Protecting Aid Funds in Unstable Governance Environments:
Towards an Integrated Strategy
Lisbon, 18-19 May 2010
Sedas Nunes Hall, Institute of Social Sciences, University of Lisbon

Can aid to anti-corruption work? Lessons in effective aid delivery

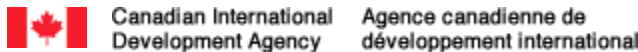**Harald Mathisen, U4 Anti-Corruption Resource Centre**

Can aid to anti-corruption work

lessons in effective aid delivery

Harald Mathisen, Senior Program Coordinator

U4: Promoting an informed approach to anti-corruption

» **AusAID – Australian Agency for International Development**

» **BTC/CTB – Belgian Technical Cooperation**

» **CIDA – Canadian International Development Agency**

» **DFID – Department for International Development**

» **GTZ – German International Cooperation Agency**

» **MinBuza – Dutch Ministry of Foreign Affairs**

» **Norad – Norwegian Agency for Cooperation and Development**

» **Sida – Swedish International Development Cooperation Agency**
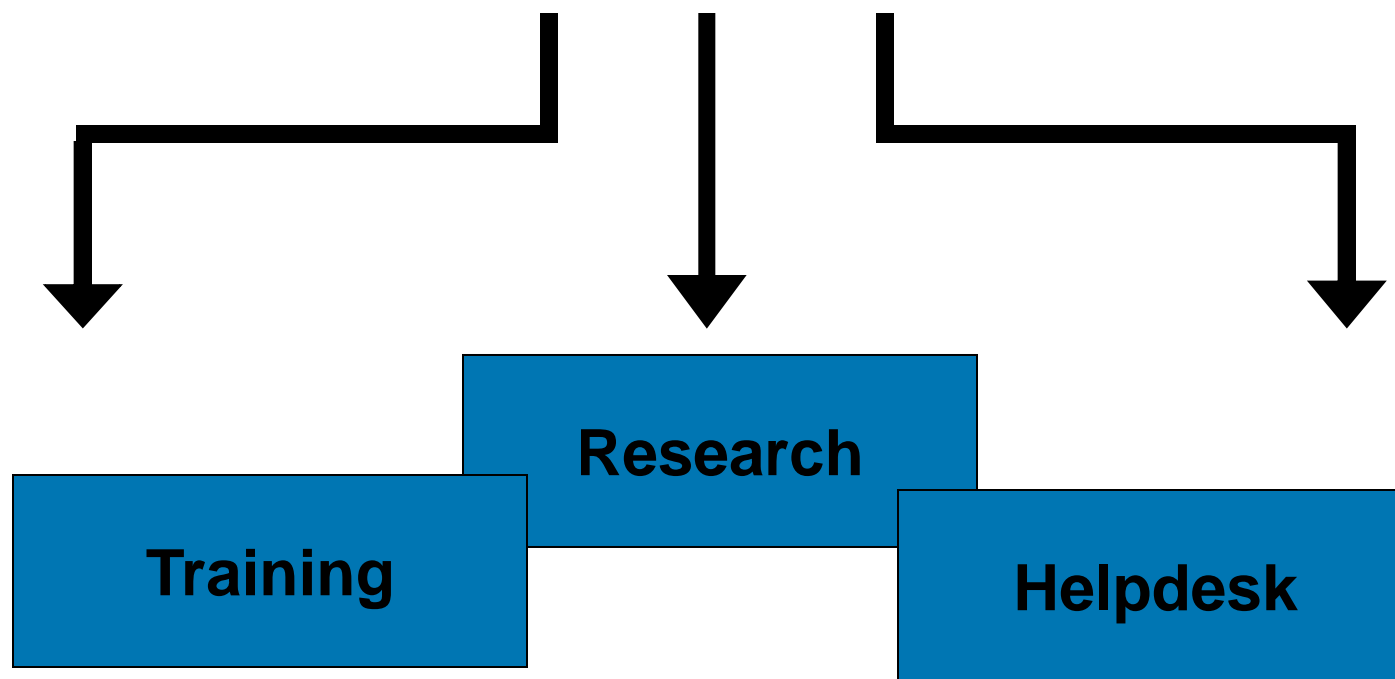
The anti-corruption business in action
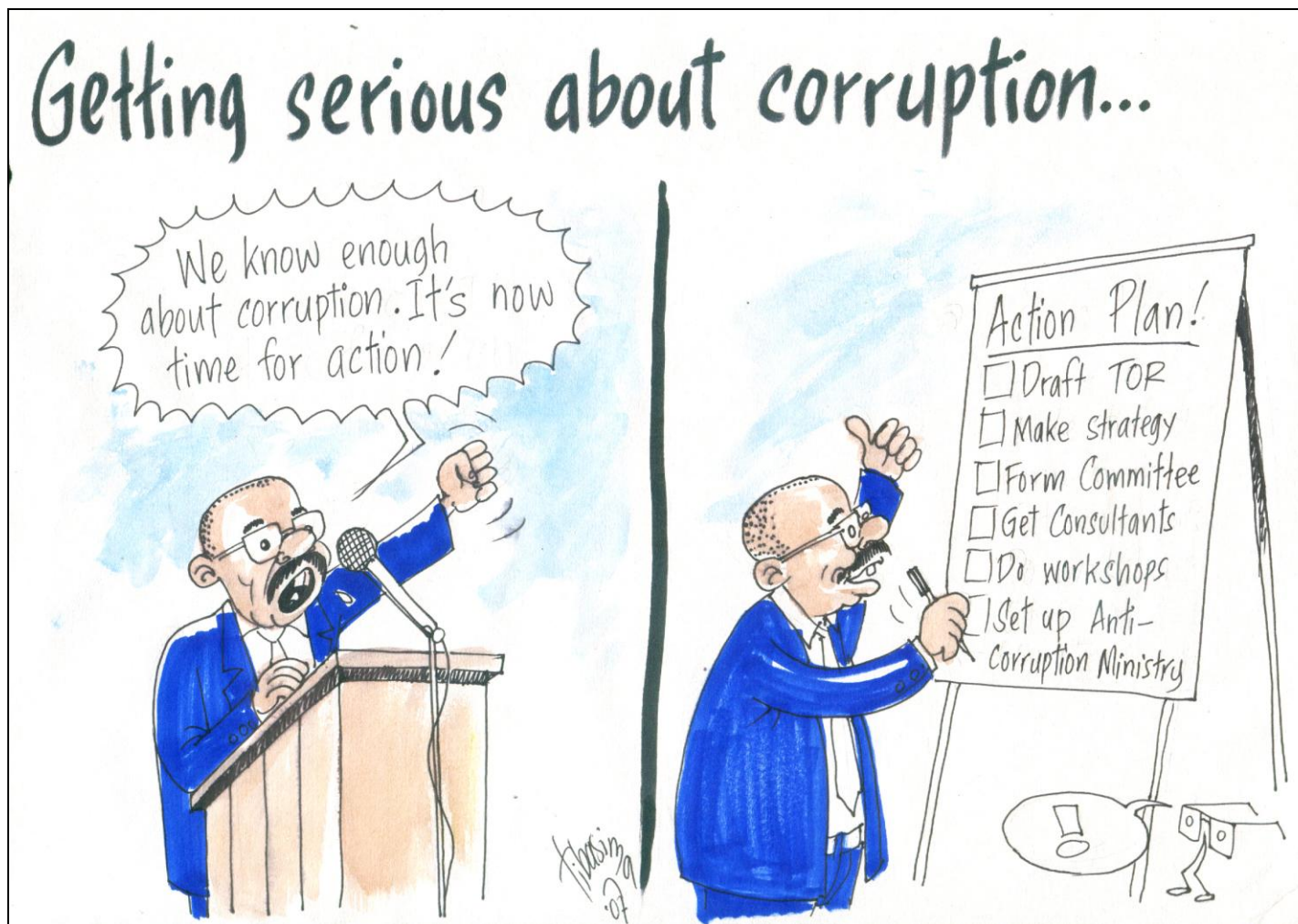
Aid financed new hospitals and schools…

Objectives of this talk

- Introduce the world of anti-corruption

- Give a critical review of progress and pitfalls of anti-   - corruption reform at the international and national levels

- To identify some opportunities for AC-reform   -

# What are we trying to do?

Donors engagement in anti-corruption

International initiatives

International anti-corruption conventions
Money laundering, asset recovery, judicial cooperation
Donor home country initiatives – private sector, e.g.

