the long-term benefits of a well-designed process will almost always pay off.

There are inevitably pitfalls on any path,

however worthy and while customers may want more green options, they may not always like the resulting product.

SunChips, a US crisp manufacturer, had to withdraw most of its environmentally sound packaging just 18 months after launch as customers complained about the new noisy bags and sales dropped by 11%. For most of its products, non-recyclable bags were brought back. Consumers often want green as an added value to what they are buying, not as a substitute for something else (in this case a quiet crisp packet).

The internet and social media leave almost no dark rocks for corporations to hide under. Supply chains and their ethics are firmly in the spotlight and will rightly remain so. Those firms that water the shoots of green growth we've seen in recent years will be amply rewarded and not only in reputation, but also on the balance sheet.

Tom Seal is head of research at Procurement Leaders Network.

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ETHICAL vs. UNETHICAL BEHAVIOUR

When we look into deeper roots of ethical and unethical behaviour

UNETHICAL BEHAVIOUR	ETHICAL BEHAVIOUR
Every form of unethical behavior comes from a sense of deficiency, limitation, desire and fear	Ethical behavior always springs out spontaneously from a sense of abundance, infinite possibilities, a deep sense of 'feeling good' and love.
In unethical behavior there is always me and the other.	In ethical behavior, there is only a deep sense of oneness.
Unethical behavior has at its roots boundaries, fragments, separation and a blocking of the natural flow of life's energies and resources.	Ethical behavior has at its roots in boundarylessness, integration, oneness and a natural flow of life's energies and resources

Based on an article, **Remembering our Wholeness** by Arun Wakhlu from a book 'Restoring Values'

Being Ethical and Still Successful

Anil Chopra



The mantra of being ethical in business is more of a wishful statement than a practical approach. This is our normal belief in today's world with the given business environment.

Given these belief, when I was approached by the Siemens management in late 2007, to lead the “Change Management” initiative and take up the role of the “Compliance Officer”, I was doubtful of my ability to lead that change!

The management of the company was equally unsure as none of us had experienced the expected changes and were not sure of what was in store to implement the “Change”!

Eventually, after being part of the core team, driving the change, I became the “Compliance Officer” in February 2008 and lead the change. Rest is history and today, Siemens is the benchmark of the industry, leading from the front and has shown that an enterprise can be “Ethical and Successful”.

Late 2005 / early 2006 Siemens was accused of adopting corrupt practices (bribing to be blunt) to win global contracts of large public / private ventures. This was a wide spread practice among managers at differing levels and came as a big shock to the business community and even the supervisory management of the company. We were living under the myth that we are the global leaders in ethical business, and always took pride of conducting ourselves with clean practices, while being technology leaders in many areas of business.

With the revelations of our murky environment, we embarked upon the drive to regain our value system and drive the change of

our business culture and get back to “Being Ethical, yet Successful”.

We started to implement the new “Compliance Program”, initiated internal investigations, hired external law firms to support our efforts to find corrupt officers, correct non-compliant behavior and regain the leadership of being the most “Ethical Company” in the world. It involved a thorough investigation worldwide; exhaustive document scanning; and a forensic investigation of all electronic data. In this process, we were drained of over Euro 2 billion in costs and fines; around Euro 200 million in lawyers' fees and around Euro 400 million in corrective IT systems.

The Global Siemens Board was reshuffled, many had to leave, and we operated without a global CEO for almost three months.

As a consequence of our disclosures and findings by the external investigation agencies, the US stock exchange wanted to de-list SIEMENS from stock trading. We lost our position as Germany's Top 10 Most Preferred Employer's list. We, over 400,000 employees in over 190 countries were at risk of losing employment.

We were faced with a situation where we had hundreds of guidelines but the guidelines were not held in a single central repository, and employees found it difficult to determine which guideline to comply with in a particular situation. Further, some guidelines were outdated, even as new ones were being introduced. Also, we did not have a strong tracking mechanism to determine whether all the guidelines were being adhered to in the manner intended. Without such a system, employees were interpreting them as they thought best.

Now came the era of implementing the new controls. We conducted a detailed benchmarking exercise and found the gaps from within the leading FCPA requirements, be it the US Act, the German Laws or the Indian Anti-Corruption law. We defined new controls to ensure that all the requirements are met with and there was no possibility of any gap or opportunity to indulge in

any corrupt practice, globally. We implemented over 100 new controls within six months – in areas as diverse as “Tone from the Top” and tracking individual cases, to training programs, engagement of business partners, tenders and contracts, gifts and hospitality, to finance and accounting. These controls were standardized across all countries – irrespective of the culture, volume, business, size, or the extent of involvement in misdoings.

