

# U4 Expert Answer



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## Influencing governments on anti-corruption using non-aid means

### Query

**What are the methods of influencing governments in anti-corruption strategies using non-aid means (e.g. diplomatic, reputational, economic)? Where has the influence been effective, and what lessons have been learned about the effective methods?**

### Content

1. Political conditionality
2. Diplomatic approaches
3. International and regional instruments and initiatives
4. Reputational measures
5. References

### Caveat

The literature on the means used to influence governments to undertake anti-corruption reforms is scarce. This answer draws on reports and studies targeted at broader governance reforms, sanctioning human rights abuses or supporting democratisation processes.

### Summary

There are various ways to influence governments to advance anti-corruption and governance reforms using non-aid means that have been used in the past with varying degrees of success. In recent years, the international community has moved beyond classical tools such as aid conditionality to include positive and negative measures across different policy areas, including trade, security, climate, energy and foreign policy. These tools typically take the form of economic sanctions or benefits applied to these policy areas to incentivise the desired policy change. There is an emerging trend of using approaches targeted at selected sectors or high-profile individuals instead of country-based programmes to avoid causing collateral damage to ordinary citizens.

Due to the transnational nature of corruption, donor countries can also lead by example by ensuring that strong anti-corruption safeguards and policies are in place and by providing leadership in the fight against corruption through the application of global anti-corruption

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instruments at home. Combating money laundering, closing the legal loopholes that facilitate tax evasion and illicit financial flows from developing countries, and facilitating the recovery and repatriation of assets lost due to corruption are also tools with significant potential to help curb corruption abroad.

International instruments and mechanisms can also be used to advance the global anti-corruption agenda by incentivising recipient countries to ratify international conventions or take part in international initiative such as the Extractive Industries Transparency Initiative (EITI) and the Open Government Partnership (OGP) that have been successful in setting global norms of transparency.

In a global, interdependent world, reputation can also be a powerful resource to motivate political actors to care for the fight against corruption through the publication of country rankings according to their performance in anti-corruption or through international shaming campaigns.

## 1. Political conditionality

### Introduction: the limits of aid conditionality

How can external actors, such as the donor community, influence governments to advance governance and anti-corruption reforms? Since the end of the cold war, democratic governance has been high on the international community's agenda. Political conditionality, mainly in the form of aid sanctions or suspensions, has been a key instrument for the promotion of good governance.

Initially, conditionality primarily took the form of negative measures. Donor governments exercised pressure on recipient countries by threatening to terminate aid or actually terminating it or reducing it if certain conditions were not met. In recent years, however, such approaches have taken the form of "positive conditionality", which uses a strategy of "reinforcement by reward", where recipient countries obtain certain benefits contingent to the fulfilment of pre-determined conditions. This is the case in aid selectivity strategies used by the Millennium Challenge Corporation, which select beneficiary countries based on their performance on independent and transparent policy indicators that include corruption (Koch 2015).

The effectiveness of such approaches for imposing political change on aid recipient countries is debated, and aid suspensions for high-level corruption and economic mismanagement have not been systematically analysed in the literature (Fisher 2015). Some authors suggest that convincing/forcing political leaders to adopt reform is unlikely to yield the expected results if they do not genuinely believe in the content and benefits of the reform and develop a strong sense of ownership.

The limits of using aid conditionality and donor-imposed objectives has been documented in the literature using the experiences the World Bank and the International Monetary Fund have had with structural adjustment, with many examples of government officials nominally in agreement with the reform objectives but ultimately lacking the political will to implement the reforms (Brinkerhoff 2007).

In addition, the changing international landscape erodes the value of tying political conditionality to aid. As many low-income countries have moved to middle-income status, they have become less aid-dependant, which has altered the pattern of relations with donor countries. As a result, other external policies, such as trade and investment, climate and energy, are gaining more strategic importance than foreign aid.