Partner country integrity systems

Support to governance, accountability, transparency &
anti-corruption initiatives
of government, parliaments, civil society, private sector

Interface: donor funds – partner country implementation

Public finance management system strengthening
Procurement, evaluation, auditing strengthening
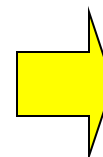Participation, external oversight & scrutiny

Donor agency level

Ethics management & internal integrity
Codes of conduct, complaints mechanisms, whistle blower
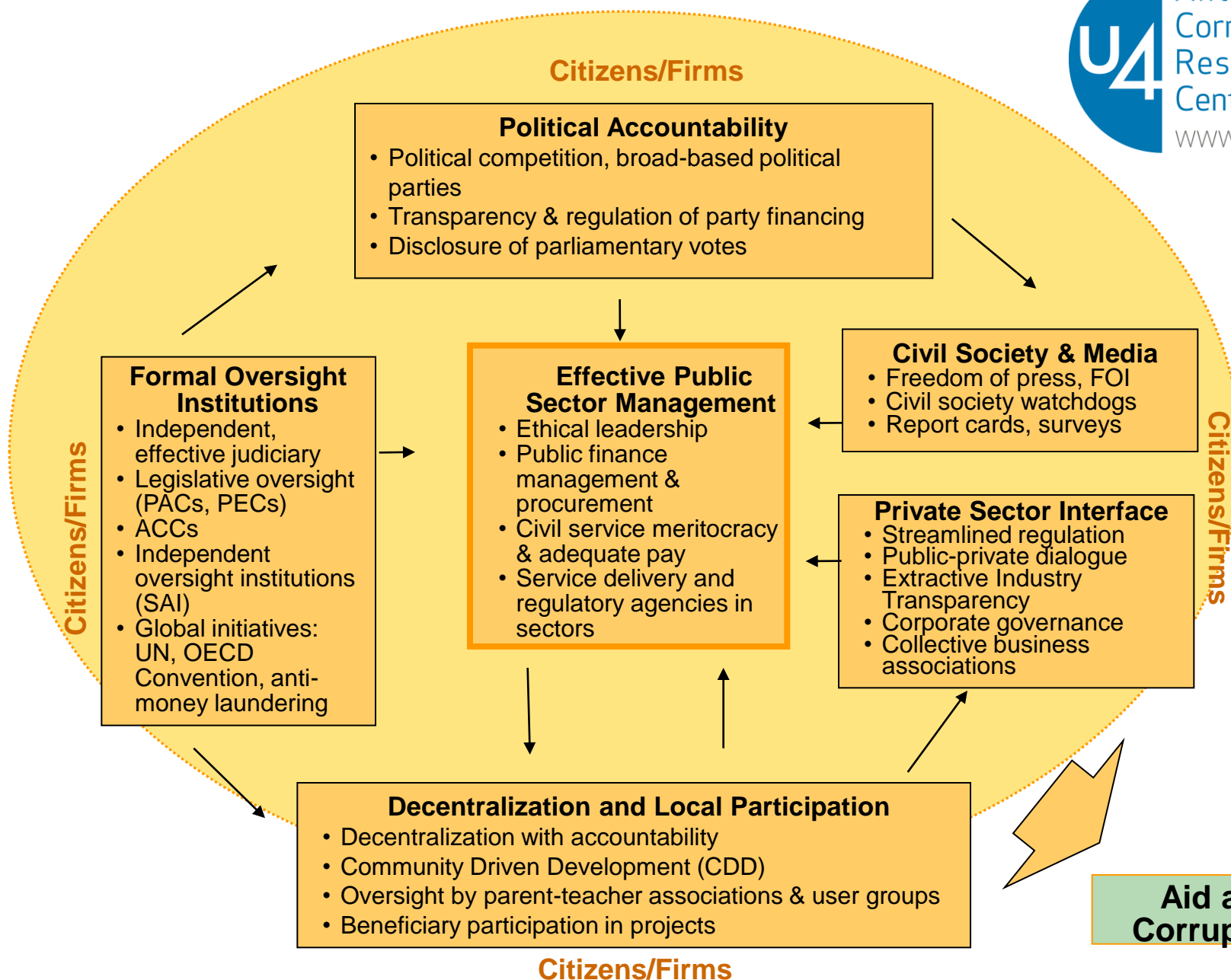Disclosure policies & information management
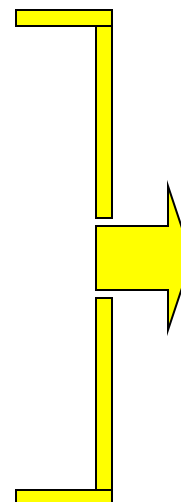
Missing:

