

The purpose of these *Key Sheets* is to provide decision-makers with an easy and up-to-date point of reference on issues relating to the provision of support for sustainable livelihoods.

The sheets are designed for those who are managing change and who are concerned to make well-informed implementation decisions. They aim to distil theoretical debate and field experience so that it becomes easily accessible and useful across a range of situations. Their purpose is to assist in the process of decision-making rather than to provide definitive answers.

The sheets address three broad sets of issues:

- Service Delivery
- Resource Management
- Policy Planning and Implementation

A list of contact details for organisations is provided for each sub-series.

Overview of the debate

Over the past 5 years the debate about corruption has focused on:

- Why corruption matters, including the disproportionate effects on the poor, direct in the case of small-scale corruption (nurses, doctors and teachers demanding payment for supposedly free services; bank officials refusing loans for poor farmers unless they are given a cut; payments demanded by policemen and court officials), and indirect in the case of major corruption (ministers and officials looting public assets; politicians buying votes at elections).
- The need for international efforts to tackle bribery in trade and to combat money-laundering.
- The need for better international collaboration on tracking, seizure and return of assets stolen from developing countries and deposited in the financial systems of developed countries.
- The question of which anti-corruption measures should be stand-alone, and which are best mainstreamed into existing processes.
- The role of major new development-assistance initiatives (e.g. Poverty Reduction Strategy Papers and Sector-Wide Approaches, or SWAPs) in limiting the opportunities for corruption.
- The need to safeguard aid funds from corruption, especially with more aid being channelled through national budgets.

Key issues in decision making

Action against international bribery and corruption. Bribery by developed-country companies to secure contracts can distort spending priorities towards unnecessary and over-priced projects, or cause mineral or logging rights to be sold at below market value. Major corruption is facilitated by money-laundering: people who acquire money corruptly need to stash it away safely, disguised as legitimate funds. When such money is traced – often to a developed-world safe haven – mechanisms are needed to confiscate and return it.

These matters require international cooperation and a holistic approach: businesses in country A will be loth to stop offering bribes if competitors from country B are still free to do so; closing a safe haven in country C does no good if country D remains open for business.

While these issues are outside the normal remit of aid agencies, they cannot ignore them. Major corruption undermines their work, undermines progress towards international development targets, and can undermine taxpayer support for development aid. Even well-protected aid can encourage corruption by releasing other, less protected, resources. Aid agencies need to work with their financial, justice and trade authorities to see that these issues are addressed internationally, and are supported by appropriate national legislation (which is enforced); with trade ministries to encourage the private sector to adopt and adhere to appropriate codes of conduct; and with partner countries to see if they can help recover stolen assets.

The main anti-corruption conventions emanate from developed-country organisations but may be open to adoption by non-members. Aid agencies in cooperation with other ministries concerned need to: encourage more non-members to sign up to the OECD and Council of Europe Conventions, or to develop regional conventions; support efforts to police the conventions; support development of the proposed UN anti-corruption convention by helping to ensure that the draft covers all relevant issues; in due course encourage all member countries to sign the UN convention (and consider the aid-worthiness implications of failure to sign); support regional anti-money-laundering networks; and explore possible actions against companies that have behaved corruptly on publicly funded contracts.

International co-operation at country level. The main responsibility for tackling corruption must lie with central government, but the international donor community, local authorities, NGOs, the private sector, media and academic communities need to be actively involved. The priority is to reduce opportunities and incentives for corruption – less state discretion; more transparency; more streamlined procedures and service delivery; better pay for public servants; improved public-sector management; tougher sanctions and greater probability of detection and conviction.

Success requires concrete, top-level political commitment, e.g. the development of an anti-corruption strategy; credible agents for change to deliver the strategy; entry points or institutions offering prospects for early gains and signs of early action; willingness to tackle high-profile cases, including ministerial removals, as well as petty corruption; and progress towards addressing corruption systematically across government.

DFID experience

- Search for anti-corruption strategies (John Moores University, Liverpool)
- Independent anti-corruption agencies (Kenya, Sierra Leone, Tanzania, Uganda, Zambia)
- Strengthening police investigation capacity (Jamaica, Malawi, Sierra Leone)
- Strengthening public prosecutor and judiciary (India, Malawi, Uganda)
- Strengthening financial, procurement, accounting and audit systems (Ghana, Indonesia, Kenya, Malawi, Mozambique, Nepal, Rwanda, S. Africa)

The Netherlands' experience

- Support to institutional strengthening, civil society and research for example:
 - Transparency International
 - World Bank anti-corruption programmes
 - UNDP/PACT
 - Global Witness
 - Training for audit institutions in Africa (INTOSAI)
 - Training Latin American journalists (OAS/Trust for the Americas)
- Maastricht conference & action plan
- Global Forum on Fighting Corruption II

Expertise

- OECD
- Transparency International
- UNCICP
- UNDP Programme for Accountability and Transparency
- The World Bank/World Bank Institute

Fighting corruption: An overview *continued*

A multi-pronged strategy is called for, looking at:

- political reforms – including campaign finance
- economic policy – market regulation, financial sector reform
- accountability controls – budgets, audit, procurement
- public oversight – raising awareness, e.g. through media, parliaments and local councils.
- sanctions – stronger, better-enforced laws
- legal/judicial – strengthening the system
- institutional reform – strengthening revenue and auditing authorities, improving the civil service, enhancing media independence, strengthening watchdogs and civil society organisations.

Corruption flourishes in the dark. It is more easily detected – and hence deterred – in a transparent society. An active civil society can be a strong force for reform once it understands the extent and effects of corruption. Independent media are vital. Aid agencies should:

- promote greater openness and media coverage. Government budgets and accounts, and audit reports, should be readily available. Intended project beneficiaries should know what they are entitled to expect, and should have access to project audits and evaluations. Investigative journalism and media independence should be encouraged.
- help to raise awareness by discussing the causes of corruption in the local context, taking account of local points of view. All involved – public authorities in donor and partner countries, politicians, media representatives, NGOs and the private sector – need a better understanding.
- encourage a stronger focus on the fight against corruption in national debates and international dialogue on development issues.
- when formulating development plans, consider how they will be influenced by (or impact on) various forms of corruption, and include these considerations in appraisals and reviews.
- help develop more effective sanctions.
- consider ways of reacting to public authorities who openly tolerate corruption, e.g. by making allocations of funds conditional on the implementation of concrete anti-corruption measures, or channelling aid through non-government sources.

Corruption can result from an overstuffed, poorly-functioning and under-paid public sector, and from poor management of public finances. Aid agencies can promote public-sector reform and streamlining of procedures to provide better services more efficiently, with a smaller but better-paid public sector. They can promote public financial-management reform to ensure that revenue due is collected and passed to the exchequer, and that public expenditure is properly controlled at all levels to transparently promote pro-poor policies.

Corruption affects all the sectors within development assistance and needs a coordinated approach by donors and partner governments. Aid agencies should work together on corruption to avoid duplication, ensure consistency, and mainstream anti-corruption measures into projects and programmes (multi-donor SWAPs provide a good opportunity for this). They should ensure that corruption is on the agenda for aid-coordination discussions, including at World Bank Consultative Groups and UNDP Round Table meetings; and that corruption is adequately addressed in World Bank Poverty Reduction Strategy Papers, and is properly followed up.

Key literature

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Key Sheets are available on the Internet at: www.odi.org.uk/keysheets/
or through the websites of DFID and the Netherlands Ministry of Foreign Affairs



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