

ANTI-CORRUPTION HELPDESK

PROVIDING ON-DEMAND RESEARCH TO HELP FIGHT CORRUPTION

DONOR ACCOUNTABILITY MECHANISMS TO CURB CORRUPTION IN AID

QUERY

We would like to have an overview of donor accountability mechanisms, including donor requirements for recipient countries. Please also provide us with examples of cases of corruption in development cooperation, if possible on environment, climate change, citizen security and counter-narcotics issues in the Latin America and Caribbean region.

PURPOSE

This would feed into our work on increasing donor and recipient aid accountability measures in the region.

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Author(s)

Samira Lindner, Transparency International,
tihelpdesk@transparency.org

Reviewer(s)

Marie Chêne, Dieter Zinnbauer, PhD, Transparency International

Date

11 July 2014

SUMMARY

There is a broad consensus and reported evidence that corruption can undermine the effectiveness of aid. Public information on specific corruption cases in the areas of citizen security and counter-narcotics is limited, but cases from other sectors illustrate and document the forms of corruption in development aid.

The anti-corruption approach of aid donors has several dimensions. It includes putting in place internal integrity management systems, supporting anti-corruption efforts in recipient countries and implementing mechanisms to safeguard aid. The latter mechanisms can be divided into prevention, detection and investigation, as well as sanctioning activities. For prevention, donors carry out risk assessments (including fiduciary risk assessments), establish due diligence processes, and implement guidelines on transparency and oversight of funds. To aid detection and investigation, donors have installed complaint mechanisms, carried out audits, and encouraged participatory and third-party monitoring. Sanctions used by donors include reprimands, debarment and cross-debarment.

There are also mechanisms that donors can require of recipients to achieve greater accountability for the use of aid. At times contested since they may raise concerns about undue conditionality, the types of requirements that are commonly required of recipient countries are: inserting anti-corruption clauses into development agreements, setting provisions for transparency, accountability and anti-corruption, and improving public financial management.

1. CORRUPTION IN AID IN LATIN AMERICA AND THE CARRIBEAN

There is a broad consensus that corruption can undermine the effectiveness of aid. When aid funds are siphoned off into private pockets, it directly reduces the opportunities for development. Moreover, when the process of giving and receiving aid is done in an opaque and unaccountable manner, funds are more likely to go astray through corruption and mismanagement.

Cases of corruption

Beyond anecdotal evidence, there is little systematic, publicly available information on corruption affecting aid as the comprehensive public disclosure of incidences of corruption is not a widespread practice among donors (Chêne 2013a).

However, reports from some donors indicate that cases involving corrupt practices in aid are not rare. For example, in the financial year 2013, the World Bank's Integrity Vice Presidency (INT) unit received 449 complaints from 90 countries, of which 89 were opened as new cases (World Bank 2014). The most predominant sectors which these cases pertained to were transport (20), health, nutrition and population (17), water (15), agriculture and rural development (12), public sector governance (9), and energy and mining (7). With regard to the types of irregularities reported to donors, the European Investment Bank's (EIB) 2012 annual report lists conflicts of interest, money laundering, procurement fraud, misuse of funds, collusion, corruption, scams and internal misconduct (EIB 2013).

This situation also applies to Latin America and the Caribbean region. The aforementioned INT 2013 report revealed that 10 of the 89 newly opened cases were from the Latin American and Caribbean region (World Bank 2014). The Inter-American Development Bank's (IDB) annual reports also record a sizeable number of complaints about corruption. The bank's integrity unit, the Office of Institutional Integrity (OII), registered 127 new complaints in both 2012 and 2013, compared to 104 new complaints in 2011 (IDB 2014, 2013, 2012).

Accessing information on individual corruption cases in different sectors in the region of Latin America and

the Caribbean has also been challenging. No detailed, verifiable and publicly accessible information on a specific corruption case involving aid in citizen security and counter-narcotics was found. This may be because these areas involve a politically sensitive subject-matter with potential reputational risks as well as risks to project feasibility (IDB 2014). This is why this answer provides examples of a few other cases, predominantly taken from redacted reports by INT, involving corruption in other sectors as an illustration of the type of corruption that can occur involving aid funds.

