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Volume II

Development Cooperation and Corruption

Strategies to Contribute to the Reduction of Corruption
in Developing Countries

Development cooperation and corruption

*Strategies to contribute to the reduction of corruption in
developing countries*

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in cooperation with Transparency International**

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*Development cooperation and corruption:
Strategies to contribute to the reduction of corruption in developing countries*

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The Konrad-Adenauer-Stiftung

The Konrad-Adenauer-Stiftung (KAS), founded in 1964, is one of the political foundations of the Federal Republic of Germany. Through its international activities and projects, KAS makes a substantial contribution to international cooperation and understanding. It is named after the first Chancellor of the Federal Republic of Germany, Konrad Adenauer.

Through international partnerships with private organisations and movements, state institutions and think tanks, KAS intensifies global knowledge transfer and promotes civil education. The 65 KAS offices worldwide act as central service and information centres.

Through its projects and activities, KAS contributes to the worldwide promotion of democracy and to strengthening of the rule of law, as well as to peace and social harmony, the fight against poverty and social exclusion, the extension of the concepts of the social market economy, and European Union integration. KAS considers these developments as conditions for the improvement of the political, socio-economic and environmental foundations of life.

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Abbreviations

ABD	Asian Development Bank
ACAP	Anti-corruption Action Plan
ACP	African, Caribbean and Pacific group of states
APRM	African Peer Review Mechanism
DAC	Development Assistance Committee (OECD)
DANIDA	Danish International Development Agency
EC	European Commission
EFCC	Economic and Financial Crimes Commission (Nigeria)
EU	European Union
FDI	Foreign direct investment
GAP	Governance Action Plan
GDP	Gross domestic product
ICPC	Independent Corrupt Practices Commission (Nigeria)
IMF	International Monetary Fund
IP	Integrity Pact
JICA	Japan International Cooperation Agency
LAC	Law on Anti-corruption (Cambodia)
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental agency
MDG	Millennium Development Goals
OECD	Organisation for Economic Cooperation and Development
OLAF	<i>Office Européen de Lutte Anti-Fraude</i> (EU Anti-Fraud Office)
PLC	Palestinian Legislative Council
PNA	Palestinian National Authority
PRSP	Poverty Reduction Strategy Papers
RGC	Royal Government of Cambodia
TI	Transparency International
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
USD	United States dollars

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Introduction

Denis Schrey

In recent decades, corruption in developing countries, as well in countries under transition from centralised socialist regimes to pluralistic democracies with market economies, has grown into one of the most dangerous barriers to socio-economic development, poverty alleviation and the establishment of rule of law. In economically developed western democracies, corruption has not had the power to derail or seriously undermine the political and economic systems - although in developed countries, corruption is also increasing, and creating huge losses in economic efficiency and in confidence. However in many developing countries and countries under transition it seems to eat up most if not all of the progress and benefits achieved in political and socio-economic reforms and development processes. Corruption endangers the stability of these countries by alienating people from democratic institutions and the legal establishment, which are perceived as a facade covering the uncontrolled enrichment of small powerful groups.

The relationship between development cooperation and foreign financial and technical assistance for developing countries, and corruption in these countries is complex. Development cooperation can contribute to the establishment and strengthening of transparent procedures and institutionalized good governance, which can do much to limit corruption. However in many cases the money from development cooperation and foreign assistance also heavily contributes to the amount and profitability of corruption.

There are numerous studies, publications and conferences, in which the process of corruption in developing countries has been addressed, making us aware also of different cultural issues in various countries and regions in the world in which corruption can be embedded. There is a common understanding today that the fight against

corruption can neither be based just on strong political will, nor on legal measures and technical instruments. Instead a range of different tools has to be adopted in order to be successful.

This publication reflects the results of a two-day workshop, organised by the Konrad-Adenauer-Stiftung and Transparency International in November 2005. It aims to contribute to the discussion and the development of strategies for the limitation and reduction of corruption, focusing on the specific role of development cooperation with regard to this fight:

- (1) How to design, implement and monitor development cooperation in order to prevent it becoming itself a source of corruption; which guidelines should be followed to ensure this objective;
- (2) What specific instruments do we have in development cooperation programmes to tackle directly and to limit corruption in developing countries?

The book is divided into four parts. Whilst Parts I and II present contributions from key note speakers, Parts III and IV summarise the two panel discussions of the workshop.

All contributions and panel discussions are followed by short questions, comments or/and discussions.

The Konrad-Adenauer-Stiftung, an NGO that operates worldwide with a focus on the development of democracy, the rule of law, good governance and social-oriented market economy, is making its own contribution in strengthening capacity and rule of law in partner countries as it has done for four decades. Together with its local Palestinian partner AMAN for example (Coalition for Accountability and Integrity), the Konrad-Adenauer-Stiftung is implementing a project to strengthen Palestinian civil society by enhancing accountability and good governance in the NGO sector in a project co-funded from the European Union's "Initiative for Democracy and Human Rights".

We hope that these proceedings can be of use for decision-makers and experts who have to design and implement European Union Development Cooperation Policy and Programmes and Development Cooperation Policies and Programmes in the EU Member States, as well as for students and interested members of the public.

Part I
Corruption in developing countries

Corruption in developing countries: the amount and forms of corruption in developing countries in recent years

David Nussbaum

Introduction

The World Bank estimates the total value of bribes paid in one year at about USD 1 trillion, equivalent to about 3 percent of the world's GDP, or about USD 150 for every person on the planet. More than a billion people live on less than a dollar a day. For them, should the total amount of bribes be distributed equally to every person in the world, it would represent an increase of about 50 percent in their annual income. That is the scale of what we are dealing with when we talk about bribery.

The scope of corruption

Corruption, however, goes further than bribery. It includes money stolen, fictitious projects undertaken and projects not undertaken. Transparency International (TI) defines corruption as the abuse of entrusted power for private gain. This is a much wider definition than the more traditional view that corruption is about bribing foreign or even domestic public officials – that is a form of corruption, but corruption goes much further than that. It includes corruption entirely in the private sector as well as the public sector. But above all it is in the end an issue of power: who has it, in whose interests do they exercise it, and who gains from the decisions that they take.

The three sectors – government and the public sector; the private sector; and civil society – interact and it is only when they are working effectively together that there is integrity. Furthermore, each sector functions in two dimensions, the national and the international. They also function on the regional and other levels. But the national and international are probably the most important levels. One of the challenges is to

imagine that there is an equilibrium between the three sectors at a particular level of corruption. Can we lower the level of corruption but retain the equilibrium? To do that implies pressure for all three sectors, and it must be done at both national and international level.

TI thinks of corruption as a political issue, and therefore we must consider the political commitment to tackling corruption – what institutions are there? It is also an economic issue. What are the incentives confronting people? What risks do they take in the way they behave? Furthermore, it is a legal issue, taking into account the laws that a country has – as well as international laws – and how they are enforced. TI focuses on these areas because the organisation has many political scientists, economists and lawyers.

National integrity undermined

Many people working in this area are familiar with the concept of a national integrity system, in which national integrity rests on a number of pillars. These might be the legislature or the judiciary, the media or ombudsmen, the way the private sector operates, or the international actors. National integrity rests on these pillars and it is only when there is stable horizontal national integrity that sustainable development, the rule of law and quality of life can be developed. These areas are delicate and can be easily disrupted, and if some of the pillars on which national integrity rests collapse, the whole edifice can come down.

Other issues must also be considered. One of the things to think about in tackling corruption is people's personal values, their philosophies, theologies and ethics, and what motivates individual behaviour. What can psychology say about the way people and, perhaps most significantly, groups, act in the context of corruption? What can anthropology and sociology tell us about how groups operate, particularly corrupted networks of elite people who manage to find ways within a system? Even when the system changes, they find ways to subvert it for their own gain. So corruption is a challenging phenomenon, within which a number of participants can be identified.

These can be characterised with four words: perpetrators, accomplices, victims and heroes (and heroines). Considering the perpetrators, ten political leaders who have allegedly embezzled large amounts of money from their countries are:

Head of government	Estimates of allegedly embezzled funds (USD)	GDP per capita 2001
Mohamed Suharto, Indonesia, 1967-98	15 to 35 billion	USD 695
Ferdinand Marcos, Philippines, 1972-86	5 to 10 billion	USD 912
Mobuto Sese Seko, Zaire, 1965-97	5 billion	USD 99
Sani Abacha, Nigeria, 1993-98	2 to 5 billion	USD 319
Slobodan Milosovic, Serbia/Yugoslavia 1989-2000	1 billion	n/a
Jean-Claude Duvalier, Haiti, 1971-86	300 to 800 million	USD 460
Alberto Fujimori, Peru, 1990-2000	600 million	USD 2051
Pavlo Lazarenko, Ukraine, 1996-97	114 to 200 million	USD 766
Arnoldo Alemán, Nicaragua, 1997-2002	100 million	USD 490
Joseph Estrada, Philippines, 1998-2001	78 to 80 million	USD 912

Source: Transparency International

The figures are staggering. The figures in the right hand column (GDP per capita in USD in 2001) put them in context. Zaire was perhaps the most extreme example. When the average GDP per capita was USD 99, Mobutu is alleged to have embezzled about USD 5 billion. This is an astonishing number. When TI published the list it pulled together alleged amounts that have been made public; it did not include any new information. Four of those listed wrote to TI threatening to sue; Mr Fujimori wrote to say that, out of the generosity of his heart, he had decided not to sue, as this might help his return to power in Peru. Mr Milosevic however did sue, but was not successful, with the German courts finding in favour of TI in August 2005.

This illustrates that corruption involves very large amounts of money and sometimes involves political leaders who have been entrusted with, or in some cases have seized, power and are using it for their own private gain, that of their group, their family or their section of society. TI's Corruption Perceptions Index enables the perception of corruption to be mapped. Canada seems to do well (little corruption) as do Scandinavia, parts of north west Europe, Australia and New Zealand. But from south west (South America) to north east (Russia) is a huge section of the world where corruption is a very serious problem.

The role of multinational companies

However, corruption in many countries is exported there by northern-based or western-based multinational companies. The TI Bribe Payers Index looks at the propensity of different industries to bribe. Public works and construction, arms and defence, oil and

gas are three that really stand out as being the most prone to bribery.

For those involved in international development there are a number of challenges. One is the long-standing puzzle of why natural resources, in particular oil and gas, do not always benefit the people of a country. Perhaps the ranking of industries in terms of propensity to bribe gives some explanation. The other challenge is that development frequently involves important public works and construction, such as hospitals, schools, roads and power stations. That is the sector most prone to bribery and corruption.

One example of this is the Lesotho Highlands water project. There were going to be five major dams and 200 kilometres of tunnels to be completed by 2020 at a cost of USD eight billion. This would provide clean water to South Africa from Lesotho, and electricity to Lesotho – potentially very positive development impacts. But there were perpetrators of corruption. Project chief executive officer Mr Soles was found guilty of accepting bribes and received an 18 years prison sentence. Acres, the international engineering consultancy based in Canada, was fined, and debarred for three years from any World Bank (which was financing much of the project) financed project anywhere in the world. Acres has since been bought by another company and there are a number of other companies facing trial in connection with this case. The World Bank found itself in the position of being an accomplice to this through its lending and it eventually took action.

Swiss banks were involved in facilitating corruption because on this scale corruption does not just involve bribe-payers and takers, it involves banks. Sometimes it involves others, such as lawyers or accountants who set up complex structures to move money around. Swiss banks did cooperate with the enquiries and helped to bring matters to a conclusion. The Lesotho authorities did not get a great deal of international assistance in carrying out prosecutions, which for a small country like Lesotho would have been very helpful. So an important, significant development project was hampered by corruption and its reputation was spoiled.

The view of the victims

From the perspective of the victims of corruption, there are some interesting points. TI has conducted a survey that asks people around the world to what extent they think corruption affects different sectors. People are most concerned about corruption in political parties, parliament and the legislature. This was true in all kinds of countries: developed, transition and developing. How can corruption be tackled if it is entrenched in the judiciary and prosecuting authorities, taxation, the private sector, customs, the media, medical services, education, registering and permit issuing authorities, utilities,

the military, NGOs and religious bodies? Many people around the world live with this reality.

For international development cooperation this is really serious. Firstly it affects the effectiveness of development. The World Bank's figures indicate that the causality is primarily from corruption to poverty: it is mainly corruption that causes poverty. To a limited degree poverty causes corruption. Secondly, corruption is a huge barrier to overcoming poverty.

Development programmes are designed very carefully and implemented very thoroughly but sometimes do not have the anticipated effects. Corruption can distort the way programmes are implemented or their outcomes. Consequently corruption threatens the effectiveness of development cooperation. Equally seriously, public commitment to development cooperation is at risk if corruption is not taken seriously and tackled with determination. Without this, the legitimacy and credibility of the whole development enterprise, and above all the willingness of taxpayers and ordinary people as donors to support development cooperation, can be undermined – a serious risk to development agencies.

TT's view is that we must respond to this neither by simply saying "pour in the money and let's not worry about corruption," nor by saying, "corruption is such a problem, let's stop increasing aid, indeed let's retreat from where we are now." Instead the importance of the issue must be acknowledged, there must be openness and honesty about corruption and ways must be found of tackling it alongside development cooperation work.

Areas of concern

Corruption affects a number of the areas development cooperation typically deals with. If foreign direct investment (FDI) is lacking, there is a huge impact on economic development, job creation and wealth creation. The capital flight from Africa is enormous – the amount of money not invested in the continent but taken elsewhere by leaders or others with wealth. Nepotism or the informal sector can also influence job opportunities and their availability, as can the removal of natural resource wealth. In Angola for example, the amount of money that has disappeared over five years is roughly equal to the total value of aid it has received. Peru has been called a 'corruption factory' where there is a facade of legitimate undertakings. In fact there is effectively a factory for creaming off resources.

In health, there are a number of examples of the affects. In Kyrgyzstan, a survey

found that 50 percent of patients said they had made informal payments, which had led one third of them to borrow money or sell livestock – in other words, their future income – to pay for healthcare. In education, in Ghana and Zambia, about half of the funds in the national budget leaked before being received by schools. In terms of humanitarian work, a recent example of the effect of corruption has been seen in Iraq with the oil for food programme. The Volcker report has indicated that over 2000 companies appear to have been involved in illicit payments of one form or another.

Finally, there is the question of ‘voice poverty’ – poverty linked to the inability of those without power to make their voices heard. This is very serious for those engaged in promoting democracy because corruption in politics undermines confidence in democratic processes, with widespread perception of electoral fraud, politicians being bought by business, or of state capture. All these things undermine trust and confidence in democratic reforms. Therefore TI argues that the idea that some development aid being squandered through corruption is benign is wrong. It is not benign because it bolsters undemocratic corrupt leaderships and undermines confidence.

One TI project was anti-corruption legal advice centres giving ordinary people the opportunity to get advice where they believe corruption has happened, about what they can do, what the law is, and what channels are open to them. In this context TI has a number of priorities: corruption, poverty and development; political corruption; procurement; private sector; and international conventions. TI works on humanitarian interventions and how corruption as part of those can be tackled, working for example on the Asian tsunami.

TI also looks at political campaign finance, an area it is often difficult for the development community to engage in because it is politically sensitive. TI also looks at procurement and integrity pacts, and has developed business principles for the private sector that they can use to tackle corruption, as well as working internationally, for example, on conventions, such as the UN convention.

Concluding remarks

In conclusion, a specific example of the impact of corruption: a big house, which has a bad road leading to it, with many puddles in the mud. The road was supposed to be relaid using a loan from a multilateral development bank. However, in fact the house was bought with the money that the multilateral development bank loaned for the reconstruction of the road. It was occupied by the girlfriend of the bank manager involved. The local people knew where the money had come from. So what is the consequence? Firstly, there is no decent road – infrastructure development to support

economic development has failed. Secondly, the reputation of the multilateral development bank is damaged. Thirdly, and here is the real tragedy, the people of that country still have to pay back the loan for the road they have not got.

Perhaps this quotation from a Kenyan minister a couple of years ago captures the reality: “Where I come from we don’t wait to read about corruption in newspapers or magazines. In my country one does not have to wait until the effects of corruption are relayed by images on television. Where I come from corruption is part of our lives. Before our own eyes we have seen it fill our roads with potholes; deny medicines to our hospitals; literally remove desks from our classrooms. Corruption has undermined our agricultural sector and thereby our attempts to feed ourselves as a nation. Corruption has denied fresh water to parched sections of the nation. Corruption has systematically eaten away the very fabric of our society. You will allow us, therefore, to assert that for us corruption is not merely a crime, it is a crime against humanity”.

That’s the cry that stimulates TI and to find ways to tackle corruption, so that such statements will no longer be true and people can have a better quality of life with the rule of law and with sustainable development.

Questions and answers

Should the international community, in order to retain its credibility, take action against allegedly corrupt political leaders who are still in power?

From the list of allegedly corrupt leaders, some have died or are no longer in power. A pessimistic view would be that, of those still in power, we have not yet found out how much they have been embezzling from their countries. A more hopeful view is that the world has begun to take action to contain corruption; natural resource based corruption is better controlled and the amounts are not as huge as they used to be. There is an element of truth in both perspectives.

We have to find ways confront the reality of corruption but have to do so in a way that will be effective in creating change the right way. Simply denouncing people may make us feel better, but it won’t necessarily help the situation. A more constructive approach is necessary. Surveys have shown that in the view of most people, the political arena is the key area for dealing with corruption. People realise that unless you tackle corruption at the top it will be impossible to tackle it throughout society. There is an African saying that a fish rots from the head. This captures the significance of tackling corruption at the level of political leadership.

Will the world ever be free of corruption?

‘A world free of corruption’ is in the TI vision statement and is intended to be visionary rather than practical. The TI mission statement talks about creating change towards a world free of corruption. But TI recognises that might be quite a long way of. In the meantime, steps can be taken, whilst acknowledging that the reality may not be within our lifetime or even that of our grandchildren.

Since corruption is illegal and ‘under the table’, where do the figures of embezzled funds come from?

Corruption is difficult to measure because it is illegal and therefore very difficult to observe. The USD 1 trillion figure is an estimate by the World Bank based on surveys of businesses, extrapolated around the world. The figures for the amounts stolen or allegedly embezzled by political leaders come from a variety of sources, particularly the media. They are all estimates, and in some case there are huge ranges between USD 1 and 5 billion. Clearly, however, very significant amounts of money are involved.

European development cooperation and corruption: principles, objectives, experiences and strategies (I)

Athanassios Theodorakis

Introduction

From the perspective of the European Commission's (EC's) Directorate General for Development, corruption is one of the most important governance failures and is therefore a real obstacle to reaching development objectives. Anti-corruption strategies are an integral part of any development agenda. The EC has actively participated in the international effort against corruption, and the European Consensus on Development gives specific attention to transparency and anti-corruption efforts. The links between corruption and conflict cannot be ignored. Failures of governance very often lead to violent conflict. Lack of transparency and corrupt practices in the management of natural resources have fuelled conflicts in many developing countries, particularly in Africa.

A strategic approach

Anti-corruption strategies should be built into frameworks of broader support to strengthen good governance and democratisation processes. Although good governance is a crucial objective, the political will to fight corruption and change everyday behaviours needs a long-term approach. Part of the EC's long term strategy is the use of both policy dialogue and political dialogue. An in-depth political dialogue on governance and corruption has a preventive dimension and aims to ensure that democratic principles are upheld. Fostering good governance requires a pragmatic approach based on the specific context of each country. The ownership of the policies and actions initiated by the respective countries is of paramount importance if the democratisation process is to produce sustainable changes.

In addition to policy and political dialogue, EC cooperation has provided financial support for many years to partner countries' efforts to combat corruption. Naturally, a standard clause to prevent fraud and corruption is included in all financing agreement models used by the Commission with partner countries in order to check the proper use of funds mobilised under our cooperation programmes. However, a more holistic approach to fight corruption is needed. Corruption is not confined to a limited number of sectors and is an extremely complex issue that can potentially affect all public institutions and citizens as well as the different processes in a society.

On a more operational level, some types of programmes, interventions and initiatives supported by the EC in the area of anti-corruption can be highlighted. They aim at a wide range of reforms in different sectors and with different mechanisms: support to in-country capacity building of both institutions and non-state actors, broad participation of all stakeholders, and ownership of the country strategies are the main objectives stressed by the European Consensus on Development.

Support for in-country capacity development processes

The EC emphasises that the way to address the institutional causes of corruption is to provide capacity building to institutions and non-state actors in a wide range of sectors and to facilitate institutional and regulatory reforms. The creation of an 'enabling environment' for development demands that governments, public administrations, independent judiciaries and legal systems and civil society possess the knowledge and the capacity to work in a transparent and effective way.

The European Consensus on Development, adopted by the Council on the 22 November 2005, stresses the need for the Community to support decentralisation and local authorities, the strengthening of the role of parliaments, promote human security and access to justice, and the strengthening of national processes to ensure free, fair and transparent elections. Support for in-country capacity building is important for building country-driven reform programmes in the context of accountability and an institutional environment that upholds human rights, democratic principles and the rule of law.

Budget support

Building up the capacity of governmental institutions is crucial if the financial assistance given directly to states is to be fruitful. Apart from efforts to build central institutions (judicial systems, national parliaments) particular emphasis is given to public finance management in order to promote efficient public spending and accountability.

Electoral support

Experience has shown that electoral support is important in increasing accountability. In the period 2000-2004 the EU deployed independent Election Observation Missions in over 27 countries. Electoral support also provides the opportunity for the EU to develop a relationship with local authorities and to initiate a dialogue with the leaders of the country aiming at the consolidation of democratic institutions. Furthermore, initiatives for voter education were launched to foster their participation in the electoral process.