Do-no-harm to include corruption

Assess impact of donor interventions for impact on corruption

Apparently missing:

Greater consistency with practice what is preached

Anti-Corruption Resource Centre
U4
www.U4.no

Citizens/Firms

Political Accountability
- Political competition, broad-based political parties
- Transparency & regulation of party financing
- Disclosure of parliamentary votes

Formal Oversight Institutions
- Independent, effective judiciary
- Legislative oversight (PACs, PECs)
- ACCs
- Independent oversight institutions (SAI)
- Global initiatives: UN, OECD Convention, anti-money laundering

Effective Public Sector Management
- Ethical leadership
- Public finance management & procurement
- Civil service meritocracy & adequate pay
- Service delivery and regulatory agencies in sectors

Civil Society & Media
- Freedom of press, FOI
- Civil society watchdogs
- Report cards, surveys

Private Sector Interface
- Streamlined regulation
- Public-private dialogue
- Extractive Industry Transparency
- Corporate governance
- Collective business associations

Decentralization and Local Participation
- Decentralization with accountability
- Community Driven Development (CDD)
- Oversight by parent-teacher associations & user groups
- Beneficiary participation in projects

Citizens/Firms

Citizens/Firms

Citizens/Firms

Aid and Corruption

Thinking like economists and lawyers :

- **Reduce number of transactions vulnerable to corruption**
  - Reduce public sector size, liberalize financial sector, competition for service provision

- **Reduce gains from corrupt transactions**
  - Raise public sector wages, scale down individual projects

- **Increase probability of being caught**
  - Asset declaration, investigative journalism, protection of whistle blowers, financial management, civil society watchdogs, judicial inependence, budget transparency, Supreme Audit Institutions and Anti-Corruption Agencies

- **Increase magnitude of penalties**
  - Bureaucratic penalties, prosecution

<u>Current objectives:</u> efficiency, transparency, accountability, and integrity

Current anti-corruption thinkning
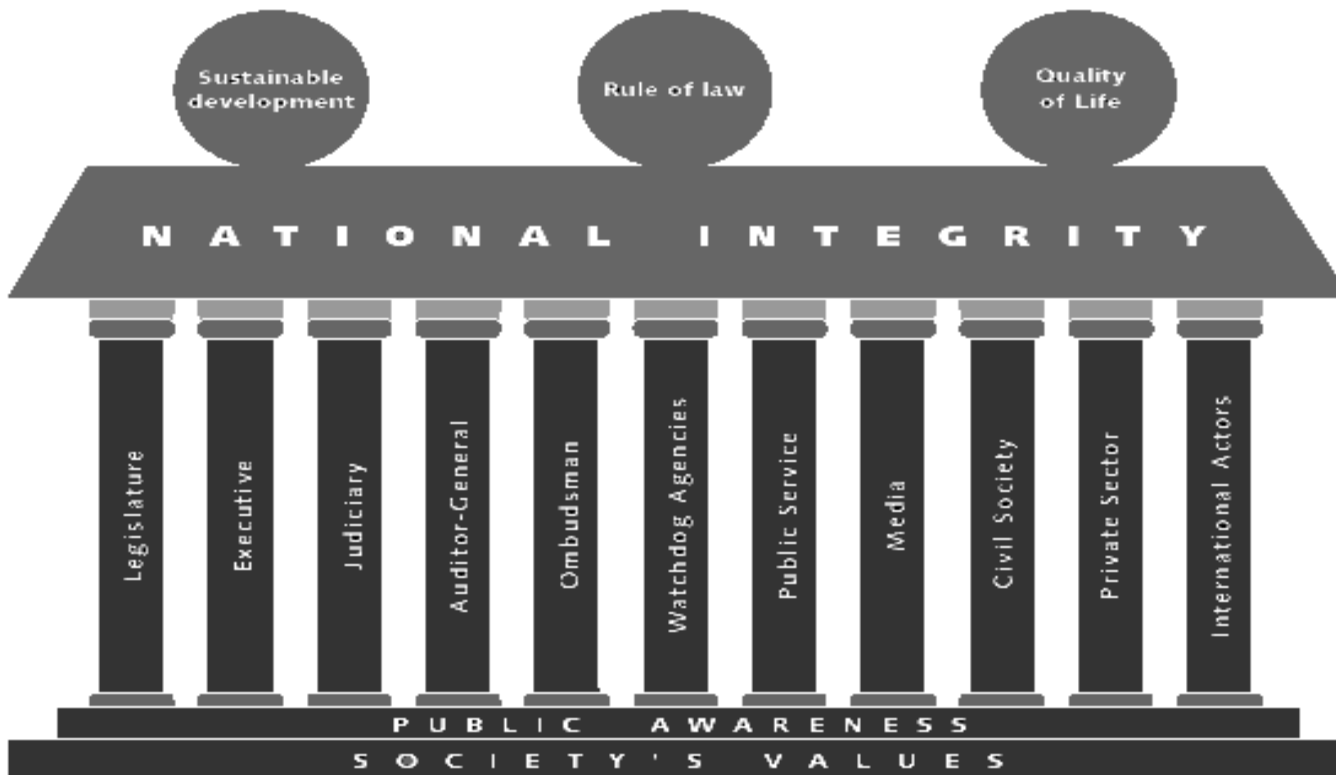
Current anti-corruption thinking