Corruption in procurement

Based on reports from donors, procurement processes are one of the most common areas in which cases of corruption can occur. Often, they involve issues such as collusion in the bidding process, falsifying bid documentation or bribery in the awarding of contracts.

Bolivia

A 2011 report by INT revealed the corruption that occurred under the World Bank-funded Bolivia Land Administration Project (World Bank 2011). The purpose of the programme was to improve the efficiency and transparency of the country's land administration system and to promote a more suitable use of the country's resources. It was financed by a credit of approximately US\$20 million and a subsequent US\$6 million in supplemental financing.

INT found that the company that won the bid falsified its bidding information and submitted fraudulent documents with its bid in order to qualify for the award. It also found evidence that the bidding process was manipulated to favour the company. As a result, INT initiated sanctions proceedings against the company and its owner, which included a debarment for a period of four years.

Honduras

In 2006, the World Bank investigated the procurement processes of three of its financed projects in Honduras: the Land Administration Project (PATH), the Forests and Rural Productivity Project (PBPR), and the Rural Land Management Project

(PAAR) (World Bank 2008). The projects had been financed with a credit of around US\$20 to US\$34 million each. INT found evidence that officials managing the project and some contractors engaged in a scheme of collusion, contract steering and misrepresentation in the award and implementation of contracts financed under these projects.

The investigation found evidence that the officials in question awarded 15 out of 18 contracts to three companies controlled by two individuals. Moreover, INT found evidence that the procurement documents were either fabricated or the officials knowingly accepted fictitious quotes to create the appearance that these contracts were awarded as the result of competitive processes.

Dominican Republic

The government of the Dominican Republic, in collaboration with the World Bank, established a distance learning centre – under the Global Distance Learning Network project – in the country's capital to provide training for middle- and top-level managers in public and private sector organisations in the Dominican Republic (World Bank 2005). The project was financed by a US\$3.43 million World Bank loan from 2001 to 2005.

In 2005, INT received information of allegations of manipulation in the award of contracts, including overpricing, poor execution and payments for services never provided. While INT was unable to substantiate some of the claims, INT did find that the hired consultant subcontracted four World Bank-financed contracts to a relative of the consultant in violation of his contractual obligations.

Misuse of funds

The misuse of aid funds is another type of corruption that is featured in donor reports.

Guatemala

In 2001, the World Bank had approved a US\$11 million grant involving Guatemala, Belize, Honduras and Mexico to finance a marine ecosystem protection project. Following a complaint, INT commenced an investigation into allegations of misuse of the funds in Guatemala (World Bank 2012b). INT found evidence that a staff member was spending excessive funds

on travel and had conflicts of interest with certain vendors and fund recipients.

Moreover, INT found that the project's financial management and internal controls had functioned ineffectively for many years. Although INT intended to conduct a post-mortem forensic audit of the project's expenditures, INT was unable to gain access to the necessary supporting documents and records, which limited the scope of its investigation.

Peru

The area of climate change¹ and how developing countries adapt to its effects is an increasingly important topic on the development agenda. The sums of aid and donor finance required to meet climate change obligations have the potential to overwhelm the existing aid system, with significant implications for transparency, accountability and corruption risks (Mulley 2010).

The investigative work of Transparency International's chapter in Peru has revealed a case of misuse of funds in the country surrounding a climate finance programme (Sierra 2013). Peru is believed to be receiving nearly US\$60 million in REDD+² money to prevent deforestation and forest degradation. In 2011, the National Commission for Development and Life without Drugs embarked on a reforestation project covering 5,000 acres of reclaimed land, worth a total of US\$1 million. However, when the chapter visited the area in 2013 to see the results, it found not one acre of reforested land. Inquiries suggest that a supervisor from the commission was complicit in preparing a false evaluation report and allegedly approved the payment of funds. The case is currently being investigated by the local public prosecutor.

Nepotism

Nepotism in making funding decisions can also occur. A case from the Dominican Republic provides an illustration of what shape this can take.

¹ For more on the corruption risks involved in climate finance, see the U4 Helpdesk answer on [mitigating corruption risks in climate finance](#).

² Reducing Emissions from Deforestation and Forest Degradation (REDD) is an effort to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and to invest in low-carbon paths to sustainable development.