Support for civil society

Capacity building for non-state actors is also a very important tool for fighting corruption. Strengthening the capacity of NGOs and supporting actions on civic education is important for enhancing citizen participation. Through national development programs and specific budget lines the EC supports projects implemented by NGOs and local authorities in all developing countries.

The role of the private sector

Development cooperation also aims at promoting a favourable environment for the private sector by supporting the necessary economic and institutional reforms. However, fostering investment in development and encouraging the private sector will only yield results if their involvement is transparent. The UN convention against corruption stresses the importance of fighting corruption not only in the public but also in the private sector. Taking measures to prevent corruption in cases where public officials grant licences or regulate private entities and ensuring that private enterprises have internal audit systems are important for a positive engagement of the private sector in reducing poverty. Small and large companies and transnational corporations must be fully committed to the fight against corruption.

Some specific examples: EITI and FLEGT

Taking into account that the revenues that rise from the extraction industries and forest products are major sources of income for the poor, transparency in processing these revenues is crucial for poverty reduction. The EU supports two initiatives in these areas: the Extraction Industries Transparency Initiative (EITI) and the EU action plan for Forest Law Enforcement, Governance and Trade (FLEGT). The EC also strongly supports the Kimberley Process Certification Scheme for diamonds.

EITI demands the open publication of company payments and government revenues from oil, mining and gas companies, hoping to increase transparency in transactions between the extraction industries and the government.

FLEGT is another measure to support better governance, specifically in timber production, by improving the capacity of the forestry sector to prevent illegal logging and to ensure the import of legal timber to the EU markets.

Ownership, Africa and APRM

However, external actors cannot promote good governance or eliminate corruption if the efforts are not owned or initiated by the country concerned. This ownership is the crucial element in fighting corruption and establishing good governance. The EU facilitates the establishment of good governance and the implementation of anti-corruption strategies, but does not replace the national efforts of both state and non-state actors in fighting corruption. In Africa peace and security are prerequisites for economic growth, but fighting corruption is also a main objective for the African continent. The new EU Strategy for Africa adopted on 12 October 2005, is committed to backing African efforts to improve governance. In particular, the New Partnership for Africa's Development (NEPAD) adopted the African Peer Review Mechanism (APRM) which is a self-assessment and self-monitoring mechanism acceded to voluntarily by African states aiming at improving governance mainly through peer learning and sharing of information.

Participating countries will agree on goals, time frames and indicators. Therefore, the APRM is hoping to identify deficiencies, assess capacity needs, learn from best practice and yield suggestions in the domain of governance in order to incorporate them in the ongoing Poverty Reduction Strategy Papers (PRSP) process. The Governance Initiative for Africa announced in the EC proposal on the EU strategy for Africa will back the reforms developed by this mechanism.

International partnerships

Developing countries have the prime responsibility for their development, but developed countries have a responsibility too. International collaboration can also assist regional and national efforts to combat corruption. The UN, OECD, World Bank, IMF and the EU all collaborate in their efforts to support development and democratisation. However, we are all well aware that fighting corruption involves not only improving the institutions but also the dissemination of information on how to deal with cases of corruption.

Especially when assisting 'difficult partnerships' – countries under transition and post-conflict situations – there needs to be a long-term perspective to development efforts. Although the risk taken when giving financial support to 'fragile states' is great, the reduction of poverty or insecurity might be minimal and if development

cooperation does not yield results it can be severely undermined, and the population in need of democratic change can be discouraged. We are aware that it is mostly in these countries that the population suffers the most in terms of poverty and insecurity. Therefore for reasons of solidarity and efficiency of aid, EC support to countries with high levels of corruption aims to assist the populations directly by channelling through non-state actors.

Concluding remarks

The UN Millennium Declaration stated that success in meeting the Millennium Development Goals (MDGs) depends, inter alia, on good governance within each country. If our development cooperation is to be successful, both states and non-state actors will have to increase their will and capacity to fight corruption. Only then can the major challenge of ensuring that globalisation is a positive force for all mankind be faced. We know that development is a risky process, but the EC is committed to helping developing countries overcome the corruption challenge and establish the right conditions for transparent and sustainable development of their resources.

European development cooperation and corruption: principles, objectives, experiences and strategies (II)

Franz Hermann Brüner

Introduction

As an anti-fraud office, OLAF is deeply involved in the fight against corruption. To better understand the problems from the OLAF perspective, it is useful to consider an example. When the countries of central and eastern Europe were under communist rule, corruption was part of a survival strategy – it was not seen as corruption. From a western point of view, government in those countries was not functioning, and that supported corruption. There was no trust in government officials because they were deeply involved in corruption. They created their own procedures; they did not see bribes and incentives as corruption – it was normal.

Attacking corruption

It is clear therefore that the most important factor in rebuilding such countries is to first of all rebuild the administration, the judiciary and – also important – to make the public aware of the problems, so that they know when they offer a bribe they are doing what they accuse others of. To take an example, at a press conference in Romania, many people made allegations of corruption by ministers and within ministries. But facts were missing and transparency was lacking; people were not aware of modern tender procedures for example and perceived corruption everywhere. Cases that did arise were not dealt with properly by the judiciary and there was consequently a perception that nothing is being done.

This is a key element: to rebuild countries and show people that something is happening and that there is visible change. This means that law enforcement and the judiciary

need to be much tougher and must show results. People must also understand that investigations in such countries take longer.

Another example comes from the Balkans, regarding budget and budget support. In all Balkan countries the budget was secret and nobody was aware how it was spent. The details of the budget for the secret service and the army were not made public, at least not in detail. It was very difficult in Bosnia to get a legal provision that in the future the budget should be transparent, so that people would know how money is spent. It was also very important that the people learned that there are resources problems, and about how the money is spent in general. This was one of the first steps in making public administration more transparent.

The Balkan experience

In the Balkans, with OLAF support, there was a public campaign so that people could learn about corruption, so that a real understanding could be developed about giving bribes or misusing public office for special treatment. Openness and public understanding are the most important basic rules in tackling corruption. Corruption destroys countries and the breakdown of the system of communism was partly a result of this – democratic countries cannot be built on corruption.

It is a priority to root out and minimise corruption or development will not be successful. This message is now widely accepted. Development funds used to be about reconstructing bridges, schools or other infrastructure. Compare this with how accession countries to the European Union have been dealt with: by institution building, creating a better civil service and other key elements. The EU has been partly successful with administrations and the functioning of government, but work still has to be done with the judiciary. This is a long term project because they are the most resistant to change. They have learned about independence but not about responsibility – and independence means more responsibility.

Concluding remarks

This is the view from OLAF. Our first goal in working in developing and transition countries is to enable them to achieve ownership. This should be done by insiders – people from the government, law enforcement and the judiciary, who need support. The best way to achieve something in these countries is to be less visible: working together, training people on the ground and working on cases, which can themselves be used as training opportunities, rather than being highlighted as problems. Working in this way strengthens local capacities, heightens the visibility of law enforcement and the judiciary, and builds trust in government institutions and the judiciary.

The end result is that the national institutions in the country, not outsiders, are seen to achieve results. The OLAF approach is to stimulate and encourage openness. In Bosnia, a significant result was achieved because all communities in the country had to accept the role of the international community. When OLAF worked with TI in Banja-Luka and the Republic of Srpska, local people with our support did the job properly and impressively.

Questions and answers

What audit and evaluation tools are there and how extensive are they?

Answer from Mr Theodorakis

Outside of the audits and evaluations we conduct on a regular basis we have special tools, which can be used in exceptional cases. We operate standard principles for normal financial control of the funds. In cases when we need specific instruments or investigations we can refer to OLAF.

Did OLAF do a comprehensive evaluation, in cooperation with partner institutions in the Balkans, on programme planning and budgeting accountability taking into account different ethnic and community interests?

Answer from Mr Brüner

We work in the long term in developing the enforcement side. The funding side is dealt with by DG Development, with whom we work by giving as much information as we can, from different countries and from donor organisations – we try to give them all the necessary information.

Answer from Mr Theodorakis

For the programming and budgeting the Commission is now in the position to use the same methods for all third countries. In the Balkans, we now work within a specific framework in order to give every opportunity to develop EU-level standards, with reference to the *acquis communautaire*. Our experience with the new Member States which joined the EU in 2004 was quite successful.

We are now looking at how our delegations will take the so-called 'decentralised responsibilities' from Brussels, whereby in cases where governments are in a position to assume these responsibilities we will go directly for budget support. It is not currently the case for all countries.

There is also the more practical issue of how the decentralised system will operate after the transitional period with the European Agency for Reconstruction – I think we will need one or two years. The Council has asked us to assist our delegations to help them play their role.

Corruption in developing countries

Discussion

Contributors:

- **Emile Carr**, National Accountability Group, Sierra Leone
- **Franz Hermann Brüner**, Director General, OLAF
- **Dieter Frisch**, Former Director General Development, European Commission; Advisory Board Member, TI
- **Dedo Geinitz**, *Gesellschaft für technische Zusammenarbeit und Entwicklung (GTZ)*
- **David Nussbaum**, Chief Executive, TI
- **Athanassios Theodorakis**, Deputy Director General, European Commission, Directorate General Development

Contribution from Emile Carr

Most developing countries are now instituting anti-corruption legislation and commissions. However, in most cases, these have the power to investigate but not to prosecute. The power to prosecute remains with politicians. Only in one country, Uganda, does the Anti-Corruption Commission have the power to both investigate and prosecute.

Response from Franz Hermann Brüner

It is very popular to create small specialised agencies or commissions dealing with corruption outside the normal law enforcement structure. Specialised commissions have advantages because you can concentrate forces, but there are also disadvantages because it is a political playing field. Commissions can be used as window-dressing. It is important that classical law enforcement takes more responsibility in the fight against corruption.

Discussions have taken place with Interpol about how this can be enforced and how law enforcement agencies can be more involved, rather than just the specially-established bodies. For example, with OLAF, there is a specific structure, but that can mean it becomes an arena for political games. However, OLAF must cooperate with judicial authorities, which must retain independence. Systems are sometimes not capable of supporting this type of collaboration – especially in developing countries – because of their complexity. However, they must be aware of their responsibilities and follow procedures, supported by strengthened police forces and judiciary.

Contribution from Dieter Frisch

Although the focus is on corruption in developing countries, it is important to realise there is also the involvement of companies, consultants and NGOs from the developed world. To have an act of corruption you need to have a bribe-giver and bribe-taker. Is enough being done to follow up cases on the bribe-giving side, for example involving companies or Commission officials?

I have knowledge of 36 years in the EC and bribe-giving is not a frequent phenomenon. But corruption by companies is a current issue. The OECD Convention exists for fighting this corruption and developed countries have changed their criminal law to make bribing abroad a criminal offence. What should OLAF, for example, do if a case arises? Is the accused taken to court? It is necessary to initiate proceedings through national prosecutors whilst there is no European prosecutor, and the machinery for bringing someone to court is very complicated.

Finally, companies that have been caught using corrupt practices should be blacklisted permanently or temporarily. Are there cases where companies have been blacklisted [by the European Commission]? What should the criteria for blacklisting be? Is it sufficient that the contracting authority justifies it, or should blacklisting be based on final criminal judgement?

Response from David Nussbaum

I do not think that the supply side of corruption is as important as the demand side. In the OECD countries there is a clear legal framework that makes it illegal to make a payment to a foreign public official.

To put this in context, bribing government officials is illegal in nearly every country in the world. So it is slightly curious that it was necessary to have an OECD Convention to outlaw bribery – something already illegal – abroad. However, companies did not seem to feel that they needed to operate under the laws of the countries in which they

were operating, and they would take corruption more seriously if it was also illegal in the country from which they came.

Nonetheless the OECD Convention is very important because it means that the risks to companies and individuals has increased because bribing whilst overseas is now also illegal at home. However, although the US has carried out a large number of prosecutions under the Foreign Corrupt Practices Act (1956), which predates the OECD Convention by a couple of decades, there have not been any significant numbers of prosecutions under the OECD Convention, by which I mean the national laws that have been implemented in OECD countries following the signing of the OECD Convention.

There are some investigations underway but there is no evidence as yet that national governments take the Convention as seriously as they should. There have been instances in Britain, for example, of the government being concerned about exports and not wanting to threaten or undermine exports by indicating to export companies, for instance in the defence industry, that they could be prosecuted and imprisoned if they engage in bribery to secure contracts.

Blacklisting is also tremendously important; it is a mechanism that increases the commercial risk to a company involved in bribery. It could be of great interest to stock markets, if risk analysts and ratings agencies start to pay attention if they see that a company is threatened with blacklisting because of engagement in bribery. It is very important to couple legal pressure with economic pressure.

The World Bank is in the lead in terms of its blacklisting practices, but other international institutions are following suit by threatening to debar companies from future contracts if they have been involved in bribery.

Companies should be debarred only where they have been involved in bribery and not just when they have been accused of it. However it can take time for cases to come to court. Then there can be appeals, as was the case with Acres in Lesotho, and even a further appeal when the appeal process is finalised. In some cases, companies can cause years of delays. Therefore the European Commission's approach is welcomed, whereby they consider the legal situation and what court judgements have been entered, but do not require a final court judgement and exhaustion of appeals before taking action. Instead they make a judgement on the basis of available information and can debar a company when there is substantial evidence that justifies debarring as a course of action.

Contribution from Franz Hermann Brüner

In the case of Lesotho, the European Commission forwarded all the evidence it had against European companies to the national judiciary, but there has been no clear outcome as yet. This is a sad situation, but not a political situation. For the judicial authorities the cases are extremely complicated, and it can take years to reach a conclusion.

In terms of blacklisting, there is a huge amount of resistance. Stopping a contract or trying to get money back is presently legally impossible where there is no final court decision. We currently have two cases of NGOs, where the NGOs admit their failures but we cannot reclaim the money granted to them. Special instruments are required for this.

The sanction committee of the World Bank can offer some solutions, including blacklisting. However, the political situation needs to be considered, and what the European Council will say, because they could lose their control mechanism. Most EU Member States are also World Bank members so we need to consider equal treatment. I am optimistic that something will develop in the next few years.

In addition, the OLAF monetary disclosure project is also important, placing more responsibility on the companies. For American companies, it can influence their share prices which is why they avoid making it public. In Lesotho, the worst thing that could happen would be if, after all the resistance they are dealing with, there would be no follow-up from our side. This is something that must be avoided.

Contribution from the floor

The legal and law enforcement aspects have been emphasised, but are there ways to tackle corruption at earlier stages in the process? For example, all the money provided by the World Bank and European Commission has to be allocated through a tendering process, and work could be done at the evaluation-of-bids stage.

There are sometimes strange practices, for example when companies win bids at a very high offer price but with abnormally high technical scores. Are there ways for the European Commission to examine this and have warning indicators, such as in the case of unusual budgets or abnormally high technical scores? Is there training in this respect within the European Commission, in particular in consideration of decentralisation processes, which make things more difficult?

It is not only public servants who carry out the evaluations but also sometimes contracted evaluators, and there is a lot of work to be done on the whole tendering

process, in particular on evaluations.

Secondly I want to draw attention to budgetary support. Is this a higher risk than classical technical assistance, because the money is given directly to the government? As far as I know there is no ratings agency that can say 'this government is AAA'. Will budgetary support mechanisms create more corruption in the future?

Contribution from Dedo Geinitz

We have discussed the supply side of corruption; in many countries there are competing interests, especially relating to capacity, involving institutions and staff. Buying out of institutions and staff results in a significant institutional brain drain, which may be to the advantage of the World Bank or EU-funded projects, but ultimately is to the disadvantage of our partner institutions, structures and countries. The aftermath of the 2004 Tsunami shows dramatic examples of supply-side corruption. Dealing with this requires influencing political dialogue. The work to address legal systems, for example in terms of integrity in the public sector and in civil society, also needs to be more prominent.

Contribution from the floor

What credibility does OLAF/European Commission have to speak to others about corruption if the amount of corruption in organisations under European Commission supervision cannot be measured? Is this a political or legal question? In practice, over the last twenty or thirty years, how many civil servants in the European Commission have been punished for being corrupt?

Response from Franz Hermann Brüner

It is clear that when we ask others to do something, we have to do the same. From the outside, there are many accusations that OLAF and the European Commission are corrupt, but this is not the case. We have problems sometimes, but most of these are administrative problems in implementing actions, rather than classical corruption problems. Sometimes we have conflicts of interest and this is still an area where we need to raise ethical standards.

In developing countries, it is not my intention to accuse anyone specifically. There is a way of dealing with these issues properly and where there is a will there is a way. We are pushing for the will and then we will find the right way. I think there is some moral support for our view. We provide funding so it should be spent according to the standards we set.

On the question of evaluating bids for contracts, the UN and OECD Conventions are helpful. It is a question of global approach involving better cooperation between all donors worldwide. This will help in better coordination and control of measures, which will also include the companies or NGOs concerned, leading to better evaluation.

On the question of budget support, we know it is risky but it is the best way to re-establish ownership and to organise transparency for the public as a control mechanism. It means we must be much more aware of the problems inside countries; the danger is known and necessary measures must be taken to limit the possible negative effects of budget aid. Sometimes, small projects seem harder to control. I think this is also the view of the World Bank, which has done much to establish inspection teams who inspected the planning to tender and implementation phases of projects, and who interviewed local people on the outcomes of projects. They were shocked about the results of inspections.

Contribution from Athanassios Theodorakis

The question with budget support is: why budget support now? It is a political choice. If we have to work within the Millennium Development Goals (MDGs), and if we prefer to give the means, tools and possibilities to countries in order to achieve the results, we have to accept the relationship that results.

In countries where the systems works well, there are conventions and memoranda of understanding between donors and the government. For two social sectors (health and education) there are a number of conditions and indicators, as there have to be results at the end of the cycle. Governments are rightly saying there should be some kind of predictability of resource allocation, otherwise, through small projects managed by local NGOs or local authorities, outcomes cannot be guaranteed.

Our understanding is that there will be more budget support where the conditions are fulfilled and there is more accountability and clear results. This requires government and parliamentary responsibility, and other institutional involvement, such as courts of auditors or specific agencies.

Another question must be considered: the possibility for countries to have better control of the use of their resources. In cases where our audits or evaluations show that the money for projects and programmes was not well used, we are in a position to ask for repayment of the funds. Predictability, responsibility and accountability are the model concepts. It is risky, but for projects and programmes outside the budget support mechanism, the risk is the same. Do we accept working more directly with

governments and through government systems, or do we come back to the ownership principle?

Concerning evaluations, we have now a two level system. There is evaluation through projects and programmes and specific audits for financial problems, in which case there is central evaluation. In the central evaluation unit within Europeaid there are training programmes and we work on the results of evaluations. It is better to give responsibility to the local authorities. Our reform of the external service gives more responsibility to our delegations. This was another big choice, giving us the possibility to have a better understanding of our programmes and projects. There are still problems. The European Commission is not a classical bilateral donor. We are present in almost all countries. The system is complex and there are many difficulties. But we have proposed a better division of work between the Commission and the Member States in order to heighten the EU's impact. Member States accept this approach now. We are working towards better coordination and complementarity with the Member States. Not all Member States are present in all countries, but the Commission is. We have to see what kind of comparative advantage this gives us.

Contribution from David Nussbaum

I would like to address two areas; firstly the question of evaluation of tenders and awarding of contracts, in which respect I want to mention a recent experience. I was shown some of the efforts the Chinese authorities have made to combat corruption in the construction sector in Beijing. There has been a huge construction boom – 40 percent of the world's cement is being used in China at the moment. There is a mechanism whereby tenders for certain construction contracts and information about the contracts are made public on the Internet. Organisations who wish to bid do so and submit their bids in sealed envelopes. A panel of experts is then put together to evaluate the bids. This panel is drawn randomly from a database of 3000 consultants.

Potential experts are excluded if they have any connection with the companies involved. Text messages are sent to the consultants' mobile phones enquiring if they can do the work in a couple of days' time, and the consultants reply by text message. This is done through the computer system – the computer operator does not know which messages are sent to whom. The team for evaluating bids is therefore put together automatically.

When the selected evaluators arrive to carry out the evaluation, they go to an area where there is no mobile phone access and no other way of contacting the outside world. There is an airport control system to enter the area. There is a landline, but this only connects the area to other parts of the building where the evaluation takes place. The

evaluators can summon representatives of the bidders to answer questions, which is done via the landline and not face-to-face.

It is a highly controlled process. In the rooms where the tender documents are evaluated, there are two cameras and a microphone so that the process can be monitored. This illustrates the seriousness with which corruption in awarding contracts is treated. The combination of modern technology and physical control points is also very interesting.

My second point is more conceptual – the connection between setting-up anti-corruption commissions and the question of direct budget support. There may not be an obvious connection, but in an environment where there is endemic corruption, there is a dilemma. On the one hand what is required is a change in the whole context so corruption is not so widespread and the normal systems – the judiciary and prosecuting authorities and the contract-awarding authorities – can do things properly. On the other hand, the concern in the meantime is that while there is so much corruption, is a special parallel system needed to monitor projects and programmes because the general system cannot be relied on?

An anti-corruption commission is an attempt to say that there is so much corruption that a separate institution is needed. Sometimes it may be a good and necessary thing and it should be independent and properly resourced and financed. Such commissions can be successful. Hong Kong is a good example: it has substantial powers, including the power to arrest the police. However, the danger of this approach is that the anti-corruption commission is relied on too much, and so corruption in other institutions is not tackled.

With direct budget support, the ideal is to have budget transparency so that normal government mechanisms can be effective. When they are not, one response is to set up special provisions and auditing to make sure that programmes are not corrupted. The other approach is to support the government as a whole; this means working with them to make sure that institutions, mechanisms and transparency are pushed forward. There are advantages to both approaches. Direct budget support is only a responsible way of funding if it is combined with extensive efforts to work with the governments and other institutions in the country to make sure there is an effective integrity system. One advantage is that budget support puts pressure on donors that there should be a system suitable not only for the money they are putting in but for all other revenue, in particular tax monies that local people hopefully increasingly contribute to the running of their government.