The emergence of non-western donors, such as China, also provides recipient countries with alternative aid packages that have few political strings attached. This has also undermined the effectiveness of aid-based means of influence (Koch 2015). For example, EU efforts to promote good governance in sub-Saharan Africa tend to be more successful in countries that are more dependent on EU development assistance, such as Ethiopia, while in resource-rich countries, such as Angola, the EU cannot use aid-dependency as leverage to promote governance reforms. Such an approach is based on a power asymmetry which conflicts with the EU's cooperative approach to development, undermines the legitimacy of EU development cooperation, which is based on principles of partnership and ownership (Borzel and Hackenesch 2013).

However, beyond their instrumental role in forcing reforms, sanctions can have "expressive functions" making a political statement in a given situation. As one of the leading aid donors, especially in sub-Saharan Africa, the UK Department for International Development's

(DFID) use of political conditionality has been increasingly motivated by “expressive” objectives to show recipient governments that it is “acting” in the face of high-profile governance abuse rather than to “instrumental” objective rationales.

However, while such expressive rationales were mainly targeted at the international level, they are increasingly focused more clearly on domestic, British audiences. In fact, interviews with DFID officials suggest that they do not believe that such approaches can force political change on aid recipients but continue to use them as a means of communicating with an increasingly aid-sceptical domestic audience (Fisher 2015).

Against this background, means of influencing governments to adopt specific governance and anti-corruption reforms have moved beyond classic tools of enforcement, such as aid conditionality, to include positive and negative measures across different policy areas such as trade, foreign relations, security, climate and energy (Koch 2015). In these various policy areas, influence can be gained through various tools to foster policy change (Koch 2015):

- 1) ex-ante conditionality whereby a benefit is granted contingent to the fulfilment of the desired political change as a pre-requisite
- 2) ex-post conditionality whereby additional benefits are granted dependent on performance throughout a relationship. In both cases, the leverage mechanism can be both punitive and restrictive (imposing sanctions in the form of reduction, suspension or termination of benefits) or rewarding and incentivising

The aim of these mechanisms is threefold: political conditionality can prompt change in the target state; persuade domestic and international audiences that the sanctioning state is willing to act/deflecting criticism of inaction; and promote a particular international norm (Fisher 2015).

## Economic approaches

### Comprehensive and selective economic sanctions

Economic sanctions aim to apply economic pressure to a target state or entity and can include a wide range of measures, including restrictions on imports and exports, investments or finance (freezing of funds and other economic resources of individuals and entities) (Radu et al. 2015).

Trade sanctions in the form of comprehensive trade or blanket economic embargoes have been used in the past. However, such comprehensive sanctions are widely criticised for their indiscriminate effect on ordinary citizens and the economy. The embargo on Iraq at the beginning of the 1990s, for example, was seen as leading to a humanitarian catastrophe (Portela 2014).

Increasingly, the international community prioritises selective sanctions that affect specific sectors of the economy. They can consist of partial embargoes targeting the import and export of specific commodities, suspension of trade preferences, financial sanctions (such as a ban on investment or the freezing of assets of state enterprises), or even the imposition of a flight ban.

The EU imposed a number of selective economic sanctions on Myanmar in the late 1990s, for example, for severe human rights problems and the absence of significant progress towards an inclusive democratisation process. The economic sanctions included an embargo on arms and military equipment, the suspension of non-humanitarian aid (with the exception of projects supporting human rights, good governance, conflict prevention, etc.), bans on loans, investment, the creation of joint ventures, export of equipment and technology and the import of a number of commodities (timber, metals, precious and semi-precious stones). The sanctions were finally lifted in 2013, but they were perceived as ineffective in terms of moderating the levels of repression by the government or advancing democratisation processes in the country (Portela 2014).

### Impact and lessons learned

The effectiveness of economic sanctions to achieve policy change is limited. While the United States heavily relies on trade-based sanctions, the economic sanctions it imposes are considered to be successful only about a third of the time, partly due to challenges the country faces in obtaining domestic compliance and international cooperation with its sanctioning efforts (Bryan 2014; Hufbauer 2014).

