

Dr. Maximilian Tischler, City of Salzburg
Forum "Decentralisation: way to self-governance in Kyiv region"
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Ladies and gentlemen,

I am the Head of **the Audit Office of the city of Salzburg**. The Audit Office is an office which monitors the regularity, economy and efficiency of the city administration. We are an independent service not subject to any instructions by politicians.

Salzburg is a city with 140,000 inhabitants. She is known as the birthplace of the great composer Wolfgang Amadeus Mozart and, thanks to the Salzburg Festival, it is as well an international meeting place for culture and society.

Salzburg is known in Austria for its conviviality: small tokens, gifts, invitations to festival performances, opera, theatre and dinner invitations, ...

Austria was for a long time among the States with relatively low corruption and was found in the 10th place of the ranking published by Transparency International in 2005. Nevertheless, the economic loss for Austria due to corruption only was estimated already with € 24 billion per year in 2009.

From 2010, corruption in Austria was perceived much stronger than in the rest of the world. In 2013 Austria fell to rank 26 in corruption statistics! The cause of the deterioration can be explained by the fact that corruption, particularly in the field of politics and economy, was much more visible than before. Penal investigations were carried out against several members of federal and regional government, namely several highly placed political figures, including a former federal minister of the Interior, members of the state (Länder / regional) governments and mayors, who were sentenced to several years of imprisonment. Media throughout Austria have reported in details the criminal proceedings and convictions.

As a result, numerous improvements in transparency and the prevention of corruption were enforced in Austria:

- The Criminal Code and the provisions on bribery and acceptance of gifts by officials have been tightened.
- Dinner invitations were generally forbidden, we are talking about the "**Prohibition of grooming**" or luring politicians or civil servants with small gifts, initially without demanding services in return.
- The Criminal Corruption Law applies not only to officials but also to parliamentarians.
- In addition to the criminal law, there is a strict disciplinary law for civil servants.
- The police got its own investigative authority, namely the **Federal Office for the prevention of corruption and the fight against corruption**.
- An **Economic and Corruption Prosecutor** was established to especially conduct criminal proceedings in corruption cases against politicians.
- The Economic and Corruption Prosecutor has set up an **anonymous reporting and whistleblowing system**.

- Regarding operations in public hospitals: several years ago transparent waiting lists have been introduced.
- Anti-corruption laws now also apply to MPs.
- A new party law regulates donations to political parties.
- The authority of the Minister of Justice to give instructions to prosecutors was reformed.

In general terms: compliance with transparency rule in the public and private sectors was given a higher priority in recent years.

According to the Austrian federal constitution members of federal and regional parliaments and members of municipal councils are not directly involved in executive tasks. Opportunities for corruption there have always been significantly lower than for members of governments and executives and for civil servants.

After all these measures, in 2015, according to Transparency International Corruption Perceptions Index, Austria has improved again and is currently ranked 16th out of the 168 countries assessed (Corruption Perceptions Index CPI)¹. Thus, the upward trend of recent years will continue. Austria is however still far away from the best ranking that was 10th place in 2005. Compared to the EU, Austria is now in the middle but far behind its neighbouring countries: Germany (rank 10) and Switzerland (rank 7).

Austrian cities as well initiated and implemented numerous measures to prevent and combat corruption in recent years. These complement the penal provisions.

The senior management of the city administration elaborated internal administrative compliance guidelines. They are therefore bound by it and require compliance from all other public employees.

In addition, an internal examination of all administrative procedures in the municipality was undertaken, and results were represented in flowcharts to analyse the underlying risks. External consultants contributed to this work as well.

For the prevention of corruption in the administration it is essential to have:

- 1) transparency, namely clearly defined transparent administrative procedures and
- 2) the two-man rule.

An administration must always be organised so that all procedures are transparent and at least two employees supervise each other.

¹ The Corruption Perceptions Index is a composite index. The calculation basis compares the analysis of countries made by counselling agencies, NGOs and foundations, and surveys among managers, especially of international companies, over the past one to three years. The perception of the spread of corruption and effective mechanisms for combating and preventing corruption in the public sector of the respective countries is assessed. The value of the CPI corresponds to the average of the underlying for each respective country studied, then converted to a scale from 0 (widespread corruption) and 100 (no corruption). In 2015, Austria reached 76 out of a possible 100 points, and thus improved compared to the previous four years.

In Austria, the municipalities and the mayors act, on the one hand, as **authorities** under public law and, on the other hand, as **entrepreneurs under private law**.