Ultimately, what is wanted is that countries can rely on their own revenues and have a system that the people can trust so that their tax payments will be used as they are supposed to be used and, indeed, will be used transparently. I hope this illustrates the dilemma. There are pros and cons to both approaches.

Part II
**The view of developing countries:
The relationship between development
assistance and corruption**

The case of Latin America: procurement and the use of TI Integrity Pacts

Marcela Rozo

Introduction:

This presentation will cover how Integrity Pacts came to Columbia, how they have been applied and what has been learned from them. The presentation will also discuss how Integrity Pacts have been used in procurement processes funded by international or multilateral agencies.

Adapting the IP model

Integrity Pacts (IPs) were introduced in Columbia by taking the design developed by TI and adapting it to the particular context of conditions for public bidding in Columbia. This was done in 1999 and IPs have been applied since then. Columbia feels that it is the world leader in IP implementations due to the extensive experience of cases and the way the model has been adapted and made to work.

This experience has been developed in a situation of permanent communication and sharing of experience with all chapters working with IPs within the international movement of TI. Columbia has worked especially closely with other Latin American chapters.

How has Columbia defined IPs? As “agreements subscribed between all the parts that are directly involved in a bidding process, to promote transparency, equity and sustainability of the contracting scheme adopted”. It is an invitation to a voluntary cultural change to accept common regulatory systems, associated with rewards and sanctions, above the ones established within the legal framework. Although IPs are in addition to the legal framework, they do not contradict the legal specifications operating in the country. They work above the legal minimums.

The three main points the IP focuses on are the commitments:

- Not to bribe in order to obtain improper advantages in the procurement process;
- Not to collude to limit competition in the procurement process;
- Not to use third parties to present offers that do not fulfil minimum requirements.

What are the basic elements included in the IP? Firstly, it describes explicitly what is unacceptable behaviour in the procurement process. The IP is applied to procurement processes on a case-by-case basis. It is not a general tool that takes into account the whole procurement process of public organisations.

The IP defines who decides when ethical standards are violated. In the case of Colombia, this is the arbitration centre of the Bogotá Chamber of Commerce. In addition the IP defines sanctions and the mechanism for applying them. The kinds of sanctions that have been agreed under the IP include contract termination; monetary compensation for other participants in the bidding process in the case of a contract that was gained through actions that violated the Pact; and exclusion of companies violating the Pact from participation in public procurement processes for five years

How is the IP applied? It should be applied as an independent monitoring tool and there are a number of points that have to be considered in this respect for the methodology to work. Firstly, political will must be assured. The head of the public agency in charge of procurement needs to be committed to the application and the use of the IP. If the political will is lacking, it is very hard for the IP to be successful.

It is also necessary to build ethical commitment amongst public officials and advisors to the public agencies that play a part in the procurement process. This is done by developing with them a corruption risk map covering the procurement process, which helps to identify the parts of the procurement procedure that could be vulnerable to corruption. This helps define what measures might need to be taken to prevent those corruption risks from coming into effect. Public officials sign the commitments and declare publicly what they are adopting in order to prevent corruption.

TI in Colombia also participates in reviewing and giving comments on bid documents and on the answers given by the public agency to the bidders when they submit questions about the bid documents. An attempt is made to answer consistently. The exchange of information between the public agency and the bidders is a way of increasing accountability of public officials. When they answer the bidders' questions, they are involved in an accountability exercise.

TI also works with bidders for the promotion of and subscription to the IP, which is a legal document associated with the process. TI participates in monitoring the evaluation and selection processes, always trying to make sure that the principles of equity and transparency are applied in the decisions that public officials take.

The main lessons

In the last six years during which IPs have been applied, TI has monitored 85 bidding processes involving contracts worth USD 3.3 billion. The signing of 62 IPs with the participation of 295 national and 52 multinational bidders has been promoted. 690 public officials and advisors in public agencies have signed ethical commitments. Average savings of up to 18 percent have been achieved in monitoring processes.

The tool has also been adopted by important public agencies to be applied more generally. This includes agencies like the Government Development Project Fund, the Agrarian Bank of Colombia and the national petroleum company. The majority of the largest national and international companies and state contractors in Columbia now acknowledge and accept the IPs as a valid tool. The methodology helps to improve project design, and supports the procurement procedures applied by public agencies. The strategy has encouraged adoption of concrete measures and actions to avoid corruption risks in procurement processes.

IPs have been adopted in Colombia as a voluntary commitment to ethical behaviour. They have encouraged other kinds of pacts between government agencies and private agencies or civil organisations for different issues. Public procurement legislation has been adapted to include some of the monitoring methodology procedures suggested by *Transparencia por Colombia*.

What difficulties have been faced in working with IPs? The first issue has been for TI to protect its independence as a civil society organisation. There are two basic reasons for this:

- Public agencies tend to see TI as part of the working team and they want TI to share responsibility for procurement processes, which is something that TI cannot do;
- The difficulty of obtaining resources to finance TI's participation in the process, that are independent from the bidding agencies.

It is also difficult to obtain real commitment from the two parties directly involved in the process: the public officials and the private companies. Sometimes we feel that they call TI because they want to show they are working on transparency; but in fact

they are not really convinced. On many occasions the public agencies tend to consider that monitoring by TI is sufficient to guarantee the absence of corruption. They need to understand that it is a prevention tool, not a guarantee of absence of corruption.

Another difficulty is creating the time and conditions for the tool to be fully applied. Investing a little more time in the pre-contractual stage of public contracting is likely to save a lot of time and debate with the contractor during the later stages of execution of the contract. It is necessary to maintain discussions with the public agency throughout the process for adequate implementation of the IP.

One interesting difficulty is that private companies have not reported violations of the IP because they fear negative reactions from the public agency in charge of procurement or from their competitors. They think that they are not going to be invited to participate in future processes or their sector might get a bad reputation. They therefore prefer to keep quiet about what has happened.

What are the future challenges with IPs? First, to strengthen the tool, the focus must always be kept on the defence of the general interest. Second, TI must maintain its position as an independent third party in the process. Third, trust and credibility in the effectiveness of the tool must be developed so that the private sector uses it when they find that there has been a violation. Fourth, the aim is to evaluate the tool and transfer it to another civil society organisations.

There is also an objective to develop a complement to the tool, which will allow monitoring of the implementation of contracts. There is a concern that monitoring needs to continue for the rest of the process during the implementation of a contract. Monitoring is also required to make sure that recent legal regulations regarding mechanisms to improve transparency are effectively applied. We are also committed to implementing the tool on the ground; in Colombia it has been widely used at national level, but the corruption problems at this level are much less serious than at the regional level. We have to move forward at regional level.

IPs and international agencies

When IPs are used in contracts funded by international or multilateral agencies, the conditions vary a great deal. The main experience we have in applying IPs with international agencies is with multilateral organisations, such as the World Bank, the Inter-American Bank and the UNDP. This experience is not necessarily applicable to other organisations such as the European Commission.

What opportunities are there for using the IP in processes that are funded by international agencies? First, the project promotion mechanisms we encourage with the IP allow for information to reach all potentially interested companies – this does not always happen when the process is promoted using international agency guidelines. In the methodology, the discussion of draft bidding documents is promoted. This contributes to adapting the process better to market conditions, and to having more transparent and fair specifications for the process.

The methodology also helps create greater publicity at the different stages of the bidding process. Its measures encourage accountability of public officials responsible for the bidding process, which wouldn't necessarily be present without deployment of the methodology. The establishment of ethical commitments that go beyond (but not against) legal provisions, both by public officials and by private companies via the IP complement the international agencies' guidelines. The IP also promotes the implementation of mechanisms that allow for ample dissemination of the results of bid evaluations.

TI promotes the Internet for this, as well as public hearings. These exercises are very important in establishing control over the processes by the society. Openness creates more confidence in how the process has been developed. The methodology leads to increased transparency in the everyday work of public agencies. This added-value is not necessarily present when the procedures of international agencies are applied, and so the IP presents an opportunity for those processes to be more transparent and to generate more confidence.

What practical difficulties have been found when applying IPs to processes governed by the guidelines of international agencies? First, to gain the commitment and the support of international agencies involved in the process, they must accept and understand the participation of a third party that monitors the process. Second, experience shows it is almost impossible to get change in the procurement guidelines of international agencies, no matter if those changes contribute to more transparency and confidence in the process. Third, it is frequently the case that the role of TI is not clear enough for the international agencies. They feel that the additional elements promoted by TI add more time to the process and can be an obstacle. Sometimes international agencies have prevented the TI chapter from taking part in the process as they consider that their own guidelines are enough of a guarantee of transparency.

In Colombia, we feel that the international agencies' procurement guidelines offer fewer guarantees of transparency and accountability than the Colombian law. This

causes a problem, because international agency guidelines tend to defend confidentiality whereas in Colombian law in general almost everything is public. The guidelines of international agencies can be contrary to Colombian law, for example they can lack space for subjective elements such as acceptance of non-substantial deviations from the specifications established in the bidding documents. This gives the evaluators some power of discretion, which is not allowed for in Colombian law.

Another issue is that when the guidelines of international agencies are applied, the public officials applying them tend to justify themselves on the basis of those guidelines and can use this to avoid expanding transparency and the openness of the process in the case where the guidelines offer less transparency than Colombian law.

A further question is the profusion of rules: the World Bank rules, the Inter-American Bank rules, the UNDP rules, bilateral donors' rules, as well as Colombian law. It is difficult for bidders to understand all these different sets of rules; it is also hard for other stakeholders who want to play a role in opening up the process. International agency rules can also be inflexible, which can make it almost impossible to motivate bidders to participate in reviews and discussions of bidding document drafts – they assume that no changes are possible considering the inflexibility of the guidelines.

Concluding remarks

There are several steps to overcome the challenge of working with international agencies in the application of these tools. First, more flexibility is needed from the international agencies, so that their guidelines can be adapted to cover the better transparency practices already included in national regulations. Second, ideally international agencies should where possible match their guidelines to national regulations, so that there is a single set of rules for every procurement process in the country. There has been some progress in this. For example, the World Bank has been working on pilot projects in the countries applying national regulations for the procurement processes financed by the World Bank. Third, it is very important to clarify the qualitative difference between the IPs (which are tools for monitoring by a third party) and the use of sanctions in cases of irregularities or fraud (which are the provisions included in international agencies' guidelines). The objectives in each case are different.

It is very important to establish a work strategy between government, international agencies and civil society organisations, to promote the worldwide adoption of best practices in transparency in the case of large procurement processes funded by international agencies. A way needs to be found for international agencies to financially support civil society organisations working in these areas, which struggle to find

financial support for this kind of technical work. We need to increase the confidence of international agencies and the participation of independent third parties in large procurement processes.

Questions and answers

How is the context of violence in Columbia dealt with? Is there specific training or political education to help combat the pressures and threats of violence, which are a menace to democracy?

So far TI Columbia has not faced this threat. There are two factors in this respect. First, TI always works with trained people, and in fact conducts training, which builds trust. From the outset, TI works with experts with extensive experience in public procurement and who can be trusted, because it is important that TI remains independent. In most cases TI tries to find international advisors to help in looking at technical aspects of the procurement process – in that case someone is brought from abroad.

Secondly, there are big differences in conditions in Columbia between the capital city, Bogotá, and the regions. Up to now, TI has worked on a central level and has not experienced a threat from violence. However, if the work is to move to the regional level, it is likely that problems may arise in the future.

What happens post-TI involvement? Can the systems established become independent from the institution establishing them?

Regarding the post-TI situation, an important factor is that Colombian law took some of the elements of the IP methodology and incorporated them for general use in all procurements. For example, now the law says that every public agency opening a public procurement process should put the draft of the bid documents online for a determined time before the process is opened, so that the documents can be viewed and debated. Previously public agency legal services claimed that the law did not permit debating draft bid documents.

Concerning sustainability of the tool, it is important now for TI to evaluate the tool and find out what basic elements should be transferred, and to try to create a network at the national and regional levels of civil society organisations that are trained in IP methodologies. If a way can be found to disseminate the tool and put it in the hands of people who can promote it, it will be sustainable.

The case of sub-Saharan Africa: the role of civil society in the fight against corruption

Emile Carr

Introduction

This workshop is an opportunity to gain more understanding on the issue of corruption, its impact on governance and development and the battle to minimise it or bring it to controllable level.

The TI source book states, “If activists remain active, inventive, determined and decisive, the issue can be kept at the forefront of national and international attention even after the battle may appear to have been won. For the potentially corrupt will always be with us, and even those whose National Integrity Systems seem to be in reasonably good shape can find themselves grappling with the unexpected as the determined exploit whatever gaps they can find.”

Ingrained corruption

The fight is not a wholly moral one, in the sense that it is a struggle against the intrinsic “evil” of corruption. There is certainly a moral element, one that cuts across all major religions and societies throughout the world, but the compelling reason for the struggle is the suffering and deprivation corruption brings to whole societies, and to the world’s poorest people. It is concern for the poor, rather than distaste for the corrupt and their deeds, which rightly drives the global movement against corruption.

Corruption as a global issue needing redress only rose to prominence in the last twenty years. The first phase of the struggle saw an emphasis on public awareness, to turn corruption into a critical development question. Efforts to achieve this were led by the World Bank and other NGOs. By the second half of the 1990s, corruption was

acknowledged by governments, bilateral and multilateral donor institutions as one of the most significant impediments to economic development.

Towards the end of the 1990s there was an increasing emphasis on the nature of the beast. As a result, in recent years corruption surveys and studies have been in vogue. More than ever before, corruption has become the subject of rigorous research. As would be expected, experts are finding that corruption is inextricably intertwined with overall political and socio-economic systems in countries where it is systemic (I am using the word systemic guardedly as corruption is like a virus). Presented with an opportunity to profit from corruption many people jump at the chance.

The first step in stemming the tide of corruption is to define civil society, which is the curative and preventive agent. The TI source book again refers to it as the sum total of those organisations and networks that lie outside the formal state apparatus, going on to state that it is the whole gamut of organisations that are labelled “interest groups” – not just NGOs, but also labour unions, professional associations, chambers of commerce, religious organisations, the worldwide Rotary Clubs, student groups, cultural societies and other informal community groups. “Civil society” can be traced back to the work of Cicero and was developed by political theorists over the past 200 years as a domain parallel to, but separate from the state; something with which citizens associate according to their interests and wishes. It has a much broader concept than simply non-governmental organisations.

There has been some dramatic expansion in size, scope and the capacity of civil society in sub-Saharan Africa in the past ten years, assisted by the process of globalisation and the serious desire for democratic governance, and no doubt the various conflicts in the region. It is believed that the number of International NGOs increased from 6000 in 1990 to 26,000 in 1999 and this number is definitely rising. Civil society organisations have also become very important players in worldwide development assistance with the Organisation for Economic Corporation and Development (OECD) reporting that USD 11-12 billion in contributions were made annually by civil society organisations from their own resources by the late 1990s.

Civil society organisations have also become important agents for delivery of social services and the implementation of other development programmes, especially in post-conflict situations; i.e. Sierra Leone, Democratic Republic of Congo, Ivory Coast, Uganda, Kenya, Mozambique and Angola.

Enhancing the role of civil society in demanding accountability from governments

involves the most basic questions about power, transparency, participation and democracy. The political and economic upheavals following the end of the Cold War profoundly affected the distribution of power. Previously, states had claimed a monopoly on power under the guise of state sovereignty; today that authority is in decline. Power is now increasingly being claimed or contested by globalised business and by civil society. Around the world, “soft law” in the form of guidelines and recommendations is emerging as a body of global practice, not yet with the force of international law, but one that states ignore at their peril.

Increasingly, civil society challenges the legitimacy of governments to speak on behalf of the people, and is frequently being used to channel development aid in ways that bypass their officials. Today, NGOs deliver more official development assistance than the entire UN system (this excludes loans from the World Bank and the IMF). In many countries they are delivering essential community services that corrupt government cannot be trusted to manage.

At the international level, questions of international organised crime, and concentrations of power in the media have rendered borders almost irrelevant. Indeed, when 122 countries agreed to stop using and selling land mines in December 1997, the success was attributed not to the work of government officials, but to the determination of 1000 or so NGOs in 60 countries. At the signing ceremony in Ottawa, Jody Williams, the campaign’s coordinator, remarked that NGOs had come into their own on the international stage. “Together,” she said, “we are a superpower”. Again in May 1997 when Sierra Leone’s army took over (for what seemed to have been the umpteenth time) from the democratically elected government of 1996, it was Civil Society in an action of civil disobedience and with the help of the international community that restored the legitimate government.

But surely there are limits inherent in the nature of the power of transnational civil society. It works indirectly, by persuading governments, corporate leaders, citizens or consumers. The networks remain powerful only so long as they retain their credibility.

Sometimes civil society gets it very wrong indeed. Humanitarian relief organisations have to maintain credibility so as not to undermine the moral authority that is their real claim to influence.

Right from the beginning, TI argued that governments could not hope to tame the beast of corruption without building coalitions between serious minded NGOs and governments. In the absence of political will and the determination and serious effort

of civil society the beast will continue to run riot across the world. It is a fact that in countries where corruption is endemic, civil society is at its weakest for obvious reasons; e.g. illiteracy and totalitarianism – the devilish twins. It seems to me therefore that there has to be a massive effort to build capacity at grassroots level.

In the context of Sierra Leone, we have preached democratic stability, good governance, the rule of law and discipline, in order to create an enabling environment for serious investment opportunities to flow from the developed world in terms of industries looking for low cost environment to operate. We believe that this sort of partnership could bear rich fruit for better development and increased stability. The Singapore experience as recorded in “From First World to Third World” by Lee Kuan Yew is a case in point.

Concluding remarks

As of now, there are no global recipes against corruption. Civil society and TI chapters are urged to formulate their own programs to suit the different environments. They have to win the confidence of different administrations and work on the hearts and minds of ordinary people who are the ultimate beneficiaries of good governance and accountability. The eradication of poverty is the hoped for result. The alternative is chaos and war.

It is common knowledge that corruption undermines development goals. Therefore in the last ten years there has been a marked emphasis on good governance from donors to the recipient countries. The basic conditions are:

- Make governance reform a condition
- Address corruption
- Ensure that the Rule of law is working
- Monitor funds with international audits and other oversight bodies
- Institute benchmarks

Questions and answers

How can Africa resist corruption in an environment of poverty? Europeans say that poverty is not an excuse but they do not live in that environment. There are two types of corruption. One is driven by poverty; it can be understood and dealt with by means of a serious strategy. But there is also ‘big corruption’ involving those in power. Sometimes ‘small’ and ‘big’ corruption get mixed up, but the real problem is the ‘big’ corruption, and it is here that Europe can help Africa. For the small type of corruption, Africa does not expect Europe to resolve its problems. For the ‘big’ type,

international action is needed, including getting the money back from those in, or previously in, power.

In Nigeria, civil society is more a part of the problem than part of the solution. In Nigeria if you arrest somebody for corruption, the next day agents from his tribe arrive and sue you for arresting him. How would you react to that?

Nigeria is a unique case. In Sierra Leone we have not got to stage where civil society is part of the problem. Our civil society is associated with TI, and we have got to maintain that credibility. Illiteracy and tribalism is a problem.

The UN Convention against corruption includes some provisions on repatriation of stolen assets, which is perhaps one of the reasons why quite a large number of African countries have signed and indeed ratified that convention. However, not all have signed the EU Convention, which has tougher provisions in some respects.

What is the mandate of the National Accountability Group in Sierra Leone and what kind of methodology do they use as far as accountability is concerned?

NAG developed after a visit to the TI meeting in Prague in the mid 1990s. Five of us attended: a lawyer, a civil society activist, two journalists and myself. At the moment NAG is a contact group. Even before the Prague meeting NAG started informally as a campaign for good governance when there was war in Sierra Leone. The history of the war in Sierra Leone goes back to our independence. Two years after independence our prime minister died in mysterious circumstances. Following the elections of 1967, when the government in power felt that they were losing the elections, they invited the military to assist. From that day Sierra Leone did not have peace. Then there was a first coup in 1992, another in 1997 and then war. From the beginning of the 1990s NAG has campaigned for good governance and now it derives its power from TI. We aim to achieve the status of a TI National Chapter at a later stage.

How can donors help civil society strengthen the demand for reform in the country and build coalitions between existing groups, which do not always have the same agenda?

There are a lot of reasons for underdevelopment, such as major sources of trouble like natural resources (diamonds, oil gold). Many investors were used to offering bribes in order to get easy access to the resources. We must develop strong and meaningful partnerships. In order to do this, the rule of law has to be effective. In the north it is very effective. Nobody tries to corrupt a policeman in Brussels – petty corruption is

nearly unthinkable. In Africa you can bribe a policeman with very little money. The reason is that the African policeman is not paid very well, because of mismanagement of state funds.

The problem of capacity has to be solved through education and joint training programmes and partnerships between North and South.

The case of the Balkan region: Access to information

Aleksandra Martinovic

Introduction

Work on the free access to information project was started more than three years ago. It formed part of the Accountability programme in the Western Balkan Countries, which has been implemented in four countries in the region: Bosnia and Herzegovina, Croatia, Serbia and Macedonia. At the time we launched this project, which had financial support from the Finnish government, Bosnia and Herzegovina (BiH) was the only country in the region that had adopted and implemented a Free Access to Information Law. As in many other cases in BiH, the introduction of such a law was not the initiative of local governments but the international community, who supported its adoption. At present, Serbia and Croatia have now adopted legislation while Macedonia is still struggling and our TI colleagues are lobbying for the law.