The literature on traditional economic sanctions highlights a number of challenges that limit their effectiveness, especially in the case of comprehensive sanctions (Portela 2014): They can have a damaging impact on democracy as the hardship they cause can be used as a justification for the targeted leadership to strengthen authoritarian rule and restrict civil and

political liberties. They do not always cause the intended damage as targeted countries look for alternative sources of revenue. Moreover, citizens' discontent with sanctions often target the sanctioning state rather than the targeted leadership and people often resent what is perceived as a foreign intrusion in domestic affairs. The impact of sanctions also falls primarily on ordinary citizens in the lower and middle classes, while the targeted leadership often remains untouched.

Another issue is that sanctions tend to isolate the country from the rest of the world, but this isolation often also includes the countries' potential agents of change that would primarily benefit from more exposure. In some cases, complete economic bans not only fail to bring the desired policy change but can also help radicalise the targeted regime (Sayre 2016).

Finally, the impact of sanctions can be severely undermined by the lack of cooperation from other countries, especially a number of non-western countries. Sanctions are greatly undermined when other countries compensate their intended impact on the economic welfare of the sanctioned state via the international trade and aid they provide (Portela 2014; Bryan 2014).

Although not targeted to anti-corruption, the literature on sanctions imposed by institutions such as the EU, UN and OSCE tends to conclude that economic sanctions rarely induce the desired behavioural change and come with serious political and humanitarian costs in the targeted countries, creating unintended consequences.

Economic sanctions can cause extensive damage to the democratic and economic environment of the sanctioned country, creating favourable conditions for corruption to increase (Radu et al. 2015). Empirical evidence from a sample of 73 sanctioned and 60 non-sanctioned countries and corruption data from 1995 to 2012 confirm that countries that have undergone economic sanctions appear to be more corrupt than non-sanctioned countries (Kamali, Mashayekh and Jandaghi 2016).

The literature on economic sanctions provides a few recommendations to improve their effectiveness (Hufbauer 2014). First, sanctions tend to be more effective when they are targeted at "friendly" countries or trading partners that have more to lose in diplomatic and economic terms.

Second, democratic regimes are more responsive to economic pressure than autocratic regimes that can ensure that the damages will affect the powerless parts of the population. Finally, incremental sanctions implemented in a gradual manner may be less effective as they may create a "sanction fatigue" by which pressure to restore normal relations grows as the events triggering the imposition of sanctions fall into oblivion (Portela 2014; Hufbauer 2014).

When designing sanctions, it is important to keep a broad outlook and consider several policy areas. Aid flows, for example, can undermine the effectiveness of trade-base sanctions and vice versa. It is thus important to consider the existence and interplay of various sources of influence in a given country (Koch 2015).

### **Economic incentives: using trade agreements to promote anti-corruption**

Trade agreements can provide important entry points to promote anti-corruption measures. The agreements can be used to promote political and economic reform by having strict conditions for establishing and enforcing anti-corruption laws and ensuring a basic level of political rights and civil liberties (Katulis 2004).

For example, the EU implements a "carrot and stick" strategy to political conditionality in trade policies in which violations of human rights standards can result in the termination of trade preferences. Compliant countries, however, are granted more beneficial conditions. The EU's Global General System of Preferences (GSP), for example, offers more favourable market access to economically vulnerable countries that ratify and implement 27 international conventions relating to human and labour rights, good governance and environmental protection. While in principle such benefits can be withdrawn if these criteria are no longer met, the EU has only used trade sanctions against Burma, Belarus and Sri Lanka (Koch 2015).

Over the last two decades, transparency and anti-corruption requirements have also been increasingly integrated into bilateral and regional trade agreements, either in their preamble, or in specific "horizontal" chapters. This extends transparency obligations to all policy areas covered by the trade agreement.

The US has been a pioneer in this regard and it has become standard practice to integrate anti-

corruption provisions into bilateral trade agreements. This practice is spreading to other countries such as Chile, Canada, Japan and South Korea. The US anti-corruption provisions are considered good practice and cover a number of issues, including (see Jenkins 2017):

- adherence to and implementation of international anti-corruption conventions
- criminalisation of passive and active bribery
- sanctions and procedures to enforce criminal penalties
- where criminal responsibility is not applicable to firms, the existence of dissuasive non-criminal sanctions (such as fine and debarment)
- whistleblower protection

The inclusion of debarment provisions, similar to the multilateral development banks' provisions, could also be considered (Jenkins 2017). A previous Helpdesk answer focusses specifically on anti-corruption provisions in trade agreements and is available [here](#) (Jenkins 2017).