Dominican Republic

The Dominican Republic is set to receive US\$37.3 million in international climate aid by 2014 (Transparency International 2012). However, a case from 2012 reveals allegations of political influence in funding decisions around a climate adaptation re-housing project near the Enriquillo Lake (Transparency International 2012).

The lake is the Dominican Republic's largest natural water reserve. But global warming has led to the rapid expansion of the lake, which is now twice its former size, forcing nearby communities to relocate (Transparency International 2012). Although the previous president had promised the families new homes, the local Transparency International chapter received information that friends and families of government members were being relocated while families whose situation was far worse were not considered (Transparency International 2012).

2. DONOR ACCOUNTABILITY MECHANISMS³

Due to the risk of corruption in aid, many donors utilise specific mechanisms to ensure transparency and accountability. Typically, these efforts fall into three broad categories: (i) mechanisms to ensure internal transparency, accountability and integrity; (ii) supporting recipient countries in their anti-corruption efforts; and (iii) safeguards to protect aid from corruption.

Internal integrity management systems

As a matter of good management, one of the key steps for donors in supporting accountability and transparency is to have internal mechanisms and safeguards that promote a culture of integrity. By creating an organisational culture that supports transparency and accountability and encourages all staff to adhere to the highest integrity standards, donors can demonstrate their commitment to anti-corruption.

Most bilateral and multilateral agencies have anti-corruption policies in place for their staff (Chêne 2010c). This often includes the use of codes of conduct, either in the form of agency-specific codes of conduct, like the [German development agency](#), GIZ, or through a code of conduct that applies to all civil servants, like the UK's [Department for International Development](#) (DFID). U4 partners have developed integrity frameworks and codes of conduct promoting ethical principles that are integrated in staff employment contracts (Chêne 2010c).

Codes of conduct are often complemented by training and advisory structures to guide and support staff in their adherence to these codes (Chêne 2010c). The Swedish International Development Agency, for example, has a part-time officer in its department for policy and methods, and a full-time anti-corruption advisor at its legal department to assist agency staff (Fagan and Weth 2010).

In addition, mechanisms such as staff rotation, effective internal complaints mechanisms and whistleblowing protection, complemented with an access to information policy, are also part of internal integrity management (U4 2013). These, in relation to aid safeguards, are discussed in more detail below.

Integrity units within funding bodies are commonly used to implement these mechanisms. An integrity unit can be generally defined as a rather independent internal unit that is "tasked with preventing, detecting and investigating supposed violations (which are often related to fraud or corruption allegations)" (Fagan 2012). The work of integrity units is also further described below.

Supporting anti-corruption efforts in recipient countries

Beyond their own operations, donors can also support transparency and anti-corruption more broadly via their programming and funding. By investing in projects that help foster transparency, accountability and participation, donors can help build local capacity and help combat corruption.

While many donors have focused in the past on stand-alone anti-corruption interventions, the tendency is now to integrate anti-corruption in all

³ For more on donors' anti-corruption strategies, see [here](#). For information on integrity management systems at multilateral development banks specifically, see [here](#).

aspects of their projects (also sometimes referred to as anti-corruption mainstreaming⁴) (U4 2014a). The sectors in which U4 donors most predominantly integrate an anti-corruption perspective are education, health, natural resources, water, security and technology (U4 2014a). The purpose of mainstreaming anti-corruption into sector work is to reduce corruption within a given sector in order to achieve the sector's own policy goals, such as providing services (U4 2014a).

The World Bank published a [guide](#) for its staff on how to incorporate anti-corruption and governance elements into projects, using examples from Country Assistance Strategies in Indonesia and Ghana. The Indonesian strategy, for example, requires all World Bank-assisted projects to devise an anti-corruption plan, assessing inherent risks of corruption in the project and proposing design and supervision mechanisms to mitigate those risks.

Aid safeguards

Most donors have put in place anti-corruption systems and measures to safeguard aid from corruption. These are often incorporated in an anti-corruption strategy, although the form, focus and approaches of an anti-corruption strategy can vary (U4 2014b). The components of risk mitigation systems typically include: (i) prevention; (ii) detection; (iii) and investigation and sanctioning.

Prevention

Prevention helps create a culture of accountability and integrity to stop corruption before it even takes place. It includes initiatives such as “zero tolerance” policies towards corruption, carrying out risk assessments and due diligence, as well as specific guidelines on transparency and oversight.