The importance of the information law

This law is crucial because it supports democracy in a region that has a communist legacy and it raises awareness of basic human rights. The Universal Declaration of Human Rights states that the right of access to information is a basic human right. The project also helped reduce the fear of exercising human rights. After fifty years of communism, people in the Western Balkan countries were still nervous of claiming their rights. Having got new freedom of information laws, what would they do with them? Do they have the courage or the knowledge to ask governments for information? The answer is “definitely not”.

Freedom of information is relevant because it increases accountability and transparency of public institutions, and it helps to prevent and uncover corruption and crime.

Government budgets and public expenditures can easily be monitored with the implementation of freedom of information regulation. Legislation also promotes public participation in decision-making processes.

The Balkan countries are keen to join the EU, and readily vote for laws and regulations which would help them to do so. As a result, local governments adopt laws, or laws are imposed by the international community (this is especially true in BiH where the Office of the High Representative has the power to impose legislation). After a while, governments and citizens realise that they are not familiar with the content of their new laws. Such an approach to lawmaking creates a strange role for our countries in comparison with other EU states that are able to adopt legislation themselves. Serbia and Croatia lobbied several years for the adoption of a freedom of information law, and for that reason, such a law, when finally adopted, was not very difficult to enforce. By contrast, in BiH local authorities report that even after adopting this law, obligations are not widely understood. Authorities did not realise that they will be obliged to disclose any kind of information which is under their control. Therefore, although BiH had a law, it had to convince all interested parties of the importance of the law and its benefits.

The freedom of information law is crucial for the following reasons:

- It provides a legal framework for disclosure of information.
- It strengthens communication between citizens and governments.
- It ensures a long-term influence on the decision-making processes.
- It increases the level of trust in governmental institutions, which is very low at the moment.

Under freedom of information acts information controlled by the public authorities is public property. Even today, four years after the law was adopted in BiH, public institutions, citizens and even the media still have to be convinced that information is open to the public. It is important that every person has a right to access public information according to the public interest, whilst public institutions have an obligation to disclose information. Furthermore, free access to information law is a necessary precondition for proper enforcement of many other anti-corruption regulations (for example, regulations governing public procurement).

Three key steps

There are three key steps that those countries that have yet to adopt information laws must take. The first step is the content of the law. The second step is institutional law enforcement, and the third step is efficient public use of the law.

The under-use of this law in the Balkan countries is discouraging. In the US it took five decades to achieve a 60 percent implementation of the law. This is one piece of legislation that really imposes sanctions but needs to be exercised to be enforced.

Content of the law

- The law should contain the broadest possible definition of the type of information that can be accessed. Also, all public institutions should be targeted, including international development and financial institutions and other organisations.
- Experts debated at length how quickly requested information should be released. This period should not be more than fifteen days.
- Problems can arise, however, if this law is new to a country. For example, who is the person within an institution who is responsible for dealing with requests? They should be professionals not politicians. As a general rule, information controlled by a public authority should be released upon request for the public good. Every freedom of information law should pass this public interest test because the purpose of the law is not to diminish public interest. On the other hand, disclosure of certain types of information harm national interests. Therefore, persons dealing with information within public institutions have to decide whether the release of information is in the public interest. Such considerations affirm the need for professionals to deal with this law.
- It is very important to have proper sanctions.

Political will is a prerequisite of law enforcement

It is rare in the Balkan countries that institutions or individuals are prosecuted for non-disclosure of information. The need for an efficient and independent judicial system, free of corruption and political influence, is obvious.

The extent to which a law is used can pose another problem

The public can help by campaigning for the adoption of a law and, more importantly, by monitoring its implementation.

Monitoring freedom of information

TI BiH has conducted surveys on freedom of information requests every year and a half.

Requests for information are sent to all kinds of institution, and answers are collected. 50 to 60 percent of requests are answered within the legally prescribed period, a figure that is clearly not high enough, especially because the requests were made in the name of TI. The results would be different if ordinary citizens had made the requests, but

another tool exists for supporting and helping them. Furthermore in developing countries where citizens are not well informed, training in how to use this law and how to deal with public officials and the media is very important.

The media is probably not credited enough for the corruption cases it discovers. In most countries, prosecutors can easily conduct an investigation based on media reports. Freedom of information laws are crucial for the media because they provide a legal framework for addressing the public institutions and increase the level of media professionalism. These laws allow investigative journalists to gather evidence on corruption and other criminal acts.

Without free access to information it can be very hard to uncover conflict of interest cases or reveal cases of improper financing of political parties. In BiH, such cases are given to the State Election Commission (EC BiH) as the law enforcement agency. A lot of international financial support has been given to the EC BiH in order to make these reports public. Since last year's election a database has been created on the commission's website that permits access to the financial reports of political parties and candidates. The creation of this database brought BiH into line with other countries, but the site is not well used by the media and the public. It is a challenge to get more people to use this facility. By comparing financial reports with the situation in reality, one can easily assess which parties spend more money on an election campaign than is allowed by the law.

The Advocacy and Legal Advice Centre project was established in several Balkan Countries. As part of the project toll-free telephone lines have been set up for reporting corruption cases from anywhere in the country. The purpose is to collect complaints from citizens who witness or are the victims of corruption. This is the most concrete and visible TI product in the region, the only one that actually deals with cases of corruption. The project, however, does not have the power to investigate or prosecute. Cases are heard and forwarded to the relevant authorities, who agree to act on received information. Freedom of information laws are also very important for this project. They allow evidence to be collected that can be easily forwarded to prosecutors and enables cases to be closely followed. In BiH, after a year and a half, more than 4000 citizens have made calls for information and more than 100 internal investigations have been conducted in different public institutions. Ten cases went to the prosecutor offices and several dismissals of public officials occurred. Other NGOs should support similar projects.

Concluding remarks

In spite of the day-to-day obstacles and threats from certain politicians, the number of inquiries clearly represents also a level of trust in TI. In addition, a journalist integrity award has been created to promote investigative journalism. On 9 December 2005, international anti-corruption day and the day when the UN Convention was adopted in Mexico, a Bosnian journalist won this award.

Promotion of the freedom of information laws and active cooperation is needed for all the three pillars – public institutions, civil society and media – to create a climate of mutual trust and accountability.

Between denial and rumours: the reality of corruption in Palestine

Abdel Rahman Abu Arafah

Introduction

Since its inception in 1994, The Palestinian National Authority (PNA) has operated under extremely difficult political, structural and financial conditions. The PNA quickly earned an international reputation for corruption. Many of the Palestinian Authority's international critics have relied heavily on this reputation in calling into question the international assistance programme to the PNA or even the legitimacy of the Palestinian Authority itself.

International aid for the Palestinian Authority

The Palestinian Authority was the recipient, from its inception, of enormous and diverse international aid. Injecting large sums into a bureaucratic entity that was only beginning to function created inefficiencies, as well as opportunities for corruption. That led to some international monitoring, which made the inefficiency and corruption more obvious than in many neighbouring countries. Concern is widespread – ranging from disgust at the system of patronage for PNA business to serious allegations of theft of public funds. These charges were difficult to prove, with a lack of clear guidelines and an almost total absence of structures to pursue and punish violators.

Specifically, there have been a number of allegations concerning the apparent misuse of funds including EU monies by the Palestinian Authority. The Israeli Government has claimed, amongst other things, that the late Yasser Arafat and the Palestinian Authority have used budgetary support provided by the Arab states and the EU to finance supporters of terrorism.

Characterising the PNA

According to many Palestinian and international observers, since the inception of the PNA, its administration has been largely characterised by:

- Significant lack of democracy in the decision making-process;
- Widespread corruption and lawlessness amongst officials;
- Partition of power among a restricted number of governmental agencies with overlapping functions;
- Use of governmental positions for private interests;
- Absence of a fair and impartial judicial system able to bring dishonest officials to trial.

A fundamental problem for PNA critics has been the nature of PNA finances, which were micromanaged by President Arafat and not subject to meaningful oversight by any professional public body.

Allegations of Misuse of Funds

The corruption issue first arose in its most public form in 1997, through the PNA itself, when the General Control Institute issued its first report detailing misuse of public funds and leading the Palestinian Legislative Council (PLC) to launch its own investigation. The PLC then followed up with its famous "corruption report" which offered a thorough and detailed evaluation, indicating weaknesses and malfunctions. This report was widely published and debated in forums, newspapers and other public venues. In the end, the open public debate led to the resignation of the cabinet.

This damaged the Palestinian Authority's reputation. Palestinians exchanged rumours about shady business deals and officials enriching themselves. Internationally, the Palestinian Authority earned a reputation that was just as unsavoury. It was almost certainly the case that corruption was less widespread in the Palestinian Authority than in most neighbouring countries. But in the absence of an institutional framework to define and investigate corruption, such a defence was impossible to mount.

Accordingly, The World Bank, in its governance indicators, ranks the Authority in the bottom 16 percent of governments around the world in its ability to control corruption, and halfway down the scale in terms of effective rule of law.

An opinion poll conducted by a Palestinian independent centre shows that the percentage of Palestinians who believe there is significant corruption in Palestinian Authority institutions jumped from about 50 percent in 1996 to more than 85 percent

two years later. This explains the frenzied demonstrations by Palestinian crowds against corruption in the authority.

This atmosphere creates a huge amount of discussion and debate over corruption and reform. Different parties approach corruption in different ways, the focus coming from four main directions:

1. Palestinian Governmental individuals and civil society organizations

Palestinian watchdogs such as PLC members and certain political figures, the Palestinian opposition and local civil society organisations, have not been able to ignore the manipulation of what, for them, is a real and urgent concern. Accordingly, reform becomes a mean of showing faith in their leaders. Some officials who are interested in avoiding disruption of their practices resist true reform. Because of that, the problem has spread further and demand for reform has increased.

The most reliable battlefield of reform was the annual PLC review of the budget of the Palestinian Authority. Indeed, the Palestinian government and the PLC went over the same issues every year with the same result: the PLC would reluctantly approve the budget but demand that the errors and irregularities be corrected.

This move led to some changes although these did not necessarily allow for serious reform and correction of the problems. The situation continued until the outbreak of the second Intifada in September 2000, the last year in which the PLC was able to conduct a meaningful review of the budget. Large parts of the budget lacked detail, making any kind of oversight impossible. The PLC was not able to translate its ambitious calls for prosecution of ministers and withdrawal of confidence from the cabinet into any real action.

2. The United States

The new US Administration adopted in the year 2000 a negative political attitude towards the Palestinian Authority and began to promote the idea of "regime change" in Palestine. The United States then began to use the issue of corruption as a tool to attack the PNA, thus manipulating calls for reform in order to bring about political change. The Americans had a set political agenda and they were ready to use any means, including the case for reform, to pursue that agenda.

3. Israel

The Israeli government led by Sharon used and manipulated the issue of reform and corruption to further their own political interests. In 2002, Israel claimed to have

captured documents that proved the involvement of the PNA in financing terrorist attacks. Israel claimed, in the words of one Minister, that, "The EU's money was being used by Arafat to indirectly finance terror activities".

Additionally, Israel, and its lobbyists in the United States and European capitals, have consistently spread the allegations that EU funds to the PNA are being used to support the hostile work of Palestinian groups inside Israel. This accusation continues to be made on a consistent basis against the PNA, linking the claim to the EU, which is the major financial aid donor to the PNA.

4. The European Union, donors and international community

The European Union is the biggest donor to the Palestinian Authority; the EU has donated approximately USD two billion to the PNA since 1994. EU bodies and independent organisations have approached the issue of corruption and reform with a genuine reform agenda aiming to convince the Palestinian Authority to initiate a reform process. In doing that, pressure continues on the EU in different forms, for instance:

- The controversy reached its peak on 5th May 2002, when Israel openly accused the PA of using EU funds to support terrorist activities; as a result the EU froze 18.7 million pending its own investigation and later the EU changed the way it funded the Palestinians by targeting aid for specific purposes.
- The allegations further came to a head in May 2002 with a USD 20.7 million civil action suit filed against the EU by a victim of Palestinian violence, Steven Blumberg.
- In January 2003, UK Conservative leader Iain Duncan-Smith hit the headlines for his announcement at an Israeli charity dinner that "our taxpayers money could be financing the bombs and explosives used to attack Israeli civilians" and announced that he has asked Conservative MEP Charles Tannock to campaign for an EU inquiry into the issue.
- Mr. Tannock MEP succeeded in getting over 170 MEPs to sign a call for full investigation by the European Commission into whether EU aid is being used by the Palestinian Authority.

All of that has led to an extensive process of investigations including:

- A working group was created in March 2003 by the EU to investigate the allegations of the misuse of EU aid by the Palestinian Authority. The working group has met with Israeli and Palestinian officials, and has studied several important documents

related to the Palestinian Authority budget management.

- In February 2004, the European Union Anti-Fraud Office (OLAF) started to study documents suggesting that the Palestinian Authority diverted tens of millions of dollars in EU funds to organisations involved in terrorist attacks.

Development and findings: A process of clean up

Three major issues continued to plague the PA in public finance: (i) diversion of tax revenue to special accounts, (ii) excessive hiring in the civil service and security apparatus, and (iii) PNA commercial operations and monopolies with no transparency or accountability. These three issues were raised at various meetings beginning in 1996 with growing dissatisfaction among donors and little more than a lip service response on the part of the PNA.

As these issues reached crisis proportions in 1999, threatening a major dispute with the donor community, the IMF Resident Representative initiated a major reform initiative with President Arafat including: the establishment of an Economic Policy Framework under which (a) all PNA revenues would be consolidated into a Single Treasury Account, (b) the payroll unit would be transferred to the Ministry of Finance (MoF) to ensure control over hiring, and (c) there would be an international audit of all PNA commercial assets, with the transfer of profits to the MoF.

On the eve of the second Intifada, the Palestinian Authority made major strides in satisfying international pressure by consolidating its accounts and disclosing its public holdings. Before the step could win it any credit domestically, however, the outbreak of violence in September 2000 distracted public attention and threw PNA finances into confusion and crisis.

All of these factors materialised in the famous speech of President Yasser Arafat before the Legislative Council in May 2002. In that speech, the president admitted mistakes, took responsibility for them, and promised change. Then he ordered a cabinet reshuffle that included new faces. One outcome of this new cabinet was the “one hundred day programme for reform” and a ministerial reform committee that produced some positive results.

A great deal has been achieved in the Palestinian Authority to arrive at a nearly complete end to financial corruption and a fruitful and promising process of reforming other aspects of the judiciary and the civil service. Unfortunately, this process has been stunted by the Israel's reoccupation of Palestinian cities in 2002 and the subsequent economic deterioration resulting from Israel's policy of collective punishment and

destroying the public institutions and the civil service infrastructure.

However, a clear institutional and legal basis was laid for making finances dependent less on personalities and ad hoc decisions and more on well-established institutions and procedures. As an example, reformers were able to build fairly detailed fiscal provisions into the draft constitution for statehood.

The achievements so far:

1. Establishment of a single treasury account;
2. Consolidation of all the public finances of the Authority;
3. Adoption or entry into force of key legal acts (Judicial Independence law, Basic Law);
4. Establishment of modern system of financial control;
5. Imposition of an austerity budget and containment of arrears;
6. Establishment of an Internal Audit Department in the MoF;
7. Establishing auditing system for PNA revenues, payroll and purchasing.

In Israel: recognition of the reforms

Whilst most allegations of fund misuse and financial corruption within the PNA came from Israel and from Israeli sources or Israeli sponsored entities, Israel's claims have been fully investigated and both the EC and the IMF have found no evidence at all to support these claims.

Accordingly, Israel has recognised the importance of the reform and has resumed payments to the Palestinian Authority and paid USD 45 million to the PNA Ministry of Finance. Ultimately Israel should resume full transfers. This money has been transferred into the same treasury account as the EU budgetary support and is subject to the same monitoring mechanisms.

In the US: direct funds to the PA

The United States has now recognised the importance of the Palestinian reforms and paid USD 20 million in direct aid to the PNA Ministry of Finance recently. This money has been transferred into the same treasury account as the EU budgetary support and is subject to the same monitoring mechanisms.

In the EU: intensive investigation

The European Commission found that there was no evidence in Israel's claims and the aid was subsequently unblocked on 22 June 2002. European Commissioner for External Relations, Chris Patten said before the Foreign Affairs Committee of the

European Parliament that, “After scrupulous examination of all the allegations that have been made, I can report to you today that there is no evidence for EU funds used for other purposes than those agreed. There is no reason to state that EU money has financed terrorism or bought weapons”.

OLAF launched its investigation in February 2003, following accusations that European Commission's funds to the Palestinian Authority were misused. OLAF announced on Thursday (17 March 2003) in its closing investigation report on the matter: There is no “conclusive evidence” that European money was used for “armed attacks” or “unlawful activities” by the Palestinian Authority since 1997. The European Commission, welcomed OLAF's final report, and agreed with its recommendations.

The International Monetary Fund (IMF), which has overseen and audited the PNA's account on behalf of the EU, also dismissed Israel's allegations. IMF officials on the Palestinian budget declared in a press briefing in January 2003 “the most transparent budget in the world”, the IMF stated that “The Palestinian Authority has been making efforts to reform its financial management, and we think good progress has been made...The PNA budget is based on a tight expenditure stance and supported by strong reform measures after having centralised all the funds and brought in Price Waterhouse Coopers and Standard & Poors to evaluate all assets with a view to publishing them on a website.”

A provisional assessment released in August 2004 said that “To date, there is no evidence that funds from the non-targeted EU Direct Budget Assistance to the Palestinian Authority have been used to finance illegal activities, including terrorism.”

The EC has also established as a condition of payment, the creation of a single Treasury account, which is now even being used by the Israeli Government for channelling its own resumed transfers of frozen taxation to the PA.

Concluding remarks

The public finance reform since June 2002 has improved both accountability and transparency. With the strong support of the banking system, revenue mobilisation and expenditure controls were effectively implemented. In-depth reforms such as the establishment of the Palestinian Investment Fund, and the tackling of major public monopolies were also pursued. This was accompanied by a major effort at transparency with the publication of the first quarterly report by the Ministry of Finance, and the establishment of a data system to provide up-to-date information. When fully operational this system will rival best practices in the region.

Other reforms will take time to unfold because of their complexity and scope, as well as the need for new legislation, operational internal and external audit system. This will require training, but also in some cases changes in management and personnel. All this will inevitably take time, but at the end of the day the financial system will be sound and transparent.

Looking forward, as the Palestinian fiscal responsibilities evolve from an interim arrangement toward those of an independent state, the PA will need to review its role in raising revenue and providing services. It will need to consider the question as to what would be the appropriate level of taxation for a Palestinian state, given a realistic assessment of external support, and of the basic services that need to be provided to the population consistent with its level of income and expectations.

At the individual level, President Mahmoud Abbas has pledged to crack down on corruption. Attorney General Ahmed Abu Assi announced: “We have ordered the police and the specified authorities to arrest and bring for interrogation more than five former Palestinian officials on suspicion of financial corruption and if we find sufficient evidence against them, they will be tried and put in jail. We gave the list to the police to summon them”. This instruction marked the first time the Palestinian Authority has moved against officials suspected of corruption and misuse of public funds.

The term “corruption” has almost as many definitions as “reform” but generally involves illegitimate use of public resources for private gain. Fairly specific inquiries into the nature of corruption in the Palestinian Authority have revealed that much of the problem involved weak institutions and unclear procedures as much as it has venality. However, such a distinction has generally been lost in broader international and domestic discussions.

It is evident that corruption exists in Palestine, as in any other society, but the Palestinian society and people are standing firm to prevent the possibility of corruption becoming an acceptable norm in Palestinian society. The PNA was responsive, and cooperated with the international community to bring about necessary reform to combat all discovered forms of corruption, a stand that should be encouraged and supported.

In other words, the Palestinian Authority stood out in the region not because of the extent of its corruption but because of the extent to which the problem was openly discussed.

The case of Nigeria: anti-corruption efforts and programme funding in Nigeria

Abbia Udofia

Introduction

Nigeria presents a sad case of corruption, which is ironic because it is a wealthy country. However the structures to properly and equitably distribute wealth do not exist, which is why when President Olusegun Obasanjo came to power in 1999 he introduced an anti-corruption law and reform programmes. Being the former chairman of TI he tried to bring transparency and integrity to Nigeria's government.

One out of five Africans is a Nigerian. The country's population is estimated to be about 130 million people; with about 250 ethnic groups; 500 indigenous languages; with an annual per capita income of about USD 300. At independence about 45 years ago, it was USD 2000 dollars. It has declined due to bad governance and corruption. In the last four decades, Nigeria has earned hugely from exporting oil but more than USD 400 billion has been stolen in a context of bad leadership. It has had only three civilian governments and over nine military governments. This has meant bad governance, lack of transparency and corruption. The rule of law was minimal. Courts were circumvented, judges and their judgments were not respected, and in most cases civil society was oppressed. As a result, investors turned away from Nigeria.

The new government in 1999

In 1999, the new civilian government was elected and President Olusegun Obasanjo was sworn into office. The first bill he sent to parliament was the Independent Corrupt Practices and Related Offences Bill in June 2000, which aimed to criminalise corrupt practices and to prosecute persons involved in corruption. The bill was delayed, in particular by politicians who deleted some sections, but was finally passed about a year later and remains a credible law.

The law gives the Independent Corrupt Practices Commission (ICPC) the power to investigate and to prosecute corrupt practices. It is different from other laws in Africa, which only give the power to investigate. The ICPC has the power to receive reports of corrupt practices and if these cases are proved, proceed to court to prosecute. Cases do not need to be referred to the Minister of Justice or the Director of Public Prosecutions in order to proceed to court, so as to prevent delays.