## Membership conditionality

Another possible means of influence includes membership conditionality whereby countries' access to particular institutions or organisations, such as the EU, NATO, G8 or the Council of Europe, is based on certain political conditions (Koch 2015). The EU's promotion of good governance, democracy and human rights is the most documented example of such approaches in the literature.

## EU accession processes

In candidate countries from eastern and central Europe, the EU prioritises a strategy of reinforcement by reward, providing incentives to the country to adopt certain rules and models of governance, using a process of persuasion and learning rather than coercion. Rewards provided to countries consist of assistance and institutional ties, from trade and cooperation agreements to full membership (Schimmelfenning and Sedelmeier 2004). Issues such as judicial reform, public administration, policy-making structures, and the civil service featured prominently in accession negotiations, with strong conditionality imposed on candidate countries, especially Romania and Bulgaria.

Considerable effort and resources have been invested in assisting and monitoring, and the EU created the Mechanism of Cooperation and

Verification as a safeguard against new members' failure to meet their commitments in the areas of corruption and justice (Pippidi 2014).

For countries which are not candidates, the EU adopted an incentivising approach which grants more (non-aid) benefits to countries that introduce and implement more democratic reforms in the course of their relationship with the EU, such as in its Neighbourhood Policy. Such countries are offered the most rewarding aspects of the EU policy in terms of economic integration, mobility of people and greater EU financial assistance (Koch 2015).

## Impact and lessons learned

However, in practice, most of the new central and eastern European member states have made little governance progress in the run-up to accession, and beyond, in spite of the EU's effort to promote good governance. This relative failure is attributed to a number of factors (Pippidi 2014), including: i) the EU has conflicting interests in the neighbouring countries; ii) EU accession policies have not been adjusted to fit local conditions; iii) there are no sufficient incentives for key reform groups; iv) civil society has not been sufficiently involved; and v) there is too much reliance on frontloaded aid.

The effectiveness of using a strategy of reinforcement by reward in achieving policy change depends on a set of factors. This includes the size of the reward – the promise of membership is more powerful than the promise of association or assistance; the speed of the reward – the longer it takes to receive the reward, the lower the incentive to comply; and the credibility of the reward - the promise to deliver the reward in case the desired rule/reform is adopted - and the domestic cost of rule adoption (in the EU, the key condition for success is whether the countries have a credible membership perspective and rule adoption is spelled out in the accession negotiations process) (Schimmelfenning and Sedelmeier 2004).

In Bosnia Herzegovina, for example, progress to meet the EU political conditionality associated with democratic governance, rule of law, human rights, etc., has been slow. As EU accession was a rather distant process, the EU failed to offer some interim achievable goals. In addition, while EU progress reports pointed to a lack of progress, they also failed to translate the lack of progress into intermediate achievable goals or to offer

short-term rewards to incentivise local reforms (Podumljak 2016).

While such a strategy has been highly successful in the short term for formally transposing EU rule into domestic legislation, longer term effectiveness may be more challenging after accession, when the external incentives underpinning such forms of conditionality no longer exist (Schimmelfenning and Sedelmeier 2004).

In the case of Bulgaria, for example, the EU maximised the incentive of EU membership for anti-corruption reform by including tackling corruption among the political criteria for accession. However, in the absence of common anti-corruption standards, no anti-corruption targets were formulated for deliverables along the way. While this triggered some reforms during the accession process, it failed to bring tangible sustainable results as the anti-corruption institutions and strategies adopted through pre-accession pressure are now largely forgotten, and the investigation processes into high-level corruption have since stalled. Reasons given for this outcome include EU's weak understanding of the role of political will, the lack of any monitoring mechanism for tracking progress, and the absence of a plausible mechanism to link assistance during pre-accession to political conditions (Todorov 2008).