As **an authority**, the city issues for example building permits, is responsible for social assistance and provides residence permits to non-EU nationals.

As **an entrepreneur**, the city of Salzburg operates numerous businesses, such as for waste management, etc. It owns schools, kindergartens, office buildings, homes for the elderly and more than 2,000 housings. Around € 40 million are dedicated annually to construction, canals, schools, kindergartens and retirement homes.

I want to illustrate the prevention of corruption with an example of issuing building permits. The Mayor or the officials on his behalf can approve applications for buildings. Land is a scarce resource in Salzburg. The value of land rises, the more apartments one can build on it. Investors and owners therefore want a higher building density and often put pressure on the authorities.

Since many years, the building density is not determined only by the city politicians and officials. To achieve acceptable urban building densities, **design competitions** are performed in Salzburg. In addition, a design committee was introduced 30 years ago, and is composed of 5 renowned architects, who advise the city in urban planning and has to be heard in determining the density of development.

Transparent design competitions and the involvement of renowned architects who mostly come from abroad contribute significantly to an objective definition of building densities. This type of decision prevents interventions and allows no place for corruption.

Another example of the city as an entrepreneur. The city invests € 40 million every year. All **contracts with firms** must be advertised in a transparent manner within the EU. This regulation also serves to promote competition within the EU, thus not always the same businesses, in particular local ones, are commissioned. The bidders have in Europe the possibility to raise an objection if they suspect a favour, and they do so if needed. Offers are submitted in sealed envelopes which may be opened only in the presence of competitors.

In the city of Salzburg, transparent procedures to award a construction work are clearly defined. All steps of the process, from the estimation of the construction work to the tendering process to the contract and billing, are done with an adequate online system. Without compliance with each step, orders cannot be made. If an order still takes place without these transparent procedures, then there is a problem at the latest when issuing booking invoices. Indeed, the accounting is integrated into the procurement process and a bill can be paid only if the order was done according to the procedure.

In addition, the independent Audit office I'm working for checks autonomously the compliance with the procedure.

A clearly defined, transparent, online procedure thus prevents corruption.

Recently, a completely new device was introduced in Salzburg: the online auction for procurement of construction works based on IT tools. This method ensures a maximum transparency.

When you have an online procurement procedure, with a transparent call for bidders, interventions can be seen and excluded. Thus corruption is no longer possible!

Corruption is a negative learning process. We observed in our tests time and again that it starts with little things. With small gifts, dinner invitations, etc. This is referred to figuratively by "**grooming**" or luring politicians or civil servants with small gifts, initially without demanding services in return. In German this is an even more telling image: to make someone used to being fed, to being offered small favours. With small favours, dependencies are created that hinder the objectivity of the administrative action. If it does not stop, the perpetrators are getting bolder, until the corruption is visible.

To prevent this, it was necessary also to prevent these "small favours". Therefore the "**prohibition of grooming**" was introduced in the Criminal Code. Invitations of civil servants to dinners by private companies or individuals were thus generally prohibited! Also in Salzburg, as you can imagine, it implied a substantial change in administrative culture, which was not accepted without resistance. Despite loud protests of the Salzburg Festival, and many other actors, it is now totally undisputed that an official, a civil servant, must not accept invitations, because this would constitute a criminal offense.

It was not easy in Salzburg to enforce these innovations. Until not so long ago, dinner invitations to conduct negotiations between bidders for a construction work and the officials of the building authority were quite common. Surprisingly, however, this practice is no longer an issue today. And experience shows that the grey zone is also very limited as the risk to be caught is too high.

It was the same with the garbage disposal system. Previously, employees visited all households at the end of each year and received a small donation. There was a case where an employee of the waste management company had created an unofficial fee to collect industrial waste from companies, which created damage for the city. This practice was stopped.

However, the new criminal law on corruption brought another significant change: the establishment of a separate police authority for the investigation of corruption criminal matters and the **central corruption prosecutor**. It was essential that those two entities were settled not locally, but centrally, in Vienna, the capital of Austria. When these authorities intervene, they are far less subject to external influences than the police forces on the ground, since these police officers often have friendly relations with local civil servants.

Austria and Ukraine have different **cultures when it comes to the administration**. A cultural change is possible only when it is wanted, practiced and demanded by the highest authorities. In Ukraine, the will seems to be there. In this regard, I wish you well in your efforts.

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