In addition Nigeria has the Nigerian Economic Empowerment Development Strategy (NEEDS). It is aimed at good governance and poverty reduction. The 36 states of Nigeria have adapted the strategy to create State Economic Empowerment and Development Strategies (SEEDS). These are mechanisms aimed at checking corruption and lack of transparency. NEEDS focuses on achieving better growth, budget transparency, reform of government and the political system. It also aims to transform values in order to combat corruption and inefficiency. As part of the NEEDS process, the president has set up a national procurement department which also aims to check corruption in government. So far this process has saved more than USD 100 billion. The procurement department checks tenders and bids, and carries out procurements. Efforts have also been made to bring transparency to public remuneration. Previously a public officer could have six drivers and six cars because the government was paying. This has since been stopped.

Previously, many people did not pay taxes, which was affecting revenues. Foreign agencies were brought in to advise and restructure the tax system. Nigerian Customs has also been reformed, with the Customs leadership removed last year because of corruption. Concerning extraction industries, Nigeria has signed a transparency pact with the G8 countries. Under this, an audit system for revenues paid by the oil industry will be implemented.

There is also the New Economic Partnership for African Development (NEPAD) and the African Peer Review Mechanism, which was adopted by the Nigerian Government and other leaders in order to monitor the performance of governments in delivering services to people through transparent and accountable processes. NEPAD has helped in monitoring the ongoing anti-corruption and poverty reduction work, and the empowerment of women.

Since the election of the government in 1999, a new Constitution has been introduced, creating certain executive bodies that aim to control the resources allocated to institutions of governments and ensuring that public servants conform to accountability rules and rules concerning asset declarations. However, the Code of Conduct is not really

respected in Nigeria. Public officers frequently do not declare their assets or make false declarations. An attempt has been made to stop this by introducing a Freedom of Information Bill. However, the National Assembly has refused to pass this for over three years now for inexplicable reasons.

Nigeria also has a Code of Conduct office and Tribunal. The Tribunal after due investigation by the Code of Conduct Bureau, prosecutes public officers who contravene the Code of Conduct for Public Officers. The National Judicial Council meanwhile ensures efficiency, transparency and integrity of the Judiciary by sanctioning erring judges. In addition, there is the Auditor General Office, which audits public accounts and makes reports to the National assembly for further action.

There is also the Public Complaints Commission, which receives complaints of corruption, and other misdemeanours by public officers. It is more or less an ombudsman with advisory powers, but no power to discipline or sanction. The National Assembly has a Public Accounts Committee, which receives reports from the Auditor General and ensures that public officers comply with public accountancy rules.

The role of the ICPC

The ICPC is an independent agency, mostly funded by government, but supported by the private sector, civil society and donor agencies. Its members are appointed by the President subject to the confirmation of the Senate. It is independent and takes actions without the interference of government. It receives petitions from the public and if these are proved and sustained, has the power to investigate.

The ICPC also examines the systems and practices of government agencies. If these practices are conducive to corruption, the ICPC advises the government to change them. In the case of Nigerian customs, this led to a change of management.

The Economic and Financial Crimes Commission (EFCC) is another agency that deals with economic and financial crimes like advance fee fraud money laundering, miscellaneous offences, and bank fraud and malpractice. It was set up by the Economic and Financial Crimes Act of 2002 as amended by the Act of 2004.

Presently there are a number of Bills pending before the National Assembly, which will strengthen transparency in public finance management. These include the Fiscal Responsibility Bill, which will make every public officer responsible for transparency in handling public funds. In addition there is the Public Procurement Bill, The Whistle Blowers' Bill, and the Freedom of Information Bill. The Civil Service will be improved

through the Civil Service Reform Bill. The Taxation Amendment Bill to fight non-payment of tax by agencies will help tackle the diversion of taxes. In order to ensure the effective implementation of new legislation, new agencies were set up whilst existing ones were reorganised and restructured to ensure that only reform-oriented individuals were appointed to drive anti-corruption initiatives.

The ICPC examines the practices, systems and procedures of public bodies and where such practices or procedures aid or facilitate corruption, the ICPC directs and supervises the review. The ICPC also educates and mobilises the public against bribery, corruption and other related offences. There is a national curriculum on ethics and values. The ICPC strategy is three pronged: enforcement (investigation and prosecution), prevention (system review) and education (public awareness and enlightenment). The current focus is on prevention, carrying out system studies of agencies and advising government. Cases dealt with include bribing public officials, fraudulent acquisition of property, abuse of office, bribery for contracts, failure to report bribery, making false or misleading statements and conspiracy in corruption related cases.

Formerly, cases were prosecuted by the Attorney General and Minister of Justice. Now, The ICPC can prosecute directly and independently upon the deemed consent of the Attorney General, in High Courts designated with jurisdiction to hear and try corruption cases. Jurisdiction to try cases under the ICPC enabling Act lies with the State High Court and the High Court of the Federal Capital Territory.

In 2001 upon a challenge by some States in the Federation, two sections of the ICPC Act were struck down for being unconstitutional. One was the provision giving courts power to try cases within 90 days. This provision was designed to speed up corruption trials. Sadly with the court's decision, cases have been slowed down. The other provision was the power to arrest and detain persons who refused to appear. The Supreme Court held that this power could only be exercised on the basis of a court order authorising the same. The ICPC also has the power to trace and seize assets.

On the other hand the EFCC enforces more laws than the ICPC. As noted earlier, it investigates economic and financial crimes and coordinates and enforces economic and financial crime law. It identifies, traces, freezes and confiscates funding for terrorist activities. In 2004, the Financial Action Task Force directed the Federal Government to have a Financial Intelligence Unit. That Unit has been established and presently operates within the EFCC building.

The Financial Intelligence Unit collects reports of suspicious financial transactions,

analyses them and disseminates information to all relevant government agencies. The EFCC also has the right to proceed to court without waiting for the Attorney General, and has special courts for trying cases. It can also use civil means to seize assets. It has explored mutual assistance cooperation with the UK and the US.

Nigeria now has good structures to fight corruption, with agencies on the ground and public officers including Ministers, National Assembly members and governors being arrested and prosecuted. It appeals for international assistance in this arduous project.

Development cooperation and anti-corruption programmes and funding in Nigeria

Development cooperation and anti-corruption funding seemed to be nonexistent during the years of military rule. Presently Nigeria is severely under-aided. International development assistance is USD 1-2 per capita compared to a sub-Saharan average of USD 21 per capita. Since 1999 there has been an overwhelming support as demonstrated by USAID, World Bank, European Commission, DFID, SIDA, Konrad-Adenauer-Stiftung and so on.

During over 30 years of military rule, corruption and weak accountability prevented the development of a social contract between Nigerians and their government; even donor funds during this period vanished into a sinkhole of fraud, malfeasance and waste. Corruption undermined activity in other areas of the economy (particularly agriculture and manufacturing), reducing non-oil sector economic growth, fuelling unemployment and aggravating poverty and conflict.

Development Cooperation and Assistance Programmes of Selected Agencies in Nigeria

Since 1999 OPDAT (Office of Prosecutorial Defence Assistance and Training of the United States Department of Justice) has provided financial assistance to Nigerian law enforcement agencies including the ICPC, EFCC, NAPITIP, NDLEA, Nigerian Police Force, and the Nigerian Police Service Commission. About USD 1.034 million was given in 2004 and USD 1.5 million in 2005.

The World Bank Economic Reform and Governance Project 2004 targeted public resource management and anti-corruption initiatives; strengthening financial management and accounting institutions; supporting public sector procurement including legislation, budget preparation and tracking. The Extractive Industries Transparency Initiative provided USD 3 million to EFCC. The International Finance Corporation (IFC) committed USD 420 million to poverty reduction programmes.

The UK Department for International Development (DFID) for 2004-2009 committed GBP 30 million for the Justice and Growth Programme; Strengthening Capacity of States & Local Governments to deliver benefits to the poor: GBP 20.8 million; public service reforms GBP 15 million; Service/delivery initiative GBP 7.4 million; support for 2006 census: GBP 7.4 million; Voices GBP 4.1 million; support to the 2007 elections GBP 3 million; Nigeria Governance Fund; support for civil society initiatives to promote governance, political empowerment ,anti-corruption, media development, promotion and protection of human rights GBP 2.9 million.

Donor Challenges

Understanding the complex factors that militate against change in Nigeria demands consideration of: a) varying donor agencies; b) programme objectives and approaches to combating corruption; c) limited funding commitment to Nigeria in the face of huge challenges; d) weak institutions; e) political considerations; f) corruption and the international image of the country; g) donor staffing/movements; h) donor apathy to institution building in civil society.

Other challenges

- Long years of military authoritarianism and secrecy in public affairs;
- Resource competition/scramble which often creates civil tension and crisis;
- Patronage political and economic system, ethnic and religious conflicts, strength of informal systems;
- 70 percent of population are poor, get no benefit from formal systems, dependent on informal systems;
- Divide between the government and people; between federal and state governments on anti-corruption issues;
- Absence of a National Plan;
- Poorly funded anti-corruption institutions;
- Nigeria's basic social indicators place it among the twenty poorest countries in the world.

Suggested Areas for International Agency Funding

For effective agency funding in Nigeria, we suggest:

- An increase in the aid package to Nigeria;
- A National Anti-Corruption Strategy Plan;
- Capacity and institutional support for civil society organisations and anti-corruption institutions;
- Support private sector, informal sector/civil society and government agency partnerships to build massive popular support behind the programme;

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- Developing a focused programme for cleaning up corruption in the police;
 - Support business ethics development and application programmes like CBI;
 - Political party finance law.

Suggestions on ways forward for development cooperation/assistance

- Donor community must take strong measures to prevent companies and other organisations from offering bribes in connection with international business in developing countries.
- Release of funds should be gradual as a large flow of funds may exacerbate opportunities for corruption.
- In project support, donors can directly exert an influence and control developments in the project.
- Sector and budget support development cooperation funds go directly into the government budget; and funds may be misappropriated.
- It may be difficult for donors to know exactly how the funds are used in budget support.
- Institutions appointed to keep watch over the interests of the people may fail in their responsibility in budget support; therefore agencies may oversee each other's activities.
- An independent group in the donor organisation with a specific mandate to support, monitor and review activities of donor organisations.
- A comprehensive survey of the existing situation.
- Strategies and action plans must be based on analysis of how the Nigerian state actually functions, and not ways in which it should function.

Focus

We enjoin donor agencies to consider capacity building/technical support for anti-corruption. It is also imperative to address poverty and hunger; universal primary education; gender equality and empowerment of women; child mortality; improvements to maternal health; HIV/AIDS, malaria, and other diseases; and environmental sustainability.

Questions and answers

What is the most important area for Nigeria to focus on presently in tackling corruption?

At the moment a priority is stopping police corruption. Police officers demand money from motorists and it is a very sensitive issue. It also means that criminals can pass if they pay the bribe. This has serious consequences for governance.

In the light of all the laws that have been passed, how can Nigeria improve its reputation abroad, where it is still regarded as highly corrupt?

It is very difficult for Nigeria to improve its reputation, and it is difficult to tackle all the problems at the same time. However, the support of government, civil society and the private sector makes it easier.

Can you give some figures on current complaints and cases?

The ICPC is presently pursuing 98 people through the courts. Some 250 cases have been reported to the ICPC so far. The EFCC is dealing with about 120 cases and has 15 convictions.

The case of Cambodia: combating corruption

Manit Sum

Introduction

Corruption is a social and global phenomenon. It is a worldwide problem not specific to developing countries. In general, corruption flourishes where the institutions of governance are weak, where a government's policy and regulatory regime provide scope for it.

Cambodia's strategy to deter corruption

In the case of Cambodia, it was not only the institutions of governance, but all state institutions that were weakened by more than 25 years of conflicts and primarily by the killings of the genocidal regime of Pol Pot. The infrastructures were destroyed and the morale of most of the people was annihilated. The great majority of the population, traumatised by the atrocities and obsessed with finding means to survive, had lost all sense of ethical values. It was in this chaotic and dramatic situation that the successive governments of Cambodia since 1993 undertook to reform all the state institutions, to build up the capacity of civil servants, and to provide proper education to the younger generation. This was done with huge support from the international community. In this context, the Royal Government commissioned sets of studies to articulate the specifics of its programmes of action. One such study was a survey on corruption conducted with World Bank assistance. Another concurrent study, carried out by the Cambodia Development Research Institute with Asian Development Bank support, examined links between good governance and sustainable development. These studies led to the approval of the first Governance Action Plan (GAP) in March 2001 following intensive consultations involving internal and external stakeholders.

The GAP was designed as a sweeping instrument to rectify the causes of corrupt practices. Since its approval, good governance is at the heart of the Royal Government

of Cambodia's (RGC's) development strategy. On this subject, His Excellency Samdech Hun Sen, the Prime Minister, declared that “The main objectives of our government are to reduce poverty and promote sustainable and equitable development through rigorous measures aimed at strengthening good governance”¹. When he presented the political programme of his new government to the National Assembly in July 2004 and the Rectangular Strategy for growth, employment, equity and efficiency, the Prime Minister affirmed repeatedly his commitment to reduce corruption to a minimum. The Second Governance Action Plan is being finalised.

To deter corruption, the RGC has opted for a holistic set of measures that address the root causes of corruption. The legal framework and procedures are set in ways that respect principles of good governance particularly as they relate to the management of public funds and the delivery of public services. The professionalism of civil servants, judges and prosecutors must be improved. The general public and clients of public services are aware of and understand the legal framework, procedures and their rights and obligations. Oversight mechanisms are in place, and institutions to control and monitor their implementation are empowered. Mechanisms to sanction or prosecute wrongdoers are fair, predictable and effective.

The top priorities in completing the anti-corruption legal framework are elaboration and/or enacting of the civil and criminal codes, civil and criminal procedure codes, the law on statute of judges and prosecutor, amending the law on the Supreme Council of Magistracy to enhance the power of this body, and the anti-corruption law. The drafts of those codes and laws are being reviewed or finalised by the Council of Jurists.

Amongst the above-mentioned priorities, the Law on Anti-Corruption (LAC) is the most important tool to fight corruption. Following the agreement reached during the 2004 Consultative Group (CG) Meeting between the RGC and the donor community, the RGC is firmly committed to redrafting the LAC with external technical assistance from the Pact² and UNDP as well as a group of international anti-corruption experts. At present, this newly revised legislative draft generally responds to international standards, especially the UNCAC and ADB-OECD Anti-Corruption Action Plan for Asia Pacific.

Besides the above priorities, efforts have also been made to eliminate causes of corruption by streamlining processes to deliver public services and make them more transparent, responsive and accessible. In this respect, the Konrad-Adenauer-Stiftung and the European Commission have supported the Royal Government of Cambodia in

establishing a pilot One-Window-Services project for the city district of Battambang and another in the city district of Siemreap.

Furthermore, the RGC organizes the Government-Private Sector Forum on a biannual basis. This is another form of cooperation between the government and the private sector as well as other involved stakeholders to prevent and combat corruption in this important sector. The main objective of this regular forum is to enable the full cabinet to discuss directly with domestic and foreign businessmen and investors and to solve difficult issues and challenges in order to improve the investment climate.

However, rules, laws and codes are useless if there are no effective mechanisms to enforce them. In this regard, the programme of action for implementing the Legal and Judicial Reform Strategies was adopted on 29 April 2005 by the RGC. The most difficult factor in ensuring the success of reforms is changing the mentality and behaviour of the people. They must learn to no longer think only of their own interests but also of the survival of the whole nation in the era of global competition. In this connection, the adoption and efficient implementation of a code of ethics in the public as well as in the private sectors could help to promote change. An awareness programme on the negative consequences of corrupt practices must be included in the general education programme.

On the regional basis, the RGC endorsed on 5 March 2003 the Anti-Corruption Action Plan (ACAP) for Asia Pacific, established under the initiatives of the OECD and the ADB. The declaration of endorsement of the ACAP for Asia and the Pacific on behalf of the RGC was made at the Third Steering Group Meeting held in Jakarta (Indonesia) on March 4 – 6, 2003.

Measures taken by donors to prevent corruption

All donors have a responsibility to their shareholders to ensure that their funds are spent appropriately and efficiently to maximize their impact on development. The most immediate measures taken by donors are directed at monitoring and controlling funds. Such measures vary from donors administering all funds themselves to donors agreeing certain monitoring, accounting, auditing and procurement rules with the government institution in question.

The Japan International Cooperation Agency (JICA) is an example of a donor that has taken unilateral measures to prevent corruption in development cooperation. It does not channel any funds to the RGC. When it comes to technical cooperation projects, JICA advisors manage the funds themselves under the supervision of JICA

office accountants. And when it purchases goods and hires services in Cambodia as part of the development cooperation, JICA applies the same procurement rules as in Japan in order to measure fair competition and transparency.

In contrast to JICA, some donors provide support by pooling donor funds with the RGC's own funds and disburse such funds through the government's financial system and procedures. In general, however, donors require further measures to be in place to prevent corruption, namely monitoring, accounting, auditing and procurement procedures, before providing funds. Some donors require such additional procedures to be their own whereas others, for instance Denmark (DANIDA) can be willing to negotiate and agree on procedures and formats aligned with Cambodian procedures.

Another – and probably the most common – type of support is project based support. In such cases donors normally require that they provide or approve the monitoring, accounting, auditing and procurement plan.

Often donors also require that they are entitled: (a) to request from the Cambodian authorities all relevant information that has a bearing on the implementation and progress of activities, and (b) to carry out activity, account and/or audit inspection at any time during the period covered by the agreement.

Moreover, on the basis of the harmonisation principle agreed between the RGC and the multilateral donors so as to effectively and efficiently improve the management and administration of Cambodia's externally assisted projects, the RGC agreed in August 2005 with the ADB and World Bank to establish standardised Procedures and Guidelines, namely (i) Standard Operating Procedures, (ii) Standard Financial Management Manual, and (iii) Standard Procurement Manual, to be used for project implementation financed by the above-mentioned donors in an effective, transparent and accountable manner.

In this regard, Cambodia was ranked in second place amongst the ASEAN countries after Indonesia, which entered into the agreement with the ADB and the World Bank to begin the implementation of the above-mentioned procedures and guidelines.

In addition to the agreement on the establishment of the standardised procedures and guidelines, the RGC also agreed to undertake the fiduciary review of project implementation. The fiduciary review, which was jointly disclosed by the stakeholders and the RGC, reflects the courageous step taken by the RGC to curb and tackle corruption through transparency.

Concluding remarks

In summary, the RGC has already taken many measures to deter corruption. Much more remains to be done and the road is long. Strategies need to address not only enforcement and prosecution, but also prevention and community education. The participation of all citizens, including civil society, to combat corruption is necessary. Therefore, the government must promote understanding by the citizens of the underlying causes, loopholes and incentives that feed corrupt practices.

Furthermore, it is axiomatic that a law enforcement approach is likely to work only where there is already a functioning and independent judicial system. This is one of the reasons why the Council for Legal and Judicial Reform is doing its utmost to accelerate the putting in place of the RGC's Programme of Action to implement the strategies of this reform.

At the same time, the RGC has taken measures such as streamlining bureaucratic procedures, simplifying and modernising the tax system, eliminating excessive regulations, motivating public servants in order to reduce the opportunities for corruption, and establishing internal audit units by line-ministries so as to ensure greater transparency and accountability in the public service.

In the same vein, the RGC is of the view that regional and international cooperation has increasingly been playing an important role in contributing to the prevention of and fight against all kinds of corrupt activities under the framework of information-sharing, judicial cooperation, extradition and transfer of illicit assets to the countries of origin, especially those from money laundering and financial terrorism.

Bilateral and multilateral donors have their own strategies to prevent corruption and misuse of the money of their taxpayers or stakeholders. The RGC welcomes and supports their initiatives to combat malpractice in development cooperation.

Questions and answers

Usually the IMF does not like governments raising salaries. If Cambodia tries to do this as part of the struggle against poverty, which it also sees as part of the struggle against corruption, is it supported by the international financial institutions?

In the case of Cambodia there are special circumstances, such as the destruction of the intelligentsia and institutions. In this case poverty leads to corruption, though evidence from the World Bank shows that the primary causality is from corruption to poverty.

Does Cambodia prefer the Japanese approach to controlling their own funds, or the Danish (DANIDA) approach?

Cambodia prefers the Japanese way, as responsibility then resides with them. DANIDA and small donors deal with relatively small amounts of money and so they use Cambodian procedures. However, sometimes small donors spend a lot of money to prevent corruption. For example, when the assistance amounts to USD 50,000 or 60,000, one fifth can be spent to prevent corruption, which is too much. Even if there is misuse of the fund, it is likely to involve one or two thousand dollars from the total USD 50,000 or 60,000.

Notes

1. Meeting between the RGC and its development partners on 22 January 2003
2. <http://www.pactworld.org/>

Part III
**How to avoid development cooperation fuelling
corruption**

How to avoid development cooperation fuelling corruption

Panel discussion

Panellists:

- Moderator: **Dedo Geinitz**, *Gesellschaft für technische Zusammenarbeit und Entwicklung (GTZ)*
- Introduction by: **Dieter Frisch**, Former Director General Development, European Commission; Advisory Board Member, TI
- **Marcela Rozo**: TI Columbia
- **Manit Sum**: Advisor to the Royal Government of Cambodia
- **Bathylle Missika**: OECD, DAC, Network on Governance
- **Johan Vlogaerts**: European Commission, European Anti-Fraud Office, OLAF

Introductory presentation by Dieter Frisch

Preventing development cooperation from fuelling corruption is about controlling the risks of corruption. This can be approached in different ways. A first approach is at the level of the key players – the aid agencies, the government authorities of the recipient countries, business consultants and NGOs.

In the case of aid agencies, bribing may occur whenever officials exert discretionary power in areas where money is involved, for example if shortlists of consultants are established. Aid agencies should apply the highest standards of integrity, which is vital for maintaining integrity. Ethical training of officials, codes of conduct and general staff regulations are not sufficient to promote this. What is needed are implementation rules, concerning for example whistle-blowing. Whistle-blowers should not only be protected, they should also be obliged to blow the whistle and signal cases of wrongdoing. In the European Commission, regulations for this have been introduced recently, with severe sanctions in the case of misconduct.