Such approaches are also criticised for undermining the democratic process of candidate countries, as EU rule adoption is prioritised by all leaders and parliamentary activity is determined by the accession schedule (Schimmelfenning and Sedelmeier 2004).

A critical condition for the success of such approaches also lies in the legitimacy and domestic support for those political reforms. For example, EU pressure for anti-corruption helped reduce corruption in Georgia but not Armenia. Some authors argue that the contributing factor in Georgia was the sustained domestic mobilisation for anti-corruption which built pressure on the political elite from below (Borzel and Van Hullen 2014).

Similarly, case studies of Ukraine and Georgia also conclude that neither political conditionality nor financial assistance are sufficient for effective anti-corruption reforms. Anti-corruption progress depends on internal conditions, such as rule of

law and political will for reform (Onopriychuk 2017).

## 2. Diplomatic approaches

### Examples of diplomatic tools for anti-corruption

Foreign policy is a powerful tool to support political will for anti-corruption reforms. In fact, while corruption is relatively absent from policy agendas of OECD countries, some argue that anti-corruption should not be confined to the realm of development policy but become an integral part of foreign policy. It is considered all the more important that corruption undermines the model of "rule-based international order" that Western countries and the European Union are promoting for regional and global security (Remmert 2015).

Besides providing financial assistance, donor countries can integrate anti-corruption elements into their overall relations with recipient countries using a wide range of diplomatic tools to promote reforms. The US's Bureau of International Narcotics and Law Enforcement Affairs, for example, provides a list of non-programmatic approaches that require low levels of funding to fight corruption, including (US department of State 2015):

- **Bilateral diplomacy:** issues of transparency and anti-corruption can be raised in meetings with counterparts using the release of high-level reports such as the annual US Department of State's Human Right Report which contains a section on corruption. Such approaches are all the more effective if other actors reinforce the point, which may require coordination with other diplomatic missions, international organisations, etc.
- **Public diplomacy:** the costs of corruption and case for fighting corruption can be highlighted in public relation campaigns using, for example, International Anti-Corruption Day (December 9) to organise public diplomacy activities.
- **Reporting:** corruption issues need to be adequately reported on by country offices providing an important diplomacy feedback loop to inform diplomatic processes. There are also mechanisms and procedures in place for responding to and reporting allegations of bribery of foreign officials in business relations and allowing law enforcement to take appropriate action. Such reporting also informs

publications such as the US Department of State's Human Right Report or the biennial International Anticorruption and Good Governance Act report.

- Regional training platforms: anti-corruption training can be provided to country counterparts in, for example, the criminal justice sector or among other public officials through existing training platforms and programmes.
- Facilitating dialogue: country offices and delegations can also act as dialogue conveners and offer a safe place for relevant actors to discuss corruption and anti-corruption, including government officials, civil society and the media. Such an approach was used in the Czech Republic where about 20 NGOs from an anti-corruption coalition came together with support from the US embassy.

## Targeted diplomatic sanctions

### Forms of diplomatic targeted sanctions

Targeted sanctions have gained momentum in recent years as, contrary to country-based programmes, they are perceived as causing less collateral damage to ordinary citizens. However, targeted diplomatic sanctions continue to co-exist with the use of more traditional blanket or selective economic embargoes. There are two major types of targeted diplomatic sanctions (Portela 2014):

- Diplomatic sanctions: pressure can be exercised on a government following a corruption scandal by, for example, using a broader range of mechanisms and sanctions in external relations. Such leverage mechanisms can include the temporary suspension of diplomatic relationships, condemnation in international forums, or the boycott of sports or cultural events (Koch 2015). Milder forms of sanctions can include the expulsion of military attaches, the suspension of membership in an international organisation or the recall of ambassadors (Portela 2014).
- Personal sanctions: measures targeted at individuals are increasingly used as an instrument of foreign policy. Such "targeted sanctions" are designed to put pressure on leaders or elites who are considered responsible for the corrupt behaviours, affect only specific individuals or sectors instead of hurting the whole population and the country's entire economy (Portela 2014). Such measures can include travel bans of

blacklisted individuals, visa restrictions, freezing of funds from people and entities or prohibiting these individuals from holding bank accounts abroad (Radu et al. 2015; Portela 2014).