Given the size and geographical spread and reach of operations of the company, we were aware that the 'clean-up' would be effective only if it has a lasting effect and the changes were made at the overall fabric of the control environment of the processes in the company.

We strengthened our processes as follows:

A. Implemented the new the Internal Control System (ICS)

B. Beefed up the Enterprise Risk Management (ERM) system and last but not the least,

C. The new Compliance Controls Program

All the three process controls were lead by high powered officers at the Headquarter level and

given a tight timeline to effectively implement the newly defined controls.

The new control regime was launched with the mantra of “only clean business is Siemens' business”.

A. The Internal Control System

We introduced a new type of continuous control and monitoring 'dashboard' for Purchase to Pay Process (P2P) into our global ERP system. This enabled us to be pro-active, rather than reactive, in preventing violations. The improved ERP, which processes millions of P2P transactions daily, now automatically sends out an alert when a control is violated. Both Siemens India and global CFOs can thus be informed real-time and online, not only who has committed a violation, but where, and how it has been committed. Siemens India's CFO is then given 30 days to institute an internal control to ensure that the same violation can never be repeated. If he or she fails to meet this deadline, the system automatically sends an email alert to the global CFO.

At the same time, the CFO has full accountability for maintaining the integrity of the



company's books and records. He or she also has full freedom to express a contrary opinion. The audit and financial functions have also been separated, with audit becoming an independent organization, and 70 per cent of its members are from outside the company. The global audit function operates from four regional hubs, and independently decides which operations or processes require auditing. At the group company level, the Chief Audit Officers now report directly to the global Audit Committee Chairman and not to the group company CFO, as was the practice earlier. Audit results are provided to the CFO, who is responsible for corrective action.

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B. The Improved and Modern Enterprise Risk Management approach

The updated “Enterprise Risk Management” system is implemented to review and mitigate all organisational risks in a manner that drives the business. Its approach derives from the globally-accepted COSO II ERM framework, which has three components – risk categorisation, risk organisation, and risk process.

Every quarter, each division of the company carries out an exercise to identify what they perceive to be the top risks to their business, across a variety of issues including Strategic, Operational, Financial or Compliance. Enterprise risk evaluation is driven by two scales, both ranging from 1 to 9. The first is 'likelihood', that is, the possibility of an identified risk actually occurring. The categories here are certain, probable, likely, possible, and unlikely. The second is 'impact', that is, what loss are we likely to suffer (financially, in business objectives, in management time, brand image, or regulatory) given the probability of occurrence of any of the risk. The employees score each risk and the scores are averaged out to represent the size of the risk to

the business as 'low, medium, high, or major'.

Risks are reviewed in monthly business review meetings. Measures are then put in place and tracked to see if the organisational risk perception has reduced. 'Major' and 'High' risks appear on the senior management's radar. As risk scores drop to medium, or low, the risk drops out of the senior management's radar to that of an operational manager down the line. We have a system of ad-hoc risk reporting for those risks that come in the middle of the quarter and are flagged again.

C. Compliance Controls Program

The three-pronged compliance strategy:

a) First “Prevention” (every employee is thoroughly trained and regularly tested on all applicable guidelines; he or she can draw on the support of the compliance helpdesk).

b) Second “Detection” (involving compliance investigators, global case tracking, reviews and controls).

c) Third “Response” (in the form of punishment for misconduct).

To demonstrate that we “Practice what we Preach” and “Mean what we Say”, anyone suspected of violation throughout the organization, is severely dealt with and dismissed if found guilty. Concurrently, we also established a “Central Whistleblower Mechanism” to enable employees to report potential misdeeds and to determine whether action has been taken.

To further eliminate the scope for corruption, we abolished all gift-giving or entertainment, a decision that met with considerable dismay from all levels, be it sales force, service teams or even the corporate functions, which had to deal with government officials at all levels. All feared that it would hit business badly.

Next level of controls included abolishment of cash payments for major transactions, permitting payments only through cheques, credit cards, or bank-to-bank transfers. Invoices are no longer signed physically. Employees must log in to the ERP system to process a payment.

All these steps were aimed at ensuring clear visibility of any violation. The lengthy 'signing authority' manual was simplified and a simplified

“Delegation of Authority (DoA) document was introduced.