Staff must also be encouraged to take decisions and to take responsibility without being intimidated. People may not be courageous enough to take decisions because they fear making errors and they fear being sanctioned. There is a risk of over-regulation. In the case of the Commission, for example, there is a desire to by any means avoid any new case of misconduct.

In the case of government authorities in partner countries, the issue is to promote integrity by creating the political and economic framework conditions that tend to curb corruption and strengthen civil society. This is done, for example, through legislation, procurement rules and ombudsman systems. In general countries that show measurable good governance and acts against corruption should be rewarded. A checklist system to determine the quality of governance could be developed.

In extreme cases, however, sanctions cannot be avoided. Sanctions should mean suspension of aid or a project in the case of serious corruption and if, after consultation, the government does not take remedial measures. Sanctions should not be rushed into. This approach echoes the Couterou Agreement articles 9 and 97, which covers the EU's relations with ACP (African, Caribbean and Pacific group of states) countries.

A third level of players comprises companies, consultants and sometimes NGOs. There is a tendency to talk about corruption in developing countries, but in large-scale corruption there must be awareness of the supply side, involving Northern countries.

Dealing with corruption at this level involves, firstly, self-regulation. Companies should establish codes of conduct and train their staff. Whistle blowing is as relevant for companies as it is for staff in agencies. TI has elaborated and promotes a set of business principles. But experience shows that self-regulation is not sufficient. There also needs to be regulation as well, for example through international conventions. For Europe, the OECD Convention of 1997 played a major role in bringing to an end the scandalous possibility of tax deductibility of bribes. New rules have also been introduced in the export insurance system.

However, the implementation of this new criminal law could be improved. Very few cases go to court due to a lack of specialist prosecutors. Where there is a specialist prosecutor, corruption cases suddenly appear, as was the case in Frankfurt with Staupenheimer and in France with Solier. Bringing cases to court should be encouraged and blacklisting should be systematised. Blacklisting, which means permanent or temporary exclusion of a company that has been found guilty of corruption, is a real sanction and a major deterrent. It is important to be able to blacklist as the World

Bank does, and as European rules allow, if there is sufficient evidence, rather than having to wait for a final judgement.

Approaching the problem

Another way of approaching the problem is to go through the different stages of a programme or project cycle and examine the risks at different stages. From this analysis, ways of avoiding risks can be identified. For example people in the countries concerned who have a special interest in ‘remunerative’ projects should not determine the priorities for development cooperation – this is a risk point. Large infrastructure projects are more remunerative than roads or rural development projects – another risk point. Aid donors should also not favour what is in the interests of their export industries. This are the starting points because they can lead to priorities being perverted from the outset, resulting in activities that afterwards neglect basic needs such as health and education.

Problems from the outset can affect the choice of technology, the awarding of consultancy contracts, the awarding of supply contracts and the implementation of the project. Even in project implementation, there are many opportunities for corruption to flourish.

The trend to budget aid

There are certain forms and modalities of financing that entail particular corruption risks. Two forms of this can be highlighted. First, there is the new trend to budget aid. From a development policy point of view this is a form of aid that is almost ideal if recipient countries have the capacity for sound financial management. The rules are very clear. In the Couterou Agreement the conditions under which budget aid can be given are clear; if the conditions are properly applied, there is no problem with budget aid. But in other cases it can be a risk.

Another form of aid is emergency aid. There the problem is even more serious because the risk of corruption has to be weighed against the need to save human life. It would be unreasonable to have a tender procedure to mobilise tents or food aid. Direct agreements are used for speed. However, direct agreements by definition entail major risks of corruption.

Procurement rules are one modality that can be highlighted. Procurement is one area that really needs attention. The rules and standards can be really simple but important; for example, tenders should be opened in public. TI promotes these rules – they are simple rules and just need to be applied.

Aid management systems

A final point to address is aid management systems. These also have control risks associated with them. A first point to consider is centralised versus decentralised management. The European Commission has decided in recent years to transfer more power to local delegations – therefore not decentralisation towards governments but towards local delegations of the Commission. This has the advantage that implementation is closer to the ground and faster. However, it also means that local delegation staff members are put under pressure locally to favour particular firms or consultants. Previously, when the pressure was too great, local delegations turned to Brussels for assistance to make decisions and avoid risk.

Secondly, empowering of local administrations should be favoured for policy reasons: it gives developing countries ownership. But it presupposes management that is accountable. It is necessary to take some risks in implementing the policy.

Thirdly, the decentralisation process is accelerating and going from the national to regional and even municipal level. Development policy-makers favour this as it means that development policy is closer to the needs of the population. It means the participation of people who can decide what their real needs and priorities are. However, it also means more decision-making levels which increases the number of risks of corruption.

In all of these situations there are no simple answers. As general principles, vigilance is essential, as are appraising fully the situation in specific countries, the quality of the institutions and decision-makers in specific countries, and the giving of a certain degree of trust to those people. We have to take calculated risks to enhance development. No person responsible for development assistance can seriously guarantee that every euro granted will reach its proper destination. The only way to avoid risk totally is to stop work.

Contribution from Bathylle Missika

The OECD Development Assistance Committee (DAC) manages a network called GOVNET, which brings together development practitioners from the DAC Member Countries, which are the main donors. They work together to make their aid more effective and more efficient in the areas of governance and capacity development. Anti-corruption is a key area for DAC. Normally the discussion is about development assistance and how it helps to fight corruption. Less discussed is how aid is also a

factor contributing to corruption. Corruption affects not only donor-financed projects but also the effect that aid can have on the accountability of states.

The first question is: are donors part of the problem? How do donors fuel corruption? This can be considered from different angles. Firstly, in the case of countries that are overly dependent on aid, for example when more than 50 percent of the government budget comes from aid, the accountability mechanism is distorted. If procurement is funded by aid and there are leakages, one could say that donors fuel corruption. They should pay better attention and sometimes they are directly responsible.

Secondly, there is, sadly, corruption in some donor agencies, for example with procurement officers who award consultancy contracts to family members. The consequence of this is that governments' accountability to their citizens is undermined, especially when, instead of raising taxes, the government relies on aid. Anti-corruption efforts can be damaged; it is like filling a jar and there are leakages when it is full. This can strengthen the culture of corruption, which can be persistent even if laws are passed. The culture of corruption is very pervasive.

If donors are not sufficiently careful, they can strengthen this culture of corruption. Other supply side problems fuel corruption. A lot of stolen African assets are held in external bank accounts. Firms from OECD countries pay bribes, fuelling the cycle of corruption. Some donor procurement policies lack transparency, which has major consequences in the construction and engineering sectors.

Such problems can poison the relationship with the partners. If stolen assets from Africa are sitting in bank accounts in donor countries, it is hard to say that the relationship is a healthy one. There is a failure on the part of donors to acknowledge their responsibility. The whole corruption debate is fairly recent in the world of development and donors taking responsibility is even more recent.

A major loss of resources can result if procurement is tainted, and money does not go where it should. This has a major impact in the poorest countries. Money that is supposed to go to the health system, for example, goes elsewhere, meaning the poor suffer directly.

The third factor fuelling corruption from a donor's perspective is poor coordination amongst donors. All donors have their own priorities, targets, objectives and action plans. There are too many projects that are not aligned with national goals because donors will sometimes set other priorities to the government. This sends mixed

signals: one donor will align with the government strategy, whilst another will not. Or donor strategies can be contradictory; one will want to reduce development assistance because of lack of progress on corruption at the same time as another donor is making a huge grant to the same government. This sends very confused signals.

The rewarding of good behaviour and sanctioning of bad has to be consistent because otherwise governments will play donors against each other. This will undermine national capacity and make it harder for governments to take ownership of projects that are not aligned with their priorities.

Corruption risks rise as aid is scaled up. The first risk is to development effectiveness; corruption can undermine the impact of development efforts in general and of donor-supported projects in particular. The second risk is a fiduciary risk, when donor resources are not used for the purposes intended. The third risk is to the donors' reputations.

The Paris Agenda

It is important to think about these issues now because of the Paris Agenda, linked to the Paris Declaration, which was signed in March 2004. The Paris Agenda has three pillars: ownership, alignment and harmonisation.

The ownership pillar means that donors have to fit into the local vision and support the national anti-corruption strategy. In fragile states without the means to build such a strategy, it is necessary to work with the private sector and NGOs to build the demand for reform.

Under the second pillar, alignment, donors have to align with the agenda of their partners and use their national systems. If national systems are not up to the task, partners should be helped to develop the necessary capacity. A good example of this is government indicators or anti-corruption indicators. TI's indicators are widely used but, on the local level, partner countries need to develop their own indicators and measure their own progress.

The third pillar of the Paris Agenda is harmonisation between the donors. This means establishing common arrangements and simplifying procedures so that partner countries do not have to report on multiple different grants, when they should be focused on other things.

Donors can do better

How can donors do better in terms of not fuelling corruption? Better coordination is a priority, but this requires political will, which is what GOVNET tries to foster. To give a concrete example, recently the GOVNET donors decided to carry out joint anti-corruption assessments. This means they develop the same understanding of a problem, which is a tremendous step forward.

In terms of improving the supply side, the OECD's view is that donor's have responsibility to talk to other parts of their home governments, such as the departments dealing with trade and diplomatic missions. The UK, for example, has made good progress in this. But US aid is limited by foreign policy goals and limitations, and has no mandate to talk to other parts of government. From the OECD's perspective, donors could do better in this respect.

Donors can also aim for more transparency and accountability internally, accompanied by open reviews and evaluation, so that they apply the same standards to themselves that they want to apply in partner countries. Training of staff in sensitive areas is essential, and codes of conducts have to be implemented.

A long-term perspective is needed. Scaled up aid is a good thing because more money is available and there is more predictability, but the capacity to handle this is built over time. Recipient governments need support in the long-term.

DAC donors are now developing several products in GOVNET based on these principles. It is essential to work better to address the corruption problem in countries where corruption is known to be acute. Donors must minimise the risk whilst not pulling out altogether, which would be very damaging. Joint anti-corruption assessments can help to deal with this. Several pilot projects in this respect will be conducted in the next two years, along with development of joint strategies. With these steps, progress can be made.

Discussion

Dedo Geinitz

The OECD's DAC GOVNET is pursuing a demanding approach. One question that can be raised concerned cyclical movement of government in donor countries, which may not be good for a coordinated approach and for continuity. Such cyclical movement

can result in a fragmented approach. The question of sequential implementation needs to be addressed.

David Nussbaum

Concerning the challenge of better coordination, how can this be dealt with in the situation in which each national government or ministry has its own agenda and priorities, which can change when new ministers arrive. How can a long-term, serious approach to corruption be formulated in this context?

Bathylle Missika

Concerning donor coordination groups, they are far from ideal, but the idea at least is to know what each is doing. It does not have to be highly institutionalised: just to sit together once per month and each can explain what they are doing. They have the same goal. Even if priorities and governments are changing, coordination groups can ensure better flow of information and consistency, whilst avoiding mixed signals. This will help reduce the real cases that occur of one donor rewarding a government that probably should not be rewarded with an additional loan, whilst another donor is being tough and threatening to reduce aid.

The shifting priorities of government are a reality of any country. It is always that new parties coming to power will try to undo some of the reforms of the previous administration. However two things can prevent or limit this effect. The first is the role of civil society. If donors have helped to build civil society capacity, civil society will demand reform from the new government, and will want government to be accountable to them. The second point is that there are conditions to aid. If a new government comes into power and does not prioritise corruption, the international community can still hold them to certain obligations. Complementing this are positive incentives to improve in terms of corruption, such as the Millennium Challenge Account that the United States has set up.

Sum Manit

For a country such as Cambodia, it can be very difficult to put coordination in place because decisions are taken, unilaterally and with no consultation, in Washington and New York. The government of Cambodia is trying to use a framework for a development programme, and tries to convince the donors to stay in the framework and consult with the government before they take decisions to grant aid or to implement projects.

The measures taken by donors to fight corruption can sometimes cost more than the

cost of corruption. Cambodia has a small development cooperation project with Denmark, which asked a company to manage the funds. Ultimately they paid a lot of money for a small amount of aid.

Cambodia also has experience with Japanese Development Assistance. They have their own management, bidding is done in Tokyo and decisions are taken in Tokyo. They recruit the contractors to build the road or bridges. There is no money passing through the hands of Cambodian officials, who only assist in the bidding in Tokyo. This is perhaps the best way to avoid corruption in development cooperation.

On the question of long-term support for establishing anti corruption measures and laws, the experience of Cambodia has been that it takes a very long time. In Cambodia there has been a long consultation with all the stakeholders and with civil society, but when the anti-corruption law was ready to go to parliament, the IMF stepped in and said that the draft does not correspond exactly to international standards. They asked for the draft to be withdrawn, and the process had to be started again.

Dedo Geinitz

The point about money spent on fighting corruption being higher than the return is a very controversial one. One can say that the trust in the whole exercise is ultimately the difference between cost and return.

Sum Manit

The cost of anti-corruption measures implemented by donors [in the Danish case] should be clarified. The amount of grant aid was small, about USD 40,000; a private company received USD 10,000 to manage the fund. This is a problem for small amounts of grant aid, and has to be taken into account.

Regarding the Cambodian access to justice project, the UNDP in New York has decided to assist Cambodia on access to the justice, but the World Bank in Washington has taken the same decision. So there are two projects on access to justice at the same time and this needs to be coordinated. Decisions were taken in New York and Washington.

Dieter Frisch

Did Cambodia ask both organisations for this assistance?

Sum Manit

Cambodia did not make a request to the donors for the access to justice project. The donors are working on human rights in Cambodia, and the access to the justice project

is part of the project on human rights. Both donors are working on human rights and took decisions without consulting each other.

Johan Vlogaert

I would like to raise six points that come from daily practice and an investigative perspective.

Firstly, the legal framework: investigators have problems if there is not a sufficient legal framework either on the donor side or where the money is spent. The situation in Europe has improved since the EU member states ratified and implemented the OECD Convention on bribing of foreign public officials. This has yet to be tested in practice with cases in court, however. The Convention is needed in Europe. Taking the ongoing prosecutions of European companies in the kingdom of Lesotho; if OLAF and its counterparts in the member states had had the legal means to prosecute these companies in Europe, it would have been done. But there was no legal regulation, and the financial regulation applicable in the European Commission at that time poses problems in terms of sanctioning the companies involved

Secondly, better coordination amongst donors needs to be stressed. In the Palestinian case OLAF had to recommend to the European Commission that coordination between donors be improved. Money was entering Palestine from several donors – international agencies, member states and Arab countries – without proper coordination. The Commission has taken steps and as a result it now puts its contribution, together with those of other donors, into a trust fund managed by the World Bank.

OLAF knows what the European Commission or the European Investment Bank are financing, but not always what member states are financing. Sometimes, for example, an inspector from Luxembourg will visit a project in Vietnam, thinking that Luxembourg is the sole donor, but he or she will see an EU flag – we realise we are financing the same projects with the same amounts. This situation must be improved, especially information sharing and information gathering between the member states and the European Institutions.

Thirdly, information quality should be better. When OLAF starts an investigation, the first beneficiary is normally known – an NGO or a commercial entity. But the full chain and the final beneficiary may not be known. There is normally no problem with the first beneficiary; problems start further along the chain. Accessing this information can mean travelling around the world. There should be better information in the files

at the donor's headquarters.

Fourthly, there is also a serious problem in coordination of investigative services. OLAF is quite unique because it is an independent investigative body within an international institution. But there are also investigative bodies within the UN and the World Bank, which are less independent than OLAF. It can be difficult for OLAF to gain access to the findings of colleagues in other international institutions, even when money comes from the Commission and is combined with money from the other institution. These problems should be solved at the political level.

There are then problems once the stage of prosecuting a criminal case is reached, involving prosecutors in member states or third countries. Exchange of information between prosecutors is a real problem at global level, though work has been done to find solutions at European level. European prosecutors are now asking OLAF to carry out administrative controls in Latin America, for instance, so that they can avoid making mutual legal assistance agreements, which are likely to be unsuccessful.

Fifthly, coordination in sanctioning is needed, once fraud and corruption are detected. Recently a commercial entity that was blacklisted by the World Bank received a contract from the European Commission. This should not be possible but it happens because the sanctioning systems are not harmonised.

Sixthly and finally, there must be capacity on the other side to deal with problems. In countries where prosecutors are corrupt and cases are not successful in court, capacity, expertise and good systems must be built so that donor money can be spent successfully.

Questions and answers

How can OLAF be approached, for example by a company that believes there is a case of corruption? Concerning the Commission transferring part of its funds for projects to the UNDP, is there a risk that oversight is shifting to the UN and what control over this is the Commission exercising?

Response from Johan Vlogaert

OLAF assesses all incoming information, whatever the source, even if it is anonymous. Information increasingly comes from private citizens around the world. In Eastern Europe, OLAF has its telephone numbers published in newspapers and callers can

speak in any language; messages are recorded and afterwards callers are contacted by an OLAF investigator. Companies can approach OLAF without difficulty; the address is on the Internet. OLAF has standardised procedures for receiving information; it is assessed and on the basis of this assessment the management board decides whether or not to open an investigation.

What are the criteria for deciding whether or not to follow up a case?

Response from Johan Vlogaert

The first criteria is that EU money has to be involved either from the general budget of the EU, the European Investment Bank or the European Development Fund. These are the three main budgets OLAF protects. Secondly, case is checked according to the jurisprudence of the European Courts, to assess if the allegation is sufficiently serious. It can depend on the kind of programme or sector under investigation. There are eight different investigation sectors, including agriculture, customs, Structural Funds, development aid and internal cases. Each is judged according to different criteria.

On the question of the policy of the European institutions of sending money to other agencies or institutions, there are problems, such as lack of a sufficient flow of information about what is happening to the money and problems in the field. These problems should not be hidden; when auditors go from the Commission to verify management of money, they are not always authorised to look into the files. Investigators also have problems getting access to information. A very difficult and sensitive negotiation has to take place because currently the controls are not sufficient.

Response from Dieter Frisch

EU budget monies should normally be managed on the European level. The budget is not there for transferring money to other funds; member states can do this directly on a bilateral basis.

Response from Marcela Rozo

Some aspects that are crucial for preventing corruption should be emphasised. First, it is very important to establish common rules in each country, to combine the rules of donor agencies and make them compatible with governmental public procurement rules. This harmonisation is very important. It would be easier to strengthen local public institutions if the training of people is based on a single set of rules. This will be a benefit not only because the private sector knows there is only one set of rules to deal with, but also because civil society has only one set of rules to monitor.

Second, it is important to strengthen civil society's access to information on projects and their design from the outset. Often, donors work with governments at the design of the project and the government only consults civil society on the project when it has already been defined, designed and negotiated.

Third, civil society participation as an independent monitor of the process of procurement of project finance by donor agencies or multilateral agencies must be strengthened. For this it is important that civil society is adequately financed and supported, with technical capabilities enhanced, so that civil society can give properly qualified opinions on the procurement process and the implementation of contracts.

Fourth, donor agencies should work to get the private sector to assume its responsibility in corruption prevention. This means promoting self-regulation through anti-bribery agreements, or implementing integrity pacts, which are a form of self regulation for the private sector.

Fifth and finally, it is crucial to have a strategy in each country whereby the private sector, civil society, international donor agencies and the government can come together in order to adopt the best transparency practices, so that corruption does not interfere with the implementation of big projects financed by donor agencies.

Part IV

Perspectives and strategies

How can development cooperation help to reduce corruption?

Panel discussion

Panellists:

- Moderator: **Dr Holger Dix**, Konrad-Adenauer-Stiftung
- **Abdel Rahman Abu Arafah**, Director General, Arab Thought Forum
- **Dominique Dellicour**, European Commission, EuropeAid Cooperation Office
- **Dedo Geinitz**, *Gesellschaft für technische Zusammenarbeit und Entwicklung (GTZ)*
- **Aleksandra Martinovic**, TI Bosnia and Herzegovina
- **Magrietus van den Berg**, MEP, vice chairman European Parliament Development committee

Presentation by Dominique Dellicour

This presentation concerns corruption in the governance agenda: political dialogue, the mainstreaming approach and the vertical approach to good governance. If corruption cannot be isolated in the governance agenda, the prevention and fight against corruption is more and more specifically highlighted in several recent communications of the European Commission¹.

Good governance is a development policy objective. Without good governance sustainable development cannot be ensured. Good governance is defined as “The transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development, in the context of a political and institutional environment that upholds human rights, democratic principles and the rule of law” (The Cotonou Partnership agreement).

The EC cooperation approach tends generally to promote a holistic approach to governance and to articulate political dialogue (including on corruption), mainstreaming

good governance (GG) practices into all EC-funded programmes and projects (“horizontal approach”) and through a vertical approach with specific programme interventions (“governance clusters”).

In the mainstreaming of GG (or horizontal approach), transparency, accountability, organisational adequacy, participation and ownership, and anti-corruption² are amongst the guiding principles in the design and implementation of EC projects and programmes to respect and promote GG. Therefore this can promote a less “corruption-friendly” environment, at least at project level.

To promote GG through a vertical approach, Country Strategy Papers & National Indicative Programmes between EC and beneficiary countries generally include vertical interventions in the fields of:

- Rule of law (including law enforcement and security sector reforms);
- Democratisation (elections, parliaments, media, etc.);
- Public administration reform, public finance management and decentralisation;
- Participation and reinforcement of civil society.

How has the EC addressed corruption in developing countries?

The reduction of corruption cannot be an isolated concern of the donor community. There is a need to evaluate if corruption is perceived as a problem in the country, and what is the real will to address the issue? The nature of specific interventions may depend on the level of awareness in the beneficiary country itself of the corruption damages.