“Zero tolerance” policies towards corruption

Many donors have adopted some form of a “zero tolerance for corruption” policy to signal a tough stance against corruption. Zero tolerance policies are those that “punish all offenses severely, no matter how minor” (Skiba and Peterson 1999). Such policies

signal a commitment to investigate, prosecute and punish all instances of corruption, regardless of severity (U4 2014b).

These also require a clear definition of sanctionable practices to promote a common understanding (Chêne 2010c). For example, [harmonised definitions](#) of corrupt practices are used by all of the International Financial Institutions (EIB 2013).

The benefit of such policies is that they are argued to have a preventative effect and set the tone from the top (U4 2014b). However, reports show that the implementation of a zero tolerance policy is often fraught with difficulties. Staff may be unclear about how to apply it in practice. Resource and capacity limitations hamper its full operationalisation (U4 2014b). As a result, experts suggest using zero tolerance policies for signalling a clear ambition, while at the same time being realistic and practical on the implementation challenges (U4 2014b).

Transparency and oversight

Donor agencies are also guided by a set of guidelines and policies on the issues of disclosure and oversight.

There is a broad consensus that effective information management, including improved transparency, information disclosure and access to information is a prerequisite for promoting accountability and transparency. By making aid transparent, stakeholders can see how much aid is provided, what it is being spent on and what it aims to achieve. This helps to ensure that aid is used effectively.

The OECD Development Assistance Committee (DAC) works as a key forum for international action on aid transparency. The DAC's Creditor Reporting System is currently one of the most comprehensive sources of information about aid flows, and requires donors to report using common standards (Mulley 2010). Nevertheless, perceived weaknesses in the DAC system made the multi-stakeholder [International Aid Transparency Initiative](#) (IATI) become the most promising current initiative for setting important standards for the disclosure of information about aid flows (Mulley 2010). However, some new donors, such as those from emerging markets, operate

⁴ For more on mainstreaming anti-corruption within donor agencies, see [this Helpdesk answer](#).

outside the traditional donor forums and often do not provide official aid data according to international standards and on an annual basis (Dornsife 2013).

In the area of oversight and participatory oversight, the World Bank's Anti-Corruption Strategy, for example, includes policies to strengthen supervision and oversight mechanisms, ensuring timely disclosure of project information and giving voice to beneficiaries using tools such as beneficiary surveys and citizen score cards (World Bank 2012a).

Risk assessments at country, sector and project level

One common practice to prevent corruption involves carrying out rigorous risk assessments that analyse the corruption risks within a country, sector and project.

There are a variety of tools donors can use to carry out these types of risk assessments. For example, the [World Bank Group's Governance and Anti-Corruption Programme](#) has developed diagnostic tools that help gather information about vulnerabilities within a country's institutions. Other World Bank analytical tools include [Public Expenditure Reviews](#), the [Country Financial Accountability Assessments](#), the [Country Procurement Assessment Reports](#), and the [Country Policy and Institutional Assessment](#).

In relation to the practice of budget support, donors are also increasingly carrying out fiduciary risk assessments to determine the quality of the recipient country's public financial management system (Chêne 2010a). The pioneer in this field is DFID and its [fiduciary risk assessments](#) (FRA), which are used to determine how their projects can drive improvements.

In recent years, donors have strengthened their collaboration on assessing public financial management performance. Within this framework, a Public Expenditure and Financial Accountability (PEFA) working group supported by the World Bank and the IMF has developed a harmonised framework for assessing budget performance, transparency of the budget formation process, audit reports and other budget related practices known as the [PEFA PFM Measurement Framework](#).

Due diligence

Some donors also scrutinise local contractors and companies. A consortium of multilateral development banks (the African Development Bank [AfDB], Asian Development Bank [ADB], European Bank for Reconstruction and Development [EBRD], European Investment Bank [EIB], IIMF, IDB and the World Bank) have agreed on a set of [integrity due diligence principles](#) in its private sector lending and investment decisions (IFI Anti-Corruption Task Force 2006).