Finally, it instituted a system of 'integrity pacts' with vendors, customers, and even competitors to ensure that they too followed clean processes that will hold up to intense scrutiny. Siemens India has signed several pacts to date, including with Public Sector Units (PSUs) that have agreed to publicly commit to being completely transparent in the bidding process, and to allow monitors to check compliance. At the same time, it offered to explain to industry bodies like the CII, FICCI and the Vigilance Commission and Transparency International as well as certain like minded corporate stakeholders how firms may put similar controls and mechanisms in place.

Eventually, it's paying off!

To our great satisfaction and contrary to the expectations of many of us at Siemens, stringent controls did not reduce our reach to the market, and did not hurt our “Top and Bottom line”.

Business has actually improved significantly because customers are more willing to do business with us in view of our strict compliance standards and clean image. We are given priority for our tax assessments. We are invited by multiple companies to seek our experience of how we have implemented the new controls. Our business managers are looked up to as role models and are sought after by our competitors.

Simultaneously, the work environment has improved. Decision-making has become easier for employees, with well-defined policies and processes to guide them through challenging situations. In addition, transparent processes help them to understand where they, and equally, the management, stand. The annual employee engagement surveys show increasing optimism as well as confidence in the value of the risk management structure. Crucially, most employees understand and accept that while there are consequences to violating compliance codes, there is more to compliance than simply abiding by rules and regulations. Compliance also entails creating and sustaining a value-based culture. To this end, the conviction that the management is standing by its commitment to clean up the company's practices was critical.

We introduced a culture to ensure that

employees in the legal function also have a stake in the business. Earlier, legal professionals often did not go beyond stating their opinions based purely on the viewpoint of law. Making them partners at each level in the company's business pushes them to, additionally, guide employees in their tasks more meaningfully. Business partners and vendors are now more confident of fair treatment in the course of their transactions with us, and

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transparency in dealings has made the company far more attractive to them. The organisation's carefulness in conducting business with vendors – through adequate background checks and prior due diligence – has created an even more trusted partnership.

It is increasingly evident that these measures have greatly improved its shareholders' perceptions.

We have moved from a below-100 ranking in 2006, to the top of the Dow Jones Sustainability Index.

In India, auditors, who earlier held that Siemens is a 'high risk company, in a high risk country', now say that it is 'a low risk company, in a high risk country'.

It has changed the way it deals with end-customers, consultants, and channel partners, and vitally, it has clearly laid down response strategies in terms of how to deal with external market violations.

At this stage today, when I have moved to Business Role and head a leading position in the procurement function, I take pride of leading the change from the front with the strong support of the leadership team, who endlessly, without blinking an eye, gave me unlimited powers to implement the controls indentified to make us drive for **“Ethical Behavior and yet become Successful”**.

Anil Chopra is VP (SCM-IM) in Siemens Ltd., Mumbai



Can India Escape The **CORRUPTION** Trap?

N. Vittal

The issue of corruption has been dominating the headlines and has been a continuous theme in the public affairs of the country, especially in the last couple of years. N Vittal, former Central Vigilance Commissioner, gives his interpretation of the issue and discusses the steps we might take to eradicate this evil.

One of the main reasons given for the growth of corruption in the country, especially from the side of the corporate sector, was the way the socialistic pattern of society was implemented after independence by Jawaharlal Nehru and his successors. This led to what Rajaji called the 'permit-licence raj' creating scarcity atmosphere designed to promote corruption. The introduction of the economic liberalisation would help reduce corruption, they thought.

In our country, our political leaders make public policy decisions only under the two conditions. The first is when there is a possibility of winning a vote bank. Just look at the scandalous

extent to which freebies are announced and the ever increasing bill of subsidies. The second is the TINA (There Is No Alternative) factor. P. V. Narasimha Rao who made the classic statement that not taking of a decision itself was a decision! He was the prime minister who ushered in the era of economic liberalization in 1991. He had to do it because of the TINA situation created by the disastrous levels to which the foreign exchange reserves of the country had sunk. The directions of the IMF had to be adopted and the Indian market had to be thrown open including infrastructure sectors like telecom, power etc to the private sector.

Have two decades of economic liberalization brought down the levels of corruption? Not at all. The series of mega scams we have witnessed in 2010 topped by the 2G scam, the mother of all corruption scandals estimated at Rs.1.76 lakh crores, are an eloquent proof. What are the basic causes of this perceptible increase in corruption?