For example, the US published a list of "specially designated nationals" with the names of the individuals and entities whose properties are blocked and with whom US citizens are prohibited to deal (Rathbone, Jeydel and Lentz 2013). US citizens who violate these sanctions are exposed to high financial penalties. Such targeted sanctions were used in 2015 against a number of Venezuelan individuals due to human rights abuse and the presence of significant public corruption, against Russian individuals in 2012 involved in human right violations leading to the violent death of whistleblower Sergei Magnitsky as well as against Syrian individuals and entities determined to have been responsible for or having benefited from public corruption in 2008 (Liaqat 2017).

The EU has also adopted such targeted sanctions in cases of severe human rights problems or the absence of inclusive democratisation in, for example, Myanmar and Zimbabwe in the late 1990s and early 2000s. In Myanmar, a number of targeted diplomatic sanctions were combined with economic sanctions, including a visa ban and freezing of assets of key members of the political and military elite, suspension of high-level bilateral visits, a ban on the attachment of military personnel to Myanmar's diplomatic representation in EU countries. In Zimbabwe, beside an arms embargo, sanctions included a travel ban and the freezing of assets on 20 government members, entities and persons "whose activities undermine human rights, democracy and rule of law" and was later extended to 163 persons and 31 entities (Portela 2014).

### Targeted personal sanctions for anti-corruption: the case of visa denials

Amending immigration law to deny visas to corrupt officials (and human right abusers) is among the diplomatic measures recommended by organisations such as Transparency International and Global Witness. Corrupt individuals often enjoy the proceeds of illegal or corrupt activities outside their own country through the purchase of luxury goods and real estate abroad which can also serve as a means to launder money. In addition, high-level trips to Western countries enhance the profile of leaders in developing

countries, while visas for family members to study in the West are also highly valued in the developing world (Transparency International 2014; Binette 2016). As a result, these denial of entry measures are expected to act as a sanction as well as a disincentive for the corrupt.

In 2012, the G20 Leaders Declaration also endorsed the [G20 Common Principles for Action: Denial of Safe Haven](#) and created an expert network and contact list across the G20 jurisdictions to share information on corrupt officials. In April 2016, for example, the US Department of State denied an entry visa to the vice president of Afghanistan, a notorious warlord and prominent figure of the local kleptocratic network of corruption (Binette 2016). However, in practice, this commitment is poorly implemented, and in 2013, a report found that none of the G20 countries had fully complied with the stated goals, and only six showed partial compliance (Binette 2016; Global Witness 2016). There are also concerns about investors' visas (or golden visas) that grant the rights to live in a country in return for investment because these visa schemes have been exploited by corrupt officials to obtain residence rights and, in some cases, citizenship (Global Witness 2016).

There is no assessment of the impact of such targeted sanctions on anti-corruption. Discussions on such sanctions imposed without a former conviction and a fair process usually raise issues of fairness and effectiveness. Recommendations for making these schemes effective in deterring corrupt behaviours involve: i) designing clear visa denial regimes, with objective criteria on what sufficient grounds for visa denial are, including a list of alleged corruption offences, a common standard of proof and level of evidence as well as a clear policy on applying visa restrictions to close family members (Binette 2016); ii) promoting international cooperation in coordinating a visa denial regime (Binette 2016); and iii) establishing a common set of integrity checks on applicants to ensure that residency permits, including investors' visas, are not used by corrupt officials (Global Witness 2016).

### Impact and lessons learned

Little is known about the effectiveness of targeted sanctions compared to comprehensive or selective economic embargoes (Portela 2014). Their impact on incentivising political leaders to advance anti-corruption reforms is undocumented. Such approaches have clear advantages compared to economic sanctions from the

perspective of the sanctioning state as it does not disadvantage domestic firms, avoids conflicts with industries that are affected by trade restrictions and avoids the indiscriminate effect of the sanctions on ordinary citizens.