For example, as part of the due diligence process, the EBRD is responsible for: verifying whether applicants have been convicted or are under investigation for serious crimes or appear on a sanctions list of other institutions; verifying whether applicants were/are involved in civil litigations which include allegations of financial misconduct; establishing procedures to ensure identification of beneficial ownership ("know your customer" procedures); and monitoring integrity risks through portfolio management (EBRD 2009).

Detection

In order to detect breaches of integrity, donors have implemented a variety of mechanisms. This includes: (i) complaint mechanisms, (ii) audits and (iii) participation/third-party monitoring.

Complaint mechanisms

Through internal complaint mechanisms, staff can be encouraged to proactively disclose and report cases of corruption.

A review of practices at multilateral development banks revealed that most banks have established a complaint mechanism (Chêne 2010b). Through these complaint mechanisms, any person who has knowledge of alleged corruption involving bank-supported activities is entitled to report that information through secure channels. These complaints are normally handled by the banks' respective investigative bodies (Chêne 2010b).

Complaints can usually be filed anonymously. For example, the [AfDB](#) accepts any complaint irrespective of the source, including complaints from anonymous or confidential sources. The [IDB](#) also offers a variety of complaint channels, such as by

mail, in person, online, e-mail, by phone and by fax. A [2013 Helpdesk answer](#) provides an overview of setting up online anti-corruption reporting mechanisms and provides examples.

In order to address the fear of reprisal, many donors, including all multilateral development banks, have whistleblower provisions in place to provide protection against retaliation (Fagan and Weth 2010).

Audits

Complaint mechanisms are normally complemented by audits, both internal and external, and they can also be random. These are often published online on the respective donors' website. For example, [USAID](#) systematically publishes individual project audits, whereas the [IDB](#) and the [ADB](#) provide these in aggregate form. The World Bank's INT publishes [redacted reports](#) based on audits and its own investigation documents.

Participatory and third-party monitoring

In its [Governance and Anti-Corruption \(GAC\) strategy](#), the World Bank states that most anti-corruption programmes with a track record of success focus on increasing transparency of decision making and involving beneficiaries in policy making and oversight. As a result, one of the core principles of the GAC implementation plan is the systematic engagement with a broad range of stakeholders, by strengthening transparency, participation and third-party monitoring of its operations.

The third-party monitoring that is used can vary from media, to parliaments to civil society (Fagan and Weth 2010). Some also engage in participatory approaches such as social audits and public hearings (Fagan and Weth 2010).

Investigation and sanctioning

As mentioned, integrity units are a common practice among donors and are often in charge of uncovering fraud and corrupt practices in financed projects and investigating allegations of possible staff misconduct (Fagan 2012). The World Bank's INT body was one of the pioneers of this approach. Since 1999, INT has investigated and closed nearly 3,000 cases (World

Bank 2013). Other similar initiatives include institutions such as, the EBRD's Chief Compliance Officer, the IDB's Office of Institutional Integrity or the ADB's Integrity Division under the Office of the Auditor General.

In terms of investigative process, most multilateral development banks have adopted common principles and guidelines for investigations that are outlined in the International Financial Institutions (IFIs) Anti-Corruption Task Force's uniform framework for preventing and combating corruption (IFIs Anti-corruption Task Force 2006). These guidelines are based on the principle that all investigations must be thorough, professional and respectful of the parties involved.

Sanctions by multilateral development banks typically include reprimands, conditions imposed on future contracting or debarment which consists of declaring a company or an individual ineligible to participate in future bank supported activities, either for a period of time or permanently.

Some multilateral development banks can refer a corruption case to the appropriate authorities of the member country's government for determination of whether a criminal investigation is appropriate (Fagan and Weth 2010). A list of the World Bank referrals made in the financial years 2010 to 2012 can be found [here](#).

Some donors, such as the [IDB](#), systematically publish lists with debarred individuals and companies. This may also have a deterring effect on future corrupt behaviour. Similarly, some donors have signed cross-debarment agreements, which require donors to notify the others of any debarment decisions. For example, the ADB signed one such agreement in 2010 with the World Bank, the AfDB, the EDB and the IDB (Mungcal 2012).