These last two decades of liberalization have also witnessed the significant growth of activism on the part of the civil society. The collapse of the Soviet Union in 1990, was a tremendous boost to the ideology of market-based liberalization as the preferred model of governance. Majority of the countries jumped on the band wagon of liberalization, globalization and privatization. Simultaneously there was a consolidation of a movement against globalisation powered by the coming together of groups advocating environmentalism, human rights and non-economic social aspects of life, who also got wide publicity from the media. The global economic meltdown of 2008 in the financial markets seemed to validate their doubts about mindless globalisation and the apotheosis of the market. In our own country, the fight against globalisation has been lead by environmentalists like Vandana Shiva and human right activists like Arundhati Roy, Medha Patkar, Aruna Roy, Anna Hazare, Madhu Kishwar and others.

Corruption in the meanwhile has also become a major global issue. In 2003 The United Nations adopted the convention against corruption. More than 160 countries have ratified it. Sadly, but perhaps not surprisingly, India is one of the very few countries which have signed but not ratified that convention. Indonesia, for instance, after the long years of corrupt rule under Suharto seems to be initiating action against corruption under the current president Yudho Yono. Some of the African countries are taking effective steps to check corruption. Is there any lesson we can learn from this?

This paper tries to examine these issues and answer the basic question. Where do we go from here? Can India ever hope to escape the corruption trap?

Corruption in the Post-Liberalization Era

We may begin by examining the two decades

of economic liberalization and the massive growth of corruption during this period. Corruption basically is the lack of integrity and this could be of three types--intellectual integrity, financial integrity and moral integrity. We are mostly concerned with the financial integrity.

The engine for corruption lies in the scarcity of goods or services and the demand for them. So once there is too much demand and too little supply, those who control the supply side or have the power to decide where the supply should be made acquire enormous power to convert their power into cash. This dynamics of corruption has been practically in the DNA of the government of India organisations and more so in the state governments for a long long time even before independence. The later years of the Second World War ushered the phenomenon of the black market. Controls and rationing became necessary in this context. When we became independent, Jawaharlal Nehru's vision of Fabian socialism provided a political rationale for a policy of regulation and control. This permitted licence raj and provided enormous scope for corruption at every level. Because of this socialist approach and the almost hostile official attitude to the production of consumer goods there was scarcity of the goods needed by people in their daily life. No wonder this led to the massive growth of corruption. The ridiculous situation in which the whole nation had to manage with only two brands of cars (Ambassador and Fiat) for nearly half a century is a most dramatic demonstration of the ridiculous situation created by socialist control. The explosive growth of automobile industry and hundreds of brands which are available today in the market showed what a tremendous potential for economic development and growth we have lost. Only the bad legacy of corruption remained.

But has liberalization reduced corruption? Yes, it has reduced corruption so far as the corporate sector is concerned. Earlier they had to make weekly pilgrimages to Delhi for getting their licences pushed or employ liaison men for greasing the palms of the powers that be. This is no longer so. Nevertheless, corruption has taken enormous new avatars and in the process the amount involved and the scale of corruption have

increased by orders of magnitude.

It is because new opportunities for huge scams have arisen at the policy-making level. The 2G scam relating to the allotment of the spectrum is perhaps a classic example of the tremendous potential for corruption. What has been witnessed in 2G scam has been witnessed in other sectors like civil aviation, power, roads and mining.

One important development after liberalization was the need for enormous growth in the infrastructure. This in turn meant enormous investments in infrastructure projects. The old culture of corruption followed both--at the stage of selecting technologies for the project and issuing of contracts. The manner in which the National Highways Authority which was started by the NDA government achieved some good results and became scandal-ridden in the subsequent UPA government is an example of how huge mega projects provided opportunity for corruption to corrupt political leaders.

A third area of corruption opened up thanks to the process of liberalization itself. If getting the licence was the high priority for the corporate sector, before liberalisation, controlling the market and share prices for exploiting the gullible who invested in the stock market provided great opportunities now. No wonder, all the major scams in the post-liberalization period has some connection or other with the stock market, starting with the Harshad Mehta scam, the Ketan Parekh scam, the Vanishing Companies scam and others. We also saw the interplay of enormous amounts unaccounted money through routes like participatory notes. The current halla balloo about the huge funds parked in Tax heavens which could also have links with terrorists and which could have played a part in shaping the stock market movement had opened up a new dimension of corruption. This was not seen in the permit-licence raj.