However, as such sanctions are often implemented – in the case of the EU – in a gradual manner, it can take a long time to bring about the expected change and can create sanction fatigue as the initial event that triggered the sanction loses visibility and pressure to restore normal relationships grows. In addition, blacklisting practices have been successfully challenged in court for due process and failure to present evidence (Portela 2014).

A number of recommendations can be drawn from the analysis of the effectiveness of the EU sanction regimes on Myanmar, Zimbabwe and North Korea (Portela 2014):

- Blacklisting individuals like visa bans should be accompanied by selective economic and financial sanctions that are considered more effective and prevent sanction fatigue.
- Sanctions should be tailored to the local context based on an ex-ante analysis of the vulnerabilities of the targeted leadership and the political economy, including a solid understanding of the social and economic sector it draws its support from.
- Measures should be accompanied by a public outreach campaign to raise awareness to the nature and extent of the sanctions and avoid harmful misconceptions about the sanctioning state.

### Leading by example: combatting international financial flows and facilitating asset recovery

Donor countries can also lead by example, ensure that they have strong anti-corruption safeguards and policies in place and provide leadership for anti-corruption. In particular, making changes at the national level in many aid-giving countries, can help curtail corruption abroad. Besides using development assistance to promote anti-corruption reforms and aid transparency efforts, there are three major levels of interventions in this regard: i) address the supply side of corruption by applying global anti-corruption instruments at home (see below); ii) combat money laundering and close international loopholes that facilitate tax

evasion and illicit financial flows; and iii) facilitate asset recovery (Chêne 2011).

### Combatting money laundering

Leading by example is especially relevant in the case of illicit financial flows. Corrupt regimes use the international financial system to loot state assets and hide their illicit gains. Without access to the international financial system and the complicity of a complex network of professionals and financial intermediaries, corrupt regimes would not have the means to divert national wealth for their own benefit and launder the proceeds of corruption (Chêne 2009). Corrupt regimes are able to exploit the international financial system's loopholes, its opacity and its lack of enforcement of due diligence requirements in secrecy jurisdictions and major financial centres. Measures and initiatives aimed at promoting financial transparency, anti-money laundering and facilitating asset recovery, such as the Financial Action Task Force (FATF), the 2010 G20 anti-corruption plan and the Stolen Asset Recovery (StAR) initiative can help end impunity and deter international financial flows.

Transparency of beneficial ownership, requirements of corporate transparency (public access to the identity of the owners and their financial statements, and country by country reporting), efficiency of tax and financial regulations and international standards and cooperation (compliance with FATF standards, automatic exchange of information, international transparency requirements, international judicial cooperation, cooperation agreements, etc.) are among the measures recommended to promote financial transparency (Pérez and Olivié 2015).

European countries can make a significant contribution to ensure a more transparent financial system as the EU has the tools to promote a more homogenous and transparent financial system and more effective cooperation with third countries. With the emergence of counter-terrorism strategies, it is also expected that EU institutions will adopt stricter financial regulations on anti-money laundering activities, such as cash movements, cash transfers and accounting procedures, which are likely to improve compliance of European countries with FATF recommendations.

However, this may have only limited impact on development finance as there are few indications that European financial intelligence units are

planning to enhance their communication and cooperation with African or Caribbean counterparts (Pérez and Olivié 2015).

### Facilitating asset recovery

Facilitating asset recovery processes can help deter corruption by ending impunity for corrupt officials hiding assets abroad and spur development by returning stolen resources to legitimate governments. The international community has committed to asset recovery through different forums and initiatives, such as the G8 and G20, the World Bank and the United Nations Office on Drugs and Crime (UNODC)'s Stolen Asset Recovery (StAR) initiative. The United Nations Convention against Corruption (UNCAC) has an entire chapter dedicated to asset recovery (Chapter 5), requiring state parties to take measures to restrain, seize, confiscate and return the proceeds of corruption using a variety of mechanisms.