Whatever the level of awareness of corruption, the EC has significantly supported programmes in the field of internal and external control mechanisms and standard oversight functions (public expenditures management, internal and external control, national assemblies). Those institutional supports were in the form of specific programmes and/or within the context of global budget support which is an increasing instrument of EC external aid. Those institutional supports can be seen as silent but smooth contributions to reducing administrative dysfunctions and malpractices that leave significant room for corruption. The EC has generally prioritised this approach, notably in the context of respect of eligibility conditions to general budget support.

Examples include EC institutional support in global budget support, EC support to Supreme Audit Institutions in Ghana, the creation of an ombudsman in South Africa and the fight against money laundering in the Caribbean countries.

When the level of awareness is low, a first specific emphasis on information and support to civil society (including support to international civil society organisations, national media) to alert citizens and politics can be prioritised. The EC has generally and initially addressed corruption on this basis. When the level of awareness in the society is sufficient, and when political will and leadership are effective, additional emphasis on the anti-corruption issue has generally been the approach followed.

The EC has given some limited support exclusively to Anti-Corruption Commissions, such as the Prevention of Corruption Bureau in Tanzania and law enforcement against economic and financial crimes in Nigeria.

Lessons learnt from donor support to such commissions include:

- The design of each commission has to be country-specific;
- Strong leadership and support at political and technical levels is essential;
- Commissions can have a clear added-value when there is political window of opportunity (e.g. a newly elected executive) and a will to get rid of past practices, especially in countries where general reforms in the wider governance agenda may face strong resistance groups.

What role can donors play?

The EC Handbook on governance proposes to address anti-corruption through eight identification questions³, accompanied with determinants and tools, to identify whether anti-corruption is built into the Project/Programme (P/P) or not, i.e. to avoid that P/Ps fuel corruption. The Handbook defines “corruption” as “requesting, offering, giving or accepting directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof”.

But there is a need to go further : donors should reinforce the way they address, control or limit the potential sources of petty and grand corruption in their traditional sectors that they support (ex. education, health, roads/infrastructures).

Besides, corruption has supply and demand sides.

- Developed countries have some responsibility on the supply side of grand corruption and should ratify and implement international conventions related to corruption and transparency (for example, UN Convention on Anti-Corruption, OECD Anti-Bribery of foreign public officials Convention, the Civil and Penal

Conventions on Corruption of the Council of Europe), and support other specific international initiatives such as the Extractive Industries Transparency Initiative (EITI). The EC Communication on Africa urges EU commitment in this regard.

- On a national level, fight against supply and demand side of corruption requires a pluralist approach which consists of support to various GG clusters with an appropriate balance between capacity-building, law enforcement (incl. support to specialised commissions) and civic education perspectives, while taking into account environment or contextual factors and actors involved.

Corruption remains a sensitive issue to be addressed by donors. If they want to remain credible partners on the prevention and fight against corruption front, several key elements should be respected:

1. Coordinated approach among donors at local level is a precondition for a constructive dialogue with a recipient country.
2. Governments and/or the anti-corruption commissions have to drive the process of reforms that are supported by donors. Donors have a shared responsibility with the country for:
 - Defining objectives and performance indicators, which are objectively and realistically achievable to ensure credibility over time;
 - Ensuring sufficient, consistent over time (beyond political life cycles for instance) and in a rather long-term perspective in order to better integrate challenges and constraints in terms of organisational changes;
 - Establishing support modalities that limit additional management burdens through specific requirements and procedures on local bodies involved in the reform processes.
3. The key elements of a common and comprehensive strategy for donors are established in the DAC “Draft Principles for donor action in anti-corruption”. Those principles will be notably complemented by an action-oriented policy paper providing guidance on the “countries where the problem of corruption is most acute” (2006 work programme OECD/DAC GOVNET) and will be informed by joint anti-corruption field assessments in early 2006.

The “European Consensus” (Joint Declaration by the Council, the EP and the Commission) refers to “an in-depth political dialogue” as one of the “Common principles” within the “EU vision of Development”. This political dialogue will notably “address the fight against corruption, the fight against illegal migration and the trafficking of human beings”. In “The European Community Development Policy” part, it is stated “The Community will actively promote a participatory in-country

dialogue on governance, in areas such as anti-corruption, public sector reform, access to justice and reform of the judicial system” (point 86). Regarding support to economic and institutional reforms (including PRS), the policy that “Particular emphasis will also be placed on improvements in public finance management, as fundamental to combating corruption and promoting efficient public spending”.

Important challenges remain in terms of the development of indicators concerning measurement of prevention of corruption and the fight against corruption. Long-standing experience from Transparency International and World Bank methodology, however, should lead to some interesting orientations.

Contribution from Magrietus van den Berg

Developments in this field are gaining momentum: the European Policy group will produce a new policy document shortly. At the same time, we are confronted with a huge complex problem, which is widespread and not easy to tackle. As a Member of Parliament in the development committee, I had the opportunity to make an initiative report on corruption and development. My main argument is very simple: development should target the poorest people, and corruption clearly affects the poorest people. Corruption on a scale that I have seen in a lot of countries hits the poorest people hardest. If you look at development policies, it is clear that a lot of money that should go towards development is being used for other purposes.

The problem extends from administrative malpractice to clear corruption. The European Parliament should take a clear stand. It shouldn't fight against the Commission, but now is simply a good time to be active. A lot of the relations the Parliament has with people from different developing countries have come about through civil society. Corruption is not just present at a government level. Malpractice and corruption are evident in society too. The Parliament is most active in the budget control sector; you need to follow up where your money goes.

But over-concentration on budgets can strangle your whole policy. More and more rules are added, and a gap develops between policy and reality in the field. This approach can become too bureaucratic. However, general policy positions are important.

If the European Commission commits to work with a country, we should ask the government to make clear in its budget all its financial obligations and defence expenditures. The oil business in Angola is related to arm deals and private deals and

does not come into the government's budgetary figures. It is very difficult to get a transparent picture.

It is said that people want to see a change from the government. This would be great. Changes have also occurred in Indonesia where a corruption watchdog has been established.

Another key element is transparency. Donations from the EU and member states should be published in the country so that everyone can see what money has been received and where it has gone. National parliaments are often unaware of the amount of money that has been given, the kind of trade arrangements established and the kind of aid agreements that have been made. Sometimes ministers are aware of what occurs in their specific field but not in a broader sense.

It is essential that donors work together with governments to make a difference. The EU does not want to control governments but to establish firm positions. I was recently a chief observer of the elections in Liberia. The former government there sold half of its assets outside the country. It stole from everybody to enrich itself. This mentality continues. The cars that are around now the government wants to keep as its private cars. It is not even considered public property.

The European Parliament has sought to deal with this problem and has taken steps over there. Members of the government were either part of the stealing or they were not aware of it going on. As a result, I am very much in favour of training parliamentarians and not just civil society.

A strong civil society watchdog for different sectors is a requisite for change. Uganda provides a good example. In Uganda it is not easy to get a transparent budget including defence spending. If you give some money for educational purposes, that money can be used to buy arms. Donations need to be followed up by civil societies and organisations of teachers and parents, who can determine whether it reached its required destinations. The whole process needs to be monitored. Systems exist to help with this aim. The EU gives money to the people of Uganda not the government.

We are working to reduce poverty, something we should be doing and nothing to do with western arrogance. A small percentage of the sector support should be given to budget support but only under very strict conditions. If aid is given by sector (that is allocated to education or healthcare), then 0.5 percent should be used to fund watchdogs and training of the parliament.

The 2003 UN Convention against corruption was signed by only Hungary and France, and the 1997 OECD convention combating bribery in international business transactions has not been ratified by Malta, Lithuania and Latvia. For both conventions, pressure should be put on countries to sign up. Signing up to conventions might not be enough, but it will help.

The EU lends money as a financial international institution to a country. Take Nigeria in the period when there was a dictatorship. Why should you be allowed to ask for your money back? Why is it not your responsibility? Of course, we can help internationally to make sure that assets are in a Swiss bank account and that it is transparent where money has gone.

Judicial measures are also feasible. In really big cases of corruption, the International Court of Justice is not inappropriate. Governments need to realise that they cannot misuse donations and get away with it. The setting up of blacklist would also be beneficial. Financial institutions have to know that corruption can lead to them losing their own property.

Society has access to a lot of knowledge. If this can be backed up with a strong donor position on transparency and information, and tied to specific budgets and training programmes, then chances of success will be optimised.

We should be a little bit less naïve. We have to be sure that conditions are in place that safeguard the loss of money. A lot of countries have poor governments but they are still in need of help. We have to get those countries back on track. In Zimbabwe, Mugabe is a problem, but there are a lot of organisations there doing good and important work.

Contribution from Dedo Geinitz

The framework for all German aid organisations is for zero tolerance of corruption. This is set out in a policy paper from the German Federal Ministry for Cooperation and Development (BMZ). Policy guidelines for good governance in German development cooperation and an intensive policy dialogue with partner countries at the bilateral level complement initiatives for integrity and anti-corruption. Anti-corruption clauses, which are based on standards by the OECD-DAC, OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions and Federal German directives are included in each agreement of bilateral

and multilateral development cooperation. At an international level, BMZ has signed up to conventions and agreements and cooperates with institutions such as the OECD DAC and the UN. It also provides support to UN organisations and international non-government organisations.

A few words on GTZ

The *Deutsche Gesellschaft für technische Zusammenarbeit* (GTZ) is a federal German enterprise working in international cooperation for sustainable development. Our work is holistic, process-oriented and value-oriented. The main thrust is the promotion of good governance through the development of the capacity of institutions and individuals. GTZ is committed to the principle of zero tolerance of corruption. To this end, cooperation with partner institutions is guided by three pillars, i) code of conduct, ii) principles of integrity and iii) a comprehensive set of rules and regulations. They represent values and are, at the same time, binding instruments and clear regulations, which are applied in our cooperation with partners in about 100 countries. The three pillars govern our own operations. Furthermore, they provide guidance throughout the programme cycle. They also contribute to the dialogue with partner institutions and help achieve the broader aim of initiating good practices.

GTZ is a corporate member of TI Germany, the Global Compact, which interacts with the UN and with many other international and regional organisations. Contributions to preventing and combating corruption are embedded in the broader context of promoting governance in development cooperation. The aim to contribute to an enabling environment for the discussion and interaction of different groups of society in partner countries calls for comprehensive cooperation. By facilitating dialogue GTZ is contributing to wider participation and a higher degree of transparency, thereby promoting processes that make different interests of societal groups negotiable.

The comparative advantage of GTZ is rooted in its competence on i) sector themes, ii) local knowledge and iii) operational experience. The focus is on partners and institutions at various levels. Our strength is the performance orientation, which includes supporting the capacities of institutions, contributing to processes of change, integration and ownership, and achieving direct results and facilitating networking.

Role of Technical Assistance

Technical Assistance (TA) has the capacity to interface between the levels of setting the political agenda in the combat against corruption. This means that the imperatives set by the anti-corruption conventions of the UN and the OECD, the G8 Declaration Fighting Corruption and Improving Transparency, the MDGs, EITI, the conventions

of the Council of Europe, the Paris Declaration, the principles for Good Humanitarian Donorship, regional anti-corruption conventions, and perhaps more specifically, the OECD-DAC Principles for Donor Action in Anti-Corruption require pragmatic approaches in the implementation process.

TA contributes to the implementation of political objectives by advocating the adoption of international norms and standards, including corruption risk assessment in project planning, incorporating anti-corruption initiatives in the PRSP process, creating incentives for integrity in service delivery, supporting capacity, and empowerment with the further aim of enhancing ownership. In the end, the onus is on minimising and even nullifying the costs of corruption through the establishment of integrity and the enforcement of norms in particular.

German TA is aiming at the reform of the state, which explicitly includes combating corruption. Three fundamental issues are addressed:

- i) Supporting the development of transparent and efficient state structures through the reform of the public administration, public finance management, the judicial sector and sectors such as health or education.
- ii) Promoting the delivery of services based on participation, transparency and accountability predominantly through capacity development.
- iii) Contributing to the involvement of all stakeholders in the societal dialogue on change.

The dialogue and the activities on preventing and combating corruption in German development cooperation are embedded in political principles, both national and international. The interface between this level and active fieldwork as supported by GTZ is determined through anti-corruption strategies. As at the level of bilateral German development cooperation, all agreements with partner countries and organisations, suppliers and consultants include anti-corruption clauses.

Networking

In addition to our own standards and guidelines, we encourage cooperation with like-minded partners. The Utstein-Anti Corruption Resource Centre (U4) has established a knowledge platform that can address the transition between the political and the field level in preventing and combating corruption in development. This approach is based on active cooperation among the U4 partners vis-à-vis their own agency staff and staff from institutions in partner countries. The challenge is to arrive at synergy and coherence by complementing the approaches and the comparative advantages of

the partners in particular. The platform further calls for addressing the supply side of corruption as a built-in issue of development agencies and hence underlines the challenge for setting and practising good examples.

Contrary to addressing corruption upfront, the challenge international TA faces is directed towards the reform of state institutions. The root causes of corruption are addressed by means of increasing the efficiency and responsibility of these institutions towards society, promoting transparent and responsible budgeting and audit and facilitating broad participation. The nature of anti-corruption work is more of a mainstream subject in the context of good governance. To achieve sustainable integrity the comparative advantages of development agencies and international non-government partners in cooperation with national government organisations have to be mobilised.

German TA is promoting dialogue and cooperation with partners from government, civil society and the private sector. Regardless of the benefits from joint action the division of labour between development agencies and civil society organisations and their involvement in development work where they may have a particular advantage is quite a sensitive issue, which many state institutions of partner countries do not appreciate. However, the concentration on a few state agencies like anti-corruption agencies or audit institutions and on a few sectors appears to neglect the political dimension of corruption and corruption as a serious impediment of the service delivery structures.

To conclude: TA has the capacity to cooperate with parliamentary commissions for supporting, for example, the design of anti-corruption laws and regulations, the inclusion of international regulations into national law, the development of integrity systems in the public domain and also the legislative supervision of the programming and budgeting cycle. As a result, the outcome of TA could be also instrumental in the dialogue on political will.

GTZ's contribution to anti-corruption

The issue of corruption has been debated in development cooperation for the last ten years. Generally, anti-corruption measures are addressed in the context of strategies for good governance. The German development cooperation approach is to promote a systematic institutional change with a preventive nature, in which self-responsibility and the political will to change on the part of partner institutions are essential prerequisites. The goal is not to investigate and punish individual cases of corruption, but to strengthen good governance and contribute to improvements towards a market-

oriented democratic system.

The starting point is the public sector. Promoting the principle of performance and appropriate compensation in the public service, transparent award practices, effective supervision and independent financial control, development of codes of behaviour and integrity pacts are examples of promising approaches. Another starting point is the civil society, which can be supported in making corruption public, putting it on the political agenda and demanding state measures to combat corruption.

Most of the programmes and projects supported by GTZ prevent corruption indirectly, as one goal among others. We support reforms in sectors such as public administration at national and local level, public financial management and personnel management, public utilities, reform of the judiciary, and through mainstreaming anti-corruption in sectors that are especially relevant for poverty reduction and allocation and distribution of public resources such as health, education, water and sanitation.

A few recent examples

For the last five years GTZ has been addressing anti-corruption in about 140 programmes and projects. The majority of these initiatives address corruption in a more implicit way. About 60 projects are active. The lessons learnt from completed projects in particular serve the purpose of dialogue with government and partners from research and international networking. We distinguish two types of initiatives:

- i) Development of concepts and instruments.
- ii) Programmes and projects that are implemented within the official bilateral and multilateral development framework.

Mainstreaming anti-corruption

The recently completed sector project 'Prevention of Corruption' has prepared studies and practical guides for expert staff responsible for preparing or carrying out programmes and projects. The guides are instruments for day-to-day work. They provide assistance by encouraging the integration of anti-corruption components in the planning, implementation and monitoring cycle. They also have the potential to relate anti-corruption initiatives, which come either in the form of preventive or punitive measures but also address specific incentives to tightly focused reform initiatives. For each sector the practical guides provide a systematic overview of sector-specific forms of corruption, its harmful effects, typical systemic weaknesses, possible anti-corruption strategies and proposed indicators for impact monitoring. The practical guides and studies are the following :

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- Public finance management
 - Public administration at the national and local level
 - Preventing corruption in the judiciary system
 - Preventing corruption in the education system
 - Preventing corruption in resource allocation (water, forestry, land)
 - Avoiding corruption in privatisation
 - Fighting poverty and corruption – integrating the fight against corruption into the PRS-process
 - Corruption and gender
 - Mainstreaming anti-corruption describes the analytical framework of the sector project and summarises its results.

The wider aim is to encourage the mainstreaming of anti-corruption. This means integrating the topic of preventing corruption into all sectors and all levels of intervention. It requires the identification of systems and incentives that counter corrupt behaviour, and providing assistance to the relevant institutions in adopting the principles of integrity, transparency and accountability into their work. A good example is the explicit inclusion of anti-corruption measures through a system of checks and balances in the recently launched revenue collection system in Ghana. Legal transparency and the improvement of collaboration between the different revenue agencies and the external audit help to weed-out the possibilities of corruption.

To what extent the aim of mainstreaming anti-corruption can be accommodated at all levels of a programme or project cycle beyond the specific objectives is subject to evaluation. Nevertheless, what we can conclude is the following: a significant amount of German TA goes into the support for governance, which in fact is addressing all ‘classical’ sector initiatives as well. Examples are programmes for good governance in Indonesia, Tanzania, Ghana and Columbia with emphasis on institutional reform and specific anti-corruption initiatives at the legislative level, through the reform of the public administration and the judiciary. Similar examples are also found in Peru, Paraguay and Uganda.

GTZ responds to the needs of partner countries in supporting their transition from semi-autocratic or postwar rule to a market oriented democracy with conducive conditions for investment. This calls for the establishment of capacities that guarantee rule of law, a functioning and efficient public administration and a vivid participation of the civil society including the private sector. An example to promote the transition process is the institutionalised business climate survey for SADC countries, which is supported by GTZ. The results of the survey confirm that the most critical issues for

the business community are the lack of juridical security in combating crime, wide spread corruption and unpredictable currency exchange fluctuations.

Anti-corruption training through the Utstein Anti-Corruption Resource Centre is particularly addressed across all sectors of our work. The aim is to establish a critical mass of staff that would be in a position to contribute to the prevention of corruption and promote institutional and personal integrity in particular.

Corruption in disaster, conflict and emergency has become pressing issue. Such situations are provoking corrupt behaviour. Disaster calls for immediate relief and in most cases aid is channelled unconditionally. Post conflict situations require large budgets for reconstruction and redevelopment amid limited absorption capacities of national government organisations. Agencies are pressured to effect budgets on short-term amidst weak national structures and a high risk of corruption.

GTZ supports participatory needs assessments in emergency situations, which includes downward and upward accountability. In the case of postwar development in Sierra Leone and the post-Tsunami rehabilitation in Sri Lanka and Indonesia corruption in education and in community development are addressed. The contribution to the national development and poverty reduction strategy of Afghanistan also includes corruption risk assessment and elements for an anti-corruption strategy, which is done as a concerted exercise of emerging Afghan institutions and development agencies. GTZ's support for addressing anti-corruption in the national development strategy has resulted in a comprehensive set of legislative and institutional arrangements. Here, the UN Convention against Corruption sets a framework for national legislation and stakeholder dialogue.

UNCAC

In early 2005 BMZ commissioned GTZ to support the UN Convention against Corruption (UNCAC). The Convention represents the first international consensus about what states should do in the areas of corruption prevention and criminalisation, as well as international cooperation and asset recovery. This new convention project aims at assisting the ratification and implementation process. The approach would address ongoing TA programmes and projects, which have a focus on governance and where anti-corruption initiatives are either explicit or implicit components.

For the Convention, this means that development cooperation can provide support in areas where it is already well established, that is where the intensity and continuity of cooperation at micro and macro level has contributed to a positive climate for addressing

the UNCAC project. At the operational level it means that particularly relevant themes and appropriate measures are selected with emphasis on prevention.

At present a number of pilot initiatives are underway that aim to provide lessons learned for further shaping the modes for a broad implementation of the Convention. As a result, they are expected to contribute to its follow-up monitoring. Pilot initiatives include the promotion of integrity in the judiciary through the application of the Bangalore Principles for Judiciary Conduct (Art. 11), an initiative implemented in cooperation with UNODC and further pursued in Ghana and Tanzania, the promotion of integrity standards for the public and private sector and for civil society in Central American countries through TI, compliance reviews in Indonesia and Colombia, adapting legislation in Ghana and finally, the dissemination of the knowledge base on conventions in South Africa, Columbia and Paraguay.

In view of the anticipated results, close cooperation/networking with partner organisations such as the United Nations Office on Drugs and Crime (UNODC), UNDP, Transparency International's national chapters and the Utstein Anti-Corruption Resource Centre (U4) in particular is necessary.

Conclusion

Corruption is addressed in German Technical Assistance on three levels:

- i) Internally through a code of conduct, integrity standards and formal rules and regulations (supply side).
- ii) Conceptually by developing instruments and tools and supporting international networking and knowledge management.
- iii) Directly through development work with partner institutions in the broader context of good governance, that is promoting state reform.

However, the visibility of anti-corruption work is limited, due to the sensitivity of the subject and the outcome of a certain political rhetoric, which in the end affects the dialogue. Furthermore, experience shows that developing the skills of agency and partner staff is necessary to address corruption throughout the programme cycle.