Liberalization removed the long-standing official hostility to the consumer goods sector. The entry of multinationals enormously pushed the salary scales of executives. As a result, a whole new generation of people have come up whose approach to money is different. Consumerism reigns supreme and along with consumerism is the craving for instant gratification. Young people of

today want enormous salaries right from the beginning. The publicity given by the media to the fresh graduates drawing a huge salary has introduced a whole new element. This has boosted greed and made it the primary force of motivation today.

We have seen the factors that promote acts of corruption so far. There is also an enormous lacunae in our system of governance so far as fixing accountability and punishing the guilty are concerned.

Consumerism reigns supreme and along with consumerism is the craving for instant gratification. Young people of today want enormous salaries right from the beginning. The publicity given by the media to the fresh graduates drawing a huge salary has introduced a whole new element. This has boosted greed and made it the primary force of motivation today.

It is unfortunate that our entire system of government seems to be built on the ways of no accountability. The pathetic state of affairs was made very obvious when the Prime Minister cornered in Parliament in the case of appointing Mr P J Thomas as the CVC, initially accepted that he was accountable. But very soon when the issues rose about how the case about Thomas' involvement in the Palmolien oil imports of 1990 was not brought to the notice of the high power committee, attention was sought to be shifted towards the then minister in the PMO and the current chief minister of Maharashtra Mr. Prithvi Raj Chavan. He in turn tried to point out that the Kerala government had been remiss and Achuthanandan, Chief Minister of Kerala lost no time in highlighting how three letters have been sent to the government of India. In all this finger pointing the simple idea of accountability for the case of insisting and selecting P J Thomas as the CVC was lost. If at the highest level there is no culture of accepting accountability, we cannot expect down the line anybody to become accountable.

Our legal framework of governance also tends to promote lack of accountability. The continuous increase in bureaucracy leads to not only

enormous increase in number of people doing the same job but leads to two predictable consequences--too many cooks spoiling the broth and, when it comes to fixing accountability, easy finger pointing to avoid responsibility. The cast iron guarantee of jobs given under Article 311 acts as a great catalyst for promoting lack of accountability.

This is not all. The anti-corruption laws themselves are having enormous gaps. The current focus of the whole nation on the Anna Hazare's fast shows how the political class as a whole has managed to keep itself away from getting caught or getting punished in any court. Apart from this lacunae, the conviction rate in the criminal cases in India is only 6% and the delay itself acts as a disincentive for honest behaviour.

Mr. Moily, heading the Administrative Reforms Commission, made brave noises about legal reforms and there has been only thundering silence and inaction so far as the actual reforms are concerned. The enormous growth of corruption is the result not only of the various motivating forces which promote corrupt behaviour but also the enabling environment of the lack of accountability and weakness in the laws relating to fighting corruption and the legal system.

Anna Hazare was able to capture the nation's imagination through his fast and today the question that is being asked is whether the Lok Pal Bill for which there was such a national consensus in terms of public appeal and support, will be able to fight corruption.

The Anna Hazare Phenomenon

Like a long-silent volcano suddenly erupting, the Lokpal issue has burst on the Indian political scene, thanks to the dramatic fast undertaken on 5th April 2011 by one of the genuine Gandhians still living with us – the respected Anna Hazare.

The volcano analogy is particularly valid. The explosive magma of our public life is the all-pervasive corruption and the common man's anger against it. Although the hapless citizen has come to live with corruption as an inevitable evil of life in India today, sometimes the equilibrium gives way when the limits of his tolerance are crossed.

In the last year particularly, we seem to have

crossed that limit. Everyday life has become very difficult -- thanks to the continuously rising food and vegetable prices. On top of this are the headlines everyday of one major scam after another, especially in the electronic and print media. It has been one continuing big shameful parade of one mega scam after another – CWG, 2G, Adarsh housing society, massive corruption by Dr Ketan Desai, the chairman of the Medical Council of India, the IPL and the LIC housing society scam.

Although the cases and sectors of corruption may be different, there was one common factor. In every case of mega corruption some politician or the other was involved. The contrast in the lifestyles of the *aam aadmi* and the filthy rich political class has been adding fuel to the magma of anger in the minds of our people.

One important cause of that anger was that even though in other sectors like bureaucracy, the corporate sector, education or health the corrupt were punished at least in a small number of cases,

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not a single politician of any worth was ever punished. There is thus a big lacuna in tackling political corruption which is the root cause of corruption in every sector of governance in India.