3. REQUIREMENTS FOR RECIPIENT COUNTRIES

Background

The issue of conditionality

In addition to having their own accountability

mechanisms, some donors may place requirements on recipients to ensure that funds are received and implemented as effectively and transparently as possible. The issue of aid tied to requirements that may run the risk of unduly constraining or interfering with the sovereignty of the recipient countries has received significant attention (Action Aid 2005). Related concerns are particularly salient when aid disbursement is made on the condition of specific policy reforms (often referred to as aid conditionality) (Montinola 2010). Critics argue that badly designed requirements and reforms may focus more on furthering a particular political doctrine or interests of donor countries than on most effectively improving the quality of governance (Action Aid 2005 and 2008).

In addition, the rise of non-traditional donors – such as those from the BRICS countries (Brazil, Russia, India, China and South Africa) – has challenged existing paradigms on aid and aid requirements (Dornsife 2013). What makes these donors unique is that they typically provide conditionality-free aid (Dornsife 2013). Traditional donors are concerned that this may undermine the effectiveness of their existing practices (Mulley 2010).

Moving towards mutual accountability

Many experts in the aid community have pointed to the need for an appropriate mutual accountability framework in aid. Donors have committed themselves to mutual accountability – that is, that donors and partners are both accountable for development results – through commitments such as the [Paris Declaration](#) and to provide recipients with greater ownership over the development process, as embodied in the [Accra Agenda for Action](#).

Nevertheless, donors continue to be seen as having more levers to demand accountability from recipients than vice versa. To balance this asymmetry, new mechanisms are being explored to make donors more accountable to both recipient countries and directly to the intended beneficiaries.

This includes, for example, rating donors according to their effectiveness (Mulley 2010). Publish What You Fund's [Aid Transparency Index](#) assesses the state of aid transparency among the world's major donors and helps to hold them to account.

In addition, organisations like Action Aid are also proposing that recipient governments have more power in determining which type of aid to accept and which to reject (Action Aid 2005).

Channelling aid through NGOs

NGOs have taken on an increasingly prominent role as development assistance implementers in recent years. They are most likely to be called upon when aid is channelled into contexts characterised by weak governance and, at times, pervasive corruption. Fragile and transitional states pose particularly high risk contexts.⁵

As resources are channelled through NGOs, these organisations are expected to demonstrate that they are using their resources in an efficient, accountable and transparent manner. Yet, as “private entities”, NGOs are not subject to the same formal integrity mechanisms that apply to state institutions, including internal or external oversight bodies (Trivunovic et al 2011). In the non-profit sector, accountability is primarily enforced through self-regulatory mechanisms, internal rules and procedures and integration into broader legal frameworks for curbing fraud and corruption. The related self-regulatory mechanisms need to be carefully assessed in terms of their effectiveness in managing corruption risks.

Moreover, the issue of NGO accountability also raises questions of to whom and at what level this accountability is directed. Existing models have been criticised for being too concerned with “upward” accountability to donors rather than “downward” accountability to intended beneficiaries (Featherstone 2013). For more on features of NGO accountability systems [see this Helpdesk answer](#), which provides an overview of the standards and systems of NGO accountability systems and provides some examples.

Inserting anti-corruption clauses in cooperation agreements

Anti-corruption clauses spell out the behaviour expected from those engaging with the respective development agency and send a strong signal with regard to the agency's commitment to fight

⁵ For more on risks for development cooperation in fragile and transitional states, [see this Helpdesk answer](#).

corruption. The introduction of anti-corruption clauses in cooperation agreements has been promoted as a means to integrate corruption into the dialogue with partner countries as well as other cooperation partners (Martini 2013). The OECD-DAC has recommended that all DAC members explicitly insert anti-corruption clauses into financial cooperation loans, and financing and technical cooperation agreements.

Many donors utilise the same clause for technical assistance, grant-schemes and contribution agreements, irrespective of the levels of corruption in the beneficiary country (Martini 2013). In highly corrupt environments, however, these clauses are often accompanied by other mechanisms such as corruption risk assessments and integrity due diligence processes (as described above). In addition, these anti-corruption clauses are often accompanied by pre-determined sanctions and other internal and external control mechanisms (Martini 2013).

It has been argued that anti-corruption clauses can be most effective when they prescribe specific actions and be accompanied by other mechanisms aimed at enhancing integrity, including (Martini 2013):

- Measures to monitor the use of funds
- Clear and pre-defined sanctions
- Complaint mechanisms and whistleblower protection

Requiring transparency, accountability, and anti-corruption

The information that a recipient country has on aid is often very poor (Moon and Williamson 2010). Poor information on aid means that recipient governments must make budgetary decisions based on partial information, undermining the entire budget cycle (Moon and Williamson 2010).