1) An anti corruption strategy which covers all the said integrity "pillars" of the country, combined with an awareness raising campaign in order for the population to back the effort.

The alternative?

2) A strategy which prioritises 1/2 key corruption risk areas (e.g. military, customs, police, construction, natural resources, health).

Contested Notions

- Law enforcement <=> prevention

- Explicit <=> implicit

- The public must be sensitized and convinced that corruption is evil **<=>** real changes in the public's daily lives will make a difference on their actions and beliefs

Contested Notions

- Anti corruption can destabilise a government <=> corruption can destabilise a state

- Technical solutions have a greater chance of succeeding <=> corruption is a political problem and demands political solutions

- High level political will is an absolute pre condition for success (of an AC strategy) **<=>** an analysis of the context, of competition, of incentives

The rise of an effective AC-reform agenda?

# Interventions and policies Implemented with no Supportive Evidence of Efficacy

Type of reform
1. Raise awareness of public through seminars
2. Raise awareness of public officials through seminars and training
3. Establish anti-corruption agencies
4. Appoint a enlightened leader
5. Raise public sector wages
6. Reduce wage compression
7. Fry a big fish
8. Zero tolerance policy
9. Free elections
10. Policy conditionality

Some effects of AC-reform

- Perceived progress
  - International legal framework (conventions)
  - International corruption more in limelight
  - Formal legal and institutional reforms
  - Awareness and knowledge has deepened
  - Multiple stakeholders involved → no taboo