So when Anna Hazare launched his fast demanding the setting up a joint drafting committee for a powerful anti-corruption body to be called the Lok Pal which will act against corrupt political leaders and punish them, it found an immediate echo in the hearts and minds of a wide cross section of people.

The timing of the fast was an excellent case of serendipity. It coincided with the universal anger of a majority of citizens against the political class. This was also the time when, in Arab countries like Egypt, Syria and Libya people came out in the open demonstrating the citizen's anger against

corruption. The media, especially the electronic one, played an important role in creating an image of the long suffering people of India, rising against the corrupt ruling class. The Hazare movement was an echo of the JP movement of the seventies against Emergency and Gandhiji's Quit India movement of 1942.

The middle class, and especially the youth, were attracted by the imaginative use of Facebook by the activists. After four days of fast, the government ultimately agreed to the demands of Anna Hazare and set up a joint committee with five ministers and five representatives of the civil society including Anna Hazare. The committee is to finish drafting the Lok Pal Bill by 30th of June 2011. The government has already decided to introduce the Bill in the monsoon session of Parliament. Anna Hazare has said that the Bill must be passed by 15th of August 2011. If not he has threatened to resume his agitation.

The question is, can one Lok Pal Bill weed out corruption?

The answer in one word is NO!

Does it mean that all the emotion and drama from 5th of April 2011 is a sheer waste of effort? NOT AT ALL.

The Lok Pal bill focuses attention on a glaring lacuna in our system of governance--the need for an agency to initiate action and punish corrupt politicians who are the root cause of corruption in our country.

The Jan Lok Pal Bill drafted by the Civil Society visualizes an independent powerful organization which will initiate action and also punish the corrupt politicians. But can a single institution like Lok Pal be able to weed out corruption?

The first reason why it cannot is because the politics in our country has become an exercise based on enormous amount of money, and that too black money, and on the muscle power provided by criminals. Unless effective steps to eliminate black money are taken the basic political craving to be corrupt cannot be removed.

The second reason why a single Lok Pal cannot weed out corruption is because politics operates through various organs of governance. Each is affected by politics. Unless a method is found to

make each of the organizations of governance free from the political influence and deliver a service, there can be no long term solution.

What is needed therefore is a method by which each organ of governance is designed to be free of corruption on a sustainable basis. To achieve this, an extensive action has to initiated based on the following principles:

1. Transparency in the selection of people to the different posts in governance. There should be

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also transparency in the operations of the various organizations. This can be achieved by the extensive use of information technology and effective implementation of the Right to Information Act. Transparency should also be in the decision-making process of day to day operations. The scope for corruption can be drastically brought down by reducing the scope for discretion. In other words, a situation must be created by designing rules and procedures in such a way that there is no scope for favouring any applicant.

2. There is no accountability at all in our system of governance in every sector. There is a need to redesign the organizations for ensuring accountability.

3. Our great weakness is that there is no speedy system of enquiry and punishment when the acts of corruption take place. This will call for a drastic change in the judicial process. The minimum requirement is that the number of appeals will be restricted in corruption cases to only one. There should be a time limit of six months within which the original case must be decided. The appeal should also be decided in six months. In this way practically within 1 ½ years every corruption case will be decided.

4. The most important cause for extensive corruption is the criminalization of politics. Under

the present system candidates facing criminal charges in courts can get elected on the principle that unless convicted in a court of law, and that too for more than two years of imprisonment, they are innocent. This relaxation must be withdrawn and a rule must be introduced that unless a person who is facing criminal charges is acquitted by the court, he cannot contest the election.

It is possible that after having been in the government for 42 years, I am prejudiced. At the same time, having been in the government I realize the enormous potential for good that a person in government can do, because he has the authority of the office and the law. I would say that the honest public servants in the government can play any day much more effective role in fighting corruption. If you do not mind I would even suggest that they can become the fifth columnists of the system and act against corruption.

5. In addition, the anti-corruption laws in our country are weak. Under the Prevention of Corruption Act, while the bribe taker is punished, the bribe giver can escape by becoming an approver. The law must be modified to make the giving of the bribe also a crime as has been done in the case of the Prohibition of Dowry Act 1961.