One of the potential ways that countries could improve national monitoring of the in- and outflows of aid is through the establishment of centralised cooperation agencies (for a list of cooperation agencies in South America, see [here](#)). For example, in Ecuador, the [Technical Secretary of International Cooperation](#) is a public body that is responsible for

negotiating, managing and coordinating the international cooperation that Ecuador receives. It plans and implements policies, strategies and agreements, and monitors and evaluates the implementation of aid in Ecuador. Similarly, the Colombian cooperation agency, the [Presidential Agency of International Cooperation](#), created in 2011, manages and coordinates the aid it both gives and receives. However, there is no assessment on whether establishing such an agency has a measurable impact on improving transparency and monitoring.

In the area of procurement, many donors also require transparency, as well as competitive biddings with specific anti-corruption provisions in procurement processes (Chêne 2010b). The IDB, for example, published in 2011 a comprehensive [policy on the procurement of goods and works](#) for IDB-financed projects, which emphasises the importance of transparency in the procurement process. The policy also provides a standard anti-corruption provision that fund recipients can insert into bid forms. Similarly, Action Aid has proposed that donors should agree on a set of minimum mutual commitments with recipients that could include ratification of the UN Convention against Corruption (Action Aid 2005).

Many donors are also focusing on the area of participatory accountability. Experts have argued that donors should encourage recipients to actively involve domestic interest groups in dialogue on concrete corruption cases (De Vibe et al. 2013). For example, donors can encourage governments to share audit reports with parliaments, allowing civil society to participate in discussions of the cases and to monitor the follow up (De Vibe et al 2013).

Requirements for sanctioning processes

Appropriate mechanisms also need to be in place for sanctioning the misuse of development resources. There is a consensus that detected cases of internal corruption need to be appropriately investigated and sanctioned, such as through a credible and fair system of internal disciplinary measures.

A 2009 corruption case involving aid in Zambia provides an insight into the type of activity required of

recipients by donors following a corruption scandal. In 2009 it was revealed that from 2006 to 2009, US\$7.7 million in the Ministry of Health's budget could not be accounted for (De Vibe et al. 2013). This was due to a large corruption scam involving per diem payments for high-level government officials on training courses and workshops that did not take place. The money that was lost included money from basket funds and budget support provided by donors. As a result, the involved donors and the Zambian government agreed to and signed the Governance Action Plan, which required a number of actions by the government, such as: the repayment of any stolen donor funds; financial, systems and procurement audits of the Ministry of Health; and the prosecution of the officials involved. However, due to issues of political will and lack of coordination and cooperation between different arms of government, there was a substantial delay and the final verification was not concluded until 2012.

Improving public financial management

A country's sound public financial management system is particularly important for general budget support. Relying on country systems and procedures raises questions regarding the robustness of such systems and their capacity to avoid corruption and also deliver on objectives (De Renzio 2006).

For example, there have been some concerns about the auditing processes of the public financial management system in Tanzania. Jansen (2009) argues that one of the reasons that the Norwegian aid agency did not discover how much money was mismanaged by the recipient is because they trusted the ministry's own auditing system.

As such, some donors link budget support disbursements to improvements in public financial management systems (Renzio 2006). DFID's FRA is mandatory for all recipient countries and feeds into country programme planning processes. Based on this assessment, DFID balances risks against potential development benefits. Where risks cannot be mitigated satisfactorily, the agency recommends avoiding general budget support (DFID 2011). Approaches to managing identified risks can include capacity building initiatives, provision of additional safeguards, requirement for actions to be taken by the recipient country prior to the provision of budget

support, as well as agreement on the course of action that will be taken in cases of non-performance and joint interventions with other donors (DFID 2011).

Nevertheless, studies on the successes of such reforms have had mixed results (De Renzio 2006). Some studies have pointed to flows in the design of donor-supported public financial management reform programmes, which give too much attention to complex technical solutions rather than addressing constraints in terms of capacity, incentives and political economy factors (De Renzio 2006). A more comprehensive approach that takes into account political and governance factors is therefore needed.

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