- Pitfalls
  - Context matters, but…
  - Politics matter, but...
  - Little focus on behavioural change
  - Lack of linkage: prevention and enforcement
  - Lack of matching awareness with capacity
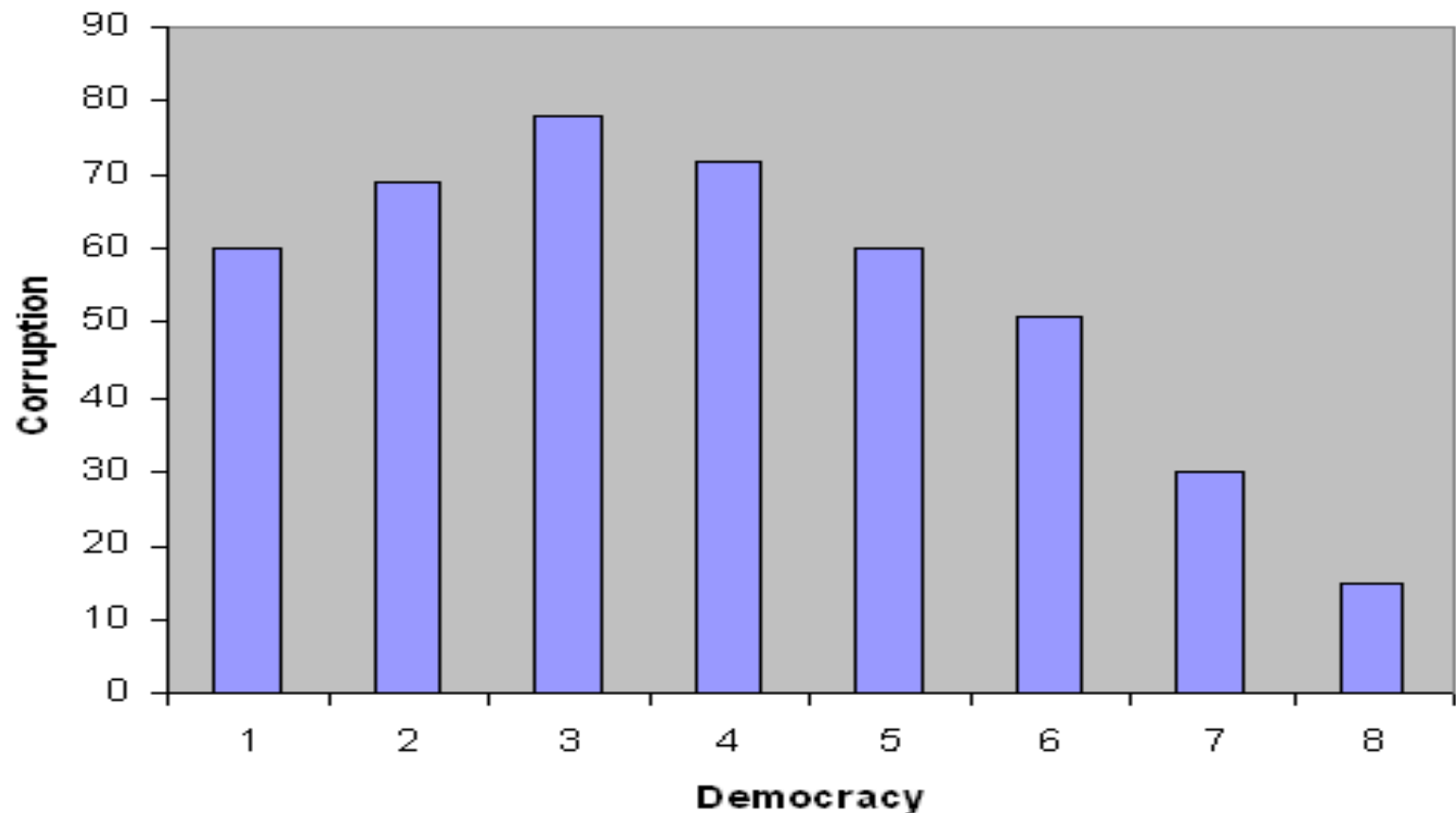
Status from a generation of AC reform

Changes in control of corruption in selected countries, 1996–2005
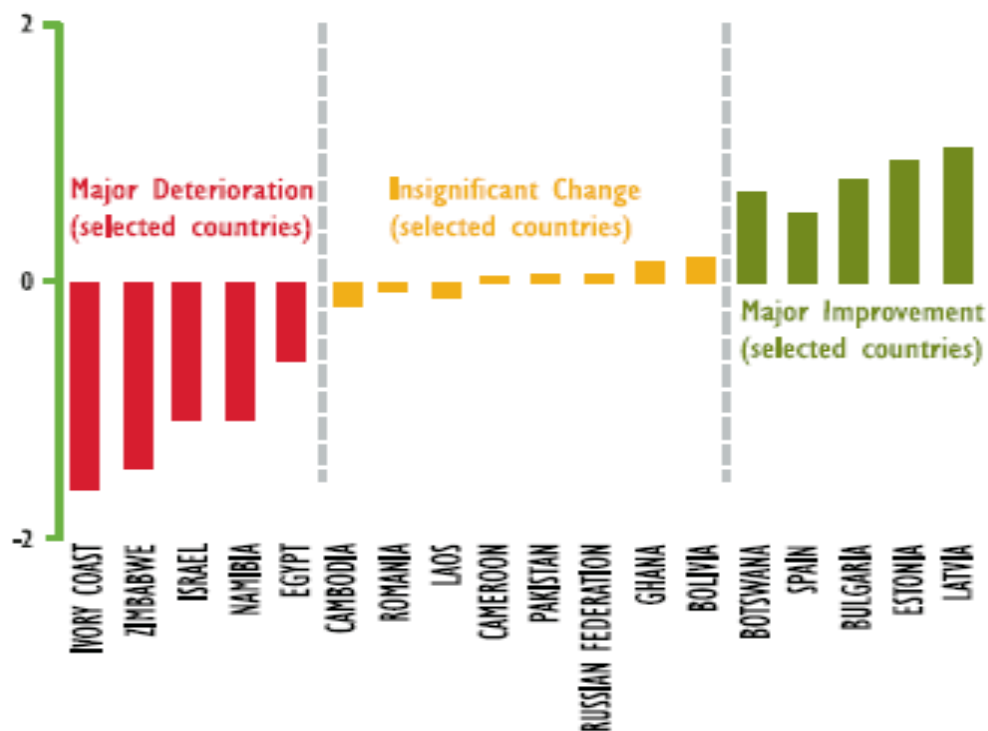
Why are we failing?