6. Corruption in politics is also protected by interpretations given in the past. In the Jharkhand Mukti Morcha case, the court held that while giving bribe to a member of Parliament is punishable, the bribe taking MP is protected by Article 102 because the court cannot enquire into issues about the working of the Parliament. Such loopholes need to be plugged.

Charisma, it is said, is the capacity to simplify and exaggerate. Gandhiji used charisma when he chose salt as the symbol to show the evils of colonial rule. He moved a whole nation by his Dandi March. Hazare has used charisma by using Lok Pal as a signal to show the great lacuna in our fight against political corruption. Let us hope that something good will ultimately come out of his movement.

Role of Civil Society in Fighting Corruption

This brings us to the more important and relevant issue of the role of the civil society so far as good governance and fighting corruption are concerned. In the last two decades we have seen the following developments:

Civil society activists like Aruna Roy have been able to take the initiative and move to get the land mark legislation of Right to Information Act passed by 2005. The very fact that today in policy-making, the civil society activists can play a role in itself is a healthy development. This is unique and thanks to a series of totally unplanned and unexpected circumstances. When Sonia Gandhi emerged as the unquestioned leader of the largest national party, Congress, and there was a possibility of her becoming the Prime Minister in the post-election scene of 2004, she chose to step aside and make a totally non political, academic and civil servant like Dr Manmohan Singh, the Prime Minister. For the last seven years we have been ruled by a diarchy in which Dr Manmohan Singh as the Prime Minister and the head of the government looks after purely the governance side of the administration and the political side is decided and controlled by the leader of the Congress Party, Smt. Sonia Gandhi. This diarchy has worked fortunately so far, because of the understanding and the chemistry between Dr. Manmohan Singh and Smt. Sonia Gandhi.

Leaders like Anna Hazare have been reflecting the feelings of the common man and they have a whole life time of struggle to show the efforts they have made and the limited successes they have achieved in the various issues which they took up. But when you look at the civil society activism in the form of NGOs, their role in the fighting of corruption and better governance, there is a vast asymmetry. Government has got a whole legal and organisational framework with enormous authority backing it. The civil society activists are purely voluntary amateurs and are not professionals in that sense. In addition, the NGOs are also subject to many of the problems that affect any human activity like egoism, competition, jealousy and of course, corruption. The manner in which, for example, CAPART operates as a major agency for mobilising the NGOs shows how corruption has seeped into the NGO sector also. Where government is not involved, the NGOs get

funds from outside. There are always conspiracy theorists who speculate that anti-Indian forces and may be certain religious forces, with their own agenda, may be pumping in money and using the NGOs as a acceptable mask. In fact, the manner in which some of the NGOs have been acting, especially taking up the issues human rights and defending even terrorists, leads to a question whether the so called human right activists have become apologists for those who indulge in violence like Maoists and terrorists.

In fact, even in the Anna Hazare case issues were raised about how NGOs who are outside the governmental system can participate in a purely constitutional and legal activity of drafting legislation. This is the within the clear sphere of activity of parliament and the political leaders who are elected representatives.

One major source of support boosting the effort of the civil society activity is the enormous growth of the electronic and print media. Electronic media, because of the immediacy and the reach that can cover also illiterates, has opened up new areas like sting operations. The cellphone with camera has become a powerful tool in the hands of every citizen. The question is, with all these factors going for the boosting and coordinating the efforts of the civil society activist, will they be able to play an effective role in fighting corruption.

It is possible that after having been in the government for 42 years, I am prejudiced. At the same time, having been in the government I realize the enormous potential for good that a person in government can do, because he has the authority of the office and the law. I would say that the honest public servants in the government can play any day much more effective role in fighting corruption. If you do not mind I would even suggest that they can become the fifth columnists of the system and act against corruption.

The civil society activists have the disadvantage of being outside the system and not knowing how the internal dynamics work and not having any legal powers. However, a phenomenon like the fasts by Anna Hazare and Ramdev Baba shows that with our tradition of an injection of spiritual side in politics, we may be

able to make more effective mobilization of the civil society organisations in fighting corruption.

Editor's Note: Originally published in 2011, this article has tracked the evolution of the civil society becoming an important factor in the Indian polity. Our e-Magazine will continue to take note of similar movements in terms of their impact on the efforts to free governance from corruption.

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The above article appeared in the Change for Better Magazine (July to September 2011 issue). Change for Better, an online journal of values, hope and solutions for a better India and a better world. change4rbetter.org.in

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Your contribution in the form of articles where you share your experiences or thoughts would be very valued.