How to bridge the dilemma that corruption is one of the prime impediments for development and yet so difficult to address? We also have to realise that the incorporation of anti-corruption work in programmes and projects not only faces quite a high risk but also a certain resistance at the level of individual and institutional decision makers. We propose a pragmatic approach. Successful and yet small activities are expected to

lead to larger initiatives, which include enhanced cooperation with partners at the national and regional level, also with other aid agencies and civil society organisations. The outcome should contribute to lessons learnt and generate good practices, which in turn have the capacity to address the policy sphere.

Since the late nineties we have been experiencing more need and demand respectively for expertise that addresses corruption. This is obvious in the PRSP processes, the need for compliance with the provisions of, for example, Federal German regulations and policy guidelines, MDGs, Paris Declaration and anti-corruption conventions in particular. Commitment towards the standards of TI and the Global Compact and also to regional reform processes such as NEPAD and APRM has also helped make the issue of corruption in development more prominent. To respond to the increased demand for addressing corruption, GTZ is currently working on an approach that should result in a decision to establish more specific capacity and competence in the near future.

Contribution from Aleksandra Martinovic

Being a donor organisation for developing countries is not an easy job. Civil society and TI tries to be an ever greater partner in establishing conditions for further support. Many of the countries have received quite significant financial support from donor organisation especially Bosnia-Herzegovina from EU. So far we have achieved one of our aims – the establishment of legal framework that will enable us to continue working towards real implementation. Civil society can really be recognised as a serious partner in anti-corruption efforts in most countries in the world. Such recognition is useful in two ways. First, it is useful in the diagnosis of the situation for each particular country and as well at a global level through the corruption perception index of TI. Secondly, civil society can be a partner in the implementation of all kinds of reforms and in the monitoring of these reforms.

The national integrating system has several purposes and can really be used for several aims. First, it is the assessment of legal framework for all-important pillars in every society and in every country. Secondly, it is the assessment of the implementation of legal frameworks which represent the TI contribution to any national anti-corruption strategy because the purpose of the National Integrity System is to write recommendations for how to improve anti-corruption measures in each pillar.

NIS country studies reports are used in many of assessments conducted by many

international organisations and donors. They can definitely help the donor organisations define priorities for each particular country. A second diagnostic tool is CPI at a global level alongside many of the national local corruption perception studies that TI chapters are also implementing. In Bosnia Herzegovina a similar service is conducted every other year. This study enables us to measure the public perception of the governance efforts to tackle corruption for each particular pillar and to establish trends to measure governments' efforts to deal with corruption. Diagnosis is very important.

Once a proper legal framework has been established, there are many other TI tools for many different chapters. Monitoring privatisation processes is very important in developing countries. In Bosnia a bank was privatised for only one euro. Public procurement, meaning the establishment of proper legal framework and implementation, is another key area. Also conflict of interest and political party financing are crucial in many countries because all TI global diagnostics political parties are perceived as very corrupt. Business sector standards, TI principles for countering bribery and many other tools, which can be implemented for business sector are also very important.

A focus on the key area of education of youth could mean a change to school curricula. People are often inflexible, but we have time to develop high schools and to teach students what it means to live in a corrupt country.

Advocacy and legal advice centres are very well implemented in many countries. The European Commission has support programmes in this area. As well as legal assistance to citizens, programmes offer education. Advocacy activities, however, may be most important in the long term. By correcting complaints and corruption and by addressing relevant authorities, we can test the effectiveness of the whole system, especially the judicial system.

Contribution from Abdel Rahman Abu Arafeh

There are four main instruments that can be used by recipient countries to reduce corruption. First, technical assistance is vital. Training should include an exchange programme of experience. Secondly, capacity building including internal and external monitoring are very necessary. The application of modern technology is a very helpful tool. In addition, donors should consider more the issue of budget support. This could help with providing a better environment for public or civil institutions to be more honest about their duties. Another important aspect is the creation of a code of conduct. Furthermore, civil society has to be supported. In order for civil society to be

really effective, it has to be independent, transparent, accountable and democratic. These are the basic conditions of a civil society. And the last category is the implementation and respect for democratic principles. I think support for both public and civil society should be linked to each.

Discussion

Dieter Frisch

Mr Van den Berg mentioned in his presentation on procurement rules the possibility of blacklisting. I have run through his draft resolution and haven't found a reference to this possibility. Are these matters too technical or is it something that could still fit into the text?

A second question is to both Mr Van den Berg and Mme Dellicour. Do you think that the quality of governance should be and could be a criterion for aid allocation?

This is a question that often comes up. Governance is difficult to measure. We are talking about corruption, and one could assess the determination with which a government is dealing with a problem of corruption. We have a checklist that we can run through. That could be an indicator about the quality of governance, which will then be useful for discussions on aid allocation to a country.

Magrietus van den Berg

In point 20 of my report, I note the need to urge the European Commission and member states to consider the methodology that prevents banks lending large sums of money to corrupt regimes. I am aiming to establish a blacklist as a kind of methodology.

Secondly, concerning the quality of governance, my report mentions indicators that are linked to quality. If you give a lot of money towards getting kids to school, you need to be able to keep track of how this has affected different regions in a structured way. It is not a good idea to wait for four years to make such an assessment. It is important to have conditions in place. "First conditions" need to be linked to the administration of the government and parliament and at the level of civil society including local authorities. If the government is really willing to cooperate, it is an enormous benefit. But where there is an absence of a parliament and where civil society is ignored as in a dictatorship, cooperation is difficult.

Dominique Dellicour

The question of quality of governance is a tricky. If you introduce the idea of giving additional resources to a country, which has a good quality of governance, what do you do about those countries whose populations are in need and where aid should help to promote a moment of change? When preparing strategies for countries, you should consider what is needed and do a proper assessment of the situation of the governance in the country. Then the type of support can be determined.

Predetermined criteria can have a counter effect in terms of the money that allocated for supporting civil society. It is certainly an important aspect to consider when preparing to make assessments for a country strategy that decides what type of instrument you are going to use to support the promotion of the governance agenda in the country concerned.

David Nussbaum

I think it would be interesting to look at the experience of the Millennium Challenge account in the US and some of the advantages and difficulties that the approach has encountered. Enquiries were made with TI as to whether the CPI (Corruption Perception Index) would be a useful tool in determining whether a country should be allocated resources. We suggested that the CPI was not designed to be used for this purpose, and I'm pleased to say that they mainly focus now on World Bank Data. I wanted to come back to Mr Van den Berg and say how encouraging it is to see this report your committee has done and the excellent background explanatory statement. The point I was going to make was precisely the point Mr Frisch mentioned and maybe it's worth emphasising. Your point 20 focuses on the question of banks, but there is another whole area in relation to blacklisting, the question of where a commercial firm has been found to engage in corruption in one development project. Should this firm not then be blacklisted from participating in other development projects? Blacklisting can have a deterrent effect on firms by raising the risks of engaging in corruption. And I think it is particularly appropriate for the EU to focus on this aspect given that many of these firms would be based in EU countries. I would encourage you, if you can within your word limit, to make a brief addition.

Magrietus van den Berg

My colleagues and I will be able to make amendments tomorrow. On this specific question I was not only be thinking about governments. I spend a long time talking to firms about code of conducts in the oil sector and the mining industry. Codes of conduct establish a level playing field. But when it comes to decision-making, companies find ways of bending the code if for example they do not want to pull out of Sudan

or Burma, or if they don't want to break ties with Angola. Stronger public support is sometimes necessary to emphasize that such practices have costs.

Contribution from the floor

A small comment on what Mr Frisch said: it is already an ongoing discussion. The main field is the World Bank with its CPIA (Country Policy and Institutional Assessment) index that is not to be confused with the TI CPI Index. This index is the starting point for aid allocation. But there is not really a dialogue between the efforts from the donor side and the efforts by civil society organisations in the recipient countries. This dialogue is crucial. Civil society in the south sends the message that serious dialogue between government and donor governments or multilateral institutions should be behind close doors. And if civil society is really to play its role as a watchdog, it needs better access to information.

Donors could play a much stronger role here by not only urging southern governments to pass freedom of information bills, but also in providing the information they have, for example, information about negotiating new loans. If the population does not know that the government is going to contract a new loan, how can they react and monitor it? The same applies to debt relief money and aid. If they do not know about the amount of money their government receives how can they monitor it? They will not get this information from the government and the parliament. It is not difficult to provide information to civil society. Entering into the debate for freedom of information could also help strengthen certain conditions that the donors would like to see in place in order to fight corruption. Most of the time, conditions are negotiated and agreed without civil society participation. And there is usually a common interest of donors and civil society to have some governance conditions. To date, these common grounds have not been really used. Providing as much information as possible through including countries in new loan contraction processes and consultative group meetings would be beneficial.

My last comment refers to point 20 of your rapport. The formulation is very cautious and concerns only the future. What about pending loans whose legitimacy is doubted? I can also envisage a greater role for the EU and the adoption of a stronger position on cases of corrupted loans.

Magrietus van den Berg

With regards to civil society, I agree. It is a change in the policy. It sets up first conditions that include in practice the civil watchdogs, the information channels and the delivery of information, including the debate in the parliament. Even if the parliament is not

working it has to exist. The parliament has to be trained: it is not true that one ministry knows what is happening in the other ministries. All these elements have to be in place. Early budget support, in my view, is misplaced. I cannot say it clearer: You have not a one-size-fits-all approach. You always have to look at the context.

The Millennium Goals should also be considered. How much should we concentrate on them? How are we achieving these goals in practice? How can we reach out to get children to school? It is not only a matter of dealing with corruption, and therefore I say to my colleagues at the budget control committee that to look only at the accountancy part of the story is not good enough. You have to see if in practice the kids are really going to school. I am not talking about impact studies that are a further step. I am simply talking about whether the money that was meant for getting kids to school has had the required affect. But that is what you need to establish. I don't know of anyone in private business who would not ask himself if he was spending his money wisely.

Dominique Dellicour

To reply to your concern about the involvement of civil society and also a word on the involvement of parliament: in the areas of global and sector budget support, which is where the Commission is active, emphasis is put on the process of elaborating and implementing the poverty reduction strategy paper. If you look at the instrument and the dialogue surrounding global budget support, very often emphasis is placed on the fact that the government alone should not develop such a strategy and that it should be a participatory approach that includes civil society.

But you have to take into account the capacity of civil society to engage properly in the poverty reduction strategy process. In some agreements like the Coutenou Agreement specific programmes are designed to reinforce the capacity of civil society to get together to develop their own policy analysis. In this process the idea of a stakeholder approach is present, but it goes together with capacity building. In terms of the role of parliament in global budget support, it was decided that the budgetary committee of the parliament should be presented with the results of public finance management and budgetary support. Some funds are also available for increasing the capacity of budgetary committees to carry out analyses. Parliament capacity has to be strengthened in order for it to have a convincing voice.

Dedo Geinitz

The discussion on the involvement of civil society in particular cannot be conducted in an exclusive manner. Civil society includes the private sector. Private sector, civil society organisations such as NGOs and institutions have to negotiate. Technical assistance

should facilitate dialogue so that common interests are served as far as possible. We realise that we need strong institutions, a strong and democratic state that is moving towards market-oriented democratisation in a certain manner not copied from the west but according to what is most appropriate. Technical assistance cannot exclusively focus on civil society because the delivery mechanisms are not in place. Capacity development may compete with what is available for the public sector. So you have to strike a balance. Where can that be done best? You could support parliaments and national negotiation circles like NGO Consortia. Our role could be to facilitate dialogue, and we have tested tools to do this. The whole planning, programming and budgeting cycle is another area where, at end of the day, it will be possible to see whether a school has been built and is being used.

Notes

1. Notably the Communication on a comprehensive EU policy against corruption (2003), Communication on governance and development (2003), European Development Policy : The European Consensus (2005), EU strategy for Africa (2005).
2. Guiding principles of EC Handbook on Good Governance in EC development and cooperation
3. 1. "Are the specific interventions making up the project designed in such a way as to allow for maximum transparency and accountability during their implementation?"; 2. "Is regular, transparent, financial reporting and auditing built into the P/P? Are these results widely circulated and understandable?"; 3. "Are all partners committed to implementing the P/P with no corruption as a goal?"; 4. "Have all attempts been made to identify and marginalise, as much as possible, persons/services/companies which have a reputation of acting corruptly?"; 5. "Does a situation of high cost – low gains exist with regards to corruption in the P/P activities?"; 6. "Are there effective anti-corruption monitoring tools in place?"; 7. "Have all attempts been made to gather essential information on the identity, resources (financial and human), practices, of the project's partners?"; 8. "Have attempts been made to ensure that bidders for the different activities of the project have not engaged in any corrupt behaviour during and after the tendering procedure?"

Conclusions

David Nussbaum

I have the challenge as well as the privilege of concluding the workshop. It certainly seems to be a challenge to put together such an enormous range of inputs. I wanted to acknowledge straightaway that it is of course not possible in just a few minutes to conclude in a way that captures all of the excellent points that have made. But I will try to identify some of the themes that have come through and to pick up on a few particular issues. This is certainly a personal conclusion and reflection and of course the organizers of this conference will be producing a much fuller summary.

We sometimes think of corruption as if it's a disease – sometimes we call it a cancer, raising several questions. What is the diagnosis? What is the problem? What prescriptions do experts recommend? And then, when we actually carry that out, what treatment will be necessary to undertake?

First: diagnosis. I hope you allow me the liberty of repeating something from my own presentation of yesterday. I noted that USD one trillion is spent on bribes in developing countries. Corruption is a serious matter for those engaged in international development cooperation because corruption is a potential threat to the effectiveness of the development work that we are involved in this area. And secondly, potential corruption could undermine public support. European Parliament resolutions are important and operations need to be legitimate otherwise support for them would be undermined. In some countries dependency on aid results in diminished government accountability. Donors must negotiate with governments on a regular basis.

Several speakers also emphasized the importance of the political context in which anti-corruption work occurs. There is both the internal context – this is determined by the strength of the government's parliamentary majority, the coalition that is forming

the government at that time and the internal pressures for economic growth and for employment in a particular part of the country – and then there is the external political context; that is the situation of neighbouring countries which for some developing countries is of extreme importance; they may have particular alliances or tensions to consider. So donors must realise that there is a political context in which they are engaged. We also heard a great deal during the last two days about the supply side of corruption: those who are offering the bribes and those who are taking them. And we have thought about the role of companies and corporations and banks. Again we have mentioned this morning ECA (Export Credit Agency), which is an example of an agency that is not just an independent company. They are the arms of governments linking them to donor countries.

We must also pay attention to the particular risks that apply to procurement and to humanitarian work, which often forms a part of the overseas development response. But corruption risks are particularly obvious because the integrity system and the institutions are often broken down either in the context of natural disaster or conflicts.

Secondly, prescriptions. Some interesting polarities have come out in our discussions. One of these is trust versus control. How far do we have to engage with the countries on the basis of building trust so that they will operate responsibly and effectively? How far do we need to maintain essential controls to ensure that the duty of donors to their taxpayers is honoured? It is important to have in mind a policy of zero tolerance to corruption, but this cannot be the same as having zero risk. We will have to take risks even though corruption should not be tolerated when it does occur. We also heard some concerns about being careful not to over regulate and to think that you can simply surround money with regulation so that it becomes immune from the context in which it operates.

There is a danger that a donor takes total responsibility for all the disbursement somewhere for detailed implementation. In the end, the government says, “We have no responsibility; this is your program that you are implementing – you are dealing with all the financial controls, so it is your responsibility.”

Another polarity is the tension between the degree to which it is most helpful to have specialist agencies, solutions and independent commissions against corruption versus emphasizing the need for integrity in most institutions that the government relies on the rest of the time. And this is an integrity pact in the sense of a specialist’s solution in a particular project where there are concerns and where you cannot rely on the mainstream of institutions, mechanisms and processes. In my view, the right solution,

for the moment is, to develop a specialist agency and a specialist solution, while at the same time recognising in the long term what should become the normal way of business. Specialists and institutions should not be relied on.

The polarity of support versus programme or project funding was also debated. On the one hand, we had the Japanese approach to project funding that is very specific and controlled. Then there was the DANIDA (Danish International Development Agency) approach, which is close to budget support. Perhaps the most difficult scenario concerns the whole series of other donors that are individually huge and all insisting on their own particular approach and procedures.

A further point to consider is the question of timing of governance reforms. So where there is a clear need for increased aid flows, what is the correct timing? Governance reforms are first necessary before additional aid can be allowed to flow into a country. Do we say, “No, the need is so great – let’s get on with pouring in the money; there are many areas in which it is needed, and then in due course we can do the governance reforms issued.” Or do we try to work together to implement a solution at the same time? Is it practicable and what form of aids flow alongside which type of governance reforms?

Thirdly, reform. The need to build demand for reforms in civil society was broadly agreed. It is important that governments feel that governance reform is not solely a response to the demands of donors. Sometimes public demand is very apparent, and at other times citizens need to be encouraged to express their concerns. Agreement is also necessary for better access to information. It should be a principle of donors that they are open about the aid they are giving, the amount, the conditions, the target and the expected outcome.

There is also the need for information on aid flow in the context of the overall government budget. Such information is particularly relevant in determining budgetary support. Information concerning the defence budget is highly desirable.

The head of our Indian chapter is a retired admiral of the Indian Navy. He was involved in a discussion about security, confidentiality and secrecy. This discussion was confidential. It was necessary to keep absolutely confidential things like the codes for law and the missiles of the Indian navy’s boats. However, such confidentiality did not extend to the budget.

One presentation highlighted three points. A strategy that focuses only on enforcement

is almost certain to fail. The participation of all citizens, including civil society, is necessary to combat corruption. With regard to possible prescriptions and recognising that in some areas a choice between two different approaches might be necessary, diagnosis is going to guide prescription.

But how can some of these prescriptions be best implemented? First, we need to watch for resistance. It is too easy to come up with anti-corruption strategies, which are very wonderful, and then find that their implementation creates resistance. One of my colleagues talked about this problem, and he said he found there are networks of corrupt people that counteract change. We must look out for resistance from domestic interests, which could arise from the political or the corporate situation. But there can also be resistance from donors, who have got used to particular ways of operating.

Secondly, civil society involvement is essential. It is very important that, when we get into treatment, we involve civil society early in the process and in the design of the interventions, not only when it is half-implemented.

Thirdly, donors are sometimes in danger of sending out mixed signals; harmonisation and consistency are crucial. If one donor is saying, "This area of corruption is critically important. We see very worrying signs here, and this is likely to have some impact on our further cooperation with you," but another donor is saying, "Well, we just have another 100 million released from the capital we are under a lot of pressure to spend it, so let us know, what we could support," – this is going to give very contradictory signals.

For combating corruption in the course of a treatment, voluntary disclosure programmes can be quite powerful and can yield much valuable information which can send a message to the population and to the companies involved in the treatment that the donors are serious about wanting to know if there is corruption and wanting to follow up.

With regards to legal reform, attention should focus on three things: What is the enforcement mechanism? Who is going to do it? Will there be incentives? Attention should also be paid to its use. Who will actually use the law? Will it be the people, companies, the government or the donors?

Then we heard about integrity pacts which we might call islands of integrity. In place where corruption is rife, a donor may be very concerned, but they must nevertheless benefit the people of the country. We cannot allow the population to be penalised

simply because there is a lot of corruption in the country.

A very different kind of anti-corruption tool is the anti-corruption advice centre. These centres can stimulate public participation by offering a safe means of voicing concern and gaining advice on what can be done to tackle corruption. They are a very helpful way of supporting the involvement of civil society in anti-corruption and the recovery of assets, which was referred to by several speakers.

Such moves offer the chance for a country to recover some of the wealth that may have been expropriated by its former leaders. And, of course, they can be a source of funding to remove debts or undertake particular programmes. Recovery of assets, however, raises some concerns, because donors often work with countries where these assets have been stored.

Fourthly and finally, treatments. Incentives are important for government reform. It is essential that governments agree to reform indicators. Such measures safeguard against governments implementing what they believe to be required changes and later being told that they are insufficient. What are the indicators we are going to look after?

The importance of practical guides and tools was also stressed. Many corruption fighter tools exist with over a hundred examples and practices and tools that have been used in all countries of the world. You can find them on our website. Organisations like ours, however, are still needed because corruption is often specific to the context in which it operates.

Let us finally turn to the action points that were discussed over the last day and a half. A particular approach that might be considered in relation to a particular country could be tackle development first. It is very important that steps are taken in order.

First, a national anti-risks assessment should be taken with the donors and preferably with the whole group of donors together with the country. Look at what are the big risks in this country/what is it facing? And having secured an agreement on diagnosis, the next step is the development of a national anti-corruption action plan. Again this plan should be agreed with the donors.

What is agreed must be implemented. Blacklisting and disbarring were discussed during the conference. Further work is needed to ensure that donors' work is consistent and information is shared to build on the good practices of such organisations as the World Bank.

Whistle blowing signals to donors and national governments areas of corruption. It has even been suggested that there should be a requirement to make known incidences of corruption. Perhaps “obligation” would be a better word than requirement for donor staff. But such an obligation has to be combined with measures to improve effectiveness.

If people find that they blow the whistle and nothing seems to happen, confidence in the system is undermined. First, harmonisation is necessary for the diagnosis, getting agreement on the problem and a couple of signs for a national anti-corruption risk assessment. Secondly, donors are often unaware of each others’ anti-corruption programmes. They should be working together on a single national anti-corruption action plan. And thirdly, sanctions and incentives are necessary. People must be aware of incentives and agree on these. Finally donors need to reflect on the obligations of their trade and foreign affairs ministries and put pressure on them to take anti-corruption practices more seriously.

Two final thoughts: The first is to reiterate the point that the success of all reforms rests on the change of mentality and behaviour of people. That includes all of us, just as much as it includes the people in the countries affected by corruption. In closing: donors are often part of the problem, but they can also be part of the solution. We should remember that overcoming corruption in Cambodia, for example, was a big challenge and that this country’s experiences demonstrates that it is not too difficult for donors to clean up their own houses.

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