Our partners: incentives for change

What counties do not want:

- Industry-specific transparency initiatives that help reduce the risks of the "resource curse" (publishing oil company contracts, for example)

- Political finance – introduction of disclosure systems for political party finance, governance reform

- Independent monitoring of large procurement/concession awards

Traditional critiques of donor approaches:

- Weak accountability of donors to partners, poor coordination

- Interventionist

- Too little attention on the "supply side" – developed country firms

- Corruption perceived as a generic problem – recommendations vary little from one society to another

- Approaches imposed from outside – lack of local ownership

Technical assistance – aim:

effective and sustainable transfers of knowledge and skills to recipient countries

- Much is need, but increasingly contested:

    – Difficult to measure success

    – Tied to donor country, making it expensive!

        - Difficult to quantify, up to 50% of all aid

    – "No exit in sight - consultants just keep coming"

    – TA supply driven, weakly coordinated and aligned

Source: Bryane Michael
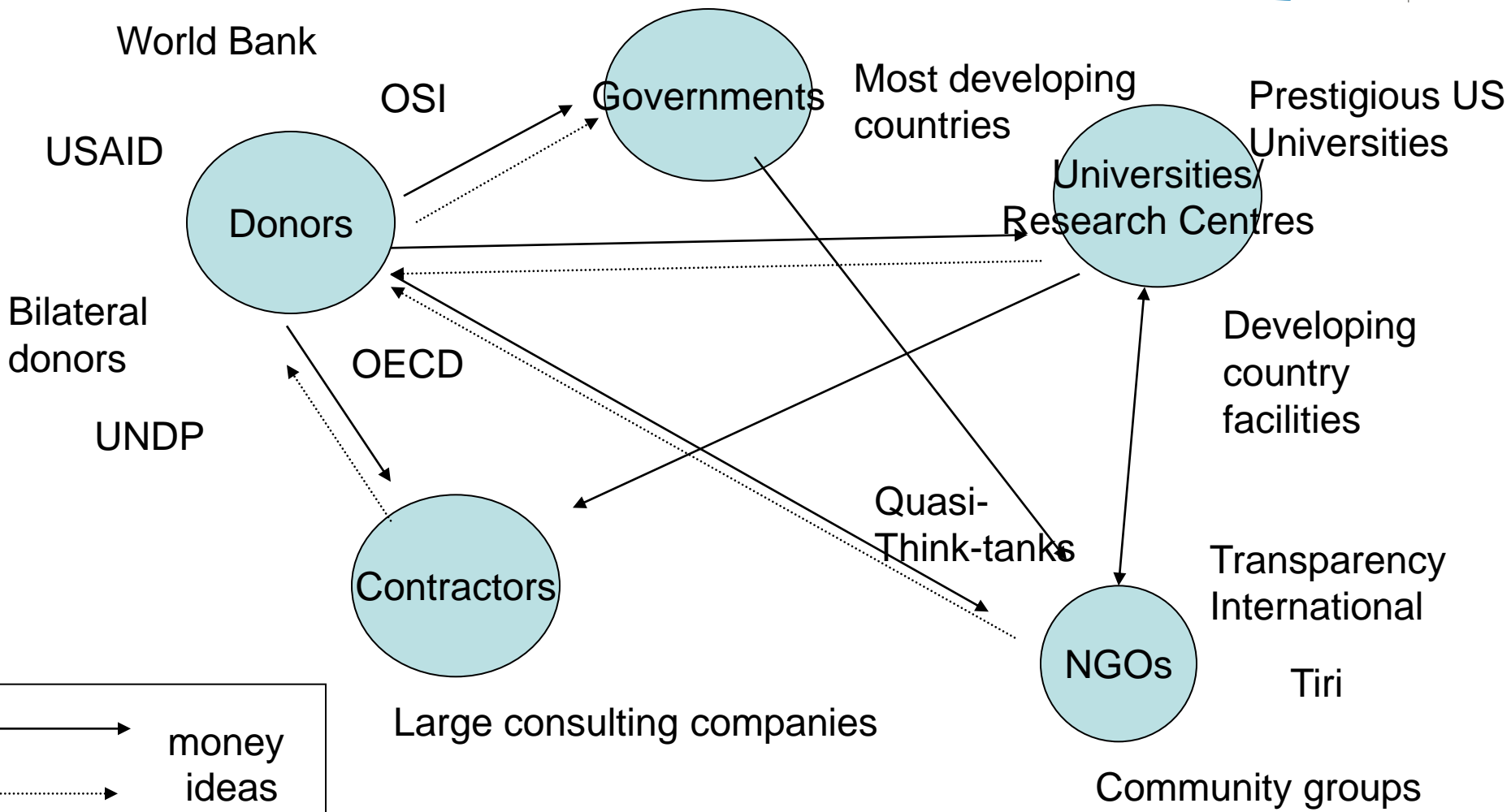
The assumption:

If it works for us, it'll work for you

Countries can quickly be modernized and rationalized

The experience:

Not understanding that the root cauces of corruption is unique to every country, sector and institution – has a consequence".

Getting it right on the donor side

"There are limits to how far outsiders can really understand how another country and society work."

- – Locally accepted versus unaccepted practice?
- – Petty corruption part of grand systemic corruption?
- – Interplay of formal and informal institutions
- – Incentives for reform?

How to empower the recipient side

Goal:

- To build local capabilities for developmet research and policy-making

  – Independent and well resourced indigiounous knowledge centres of high calibre on anti-corruption

  – Promote South-South research and collaboration on anti-corruption

What Can we Learn for Future Efforts?

- Avoid "simple" import of prescriptive models from elsewhere

- Need for long-term approaches and engagement
  - Identify plausible partners
  - Focus on building trust and long term partnership

- Indirect measures are often best for AC – integrity….

- Focus needs to shift away from adoption of new laws and regulations to implementation.

  - responsive to incentives (rewards/sanctions) for compliance

Possible entry points

- Supply side issues → to be credible
  - Influence policies of home government institutions and private sector
  - Donors need to lead by example → donor integrity, donor transparency

- Be strategic and opportunistic
  - Many entry points for reform
  - Develop strategic approach
  - Identify most damaging forms of corruption - systemic or not, networks, winners and losers
  - Layer integrity and anti-corruption dimensions into relevant key/core reforms and programmes
  - Create islands of integrity – Customs? Or the health sector?

- Entry point might be bottom-up participatory reform, such as community-driven development.

  - Build in strong local accountability/transparency mechanisms – bring people in
  - Partnerships with non-state actors – but make them domestically accountable

Possible enty points

- Improvement of monitoring, evaluation and lessons learned

  – Practitioner friendly research – local perspectives, attitudes, what is there

  – Gather more information on strategic opportunities rather than corruption or governance 'problems'

  – Synthesize and analyze country level AC reform experience, incl. comparative studies

  – Share and publish results of monitoring and evaluation → transparency

- Support to economic diversification – strengthening small and medium-sized enterprises, promoting business associations, etc.

What to do?

- Road was 30% narrower than specifications

- No road surfacing, contrary to specifications

- Contractor was paid in full

AC fighter – realistic and fearless

WHAT MATTERS MOST IS HOW YOU SEE YOURSELF.