In spite of these commitments, progress has been slow, with only a limited number of countries having frozen or returned assets. Asset recovery processes are complex and often characterised by decade-long international legal processes with limited return. This is due to a range of legal and procedural obstacles, financial challenges, lack of political will, resources and capacity, etc. A number of promising measures can support progress in this area including (Chêne 2017):

- the use of administrative actions to freeze assets
- the use of multiple, alternative legal avenues, beyond criminal confiscation, such as non-conviction based confiscations
- progress in international cooperation
- private action and alternative approaches, with entities or persons who have suffered damage as a result of an act of corruption initiating legal proceedings against those responsible for that damage to obtain compensation

A previous Helpdesk answer focusses specifically on progress made in anti-money laundering and asset recovery, accessible [here](#) (Chêne 2017).

## 3. International and regional instruments and initiatives

### International conventions

As a transnational issue involving international businesses, corruption requires international

solutions. International instruments can be used to advance the global anti-corruption agenda by incentivising recipient countries to ratify international conventions such as UNCAC. Development assistance increasingly relies on ex-post conditionality or progress-based criteria, whereby transparency and accountability play a growing role in the selection criteria for receiving aid. By requiring regular reporting on a country's progress in the implementation of anti-corruption laws, these initiatives have helped create incentives for domestic actors to fight corruption (Kukutschka 2014).

These instruments are also important for addressing the supply side of corruption by tackling bribery and corruption in the private sector and addressing weak accountability in international trade, taxation and export credit regimes. Addressing the supply side of corruption involves supporting the ratification and implementation of legally binding instruments or participation in voluntary initiatives such as the UN Global Compact and the OECD guidelines for multinational enterprises (Chêne 2011).

As such, international conventions have the potential to bring the fight against corruption to the political forefront, set legally binding standards and principles by which signatory states can be held to account and foster both the domestic action and international cooperation needed to tackle the various dimensions of corruption ([OECD website](#)). These regional and global instruments include:

- UNCAC
- OECD convention against foreign bribery
- UN Convention on Transnational Organized Crime
- Africa Union Convention on Combating and Preventing Corruption
- South African Development Community Protocol against Corruption
- Economic Community of West African States Protocol on the fight against corruption
- The Organization of American States' Inter American Convention against Corruption
- The Council of Europe criminal law on corruption
- The Council of Europe civil law on corruption
- The Convention on the Protection of the European Communities' Financial Interests

Many of these instruments have established review mechanisms that provide opportunities to

monitor progress and provide entry points to discuss issues of corruption and anti-corruption with the signatories (US Department of State 2015).

### Regional and global initiatives/multi-stakeholder initiatives

Beyond the UNCAC and the international conventions, many other initiatives with more specific objectives have emerged such as EITI and OGP. Membership in these initiatives bind state parties to key standards and processes and enable more civil society oversight in a given sector. These mechanisms seek to induce change by committing states to processes instead of just using governance indicators (Remmert 2015).

These instruments and initiatives can be considered as practical levers which are available to diplomats and international organisations to address corruption in domestic contexts and provide examples of how states can become stewards of global norms, raising global awareness and increasing the risks for those engaged in grand corruption (Remmert 2015).

In the case of EITI, for example, a review of 50 evaluations concludes that EITI has succeeded in diffusing the norm of transparency, establishing the EITI standard and institutionalising transparency practices (Le Billon, Lujala and Rustad 2017).

The initiative has been found especially successful in reaching its institutional goals, notably by becoming a recognised brand and consolidating transparency as a global norm spread from mostly low-income and aid-dependent African countries to middle-income countries across all four major continents. The EITI has been fairly successful in setting up standards for auditing and reporting and successful in achieving the goal of national implementation of the EITI standard, with increased timely reporting in the member countries.

## 4. Reputational measures

### Reputation as an incentive for anti-corruption: the business case

Beyond imposing economic related sanctions, building the political will of recipient governments

might involve making the case for anti-corruption reforms by documenting and publicising the expected concrete benefits of the suggested reforms to convince leaders that it is in their political interest to curb corruption (Kukutschka 2014).

There is a broad consensus and empirical evidence that corruption has negative, direct and indirect effects on economic growth and development. Corruption affects investment, taxation level, composition and effectiveness of public expenditure. A previous Helpdesk answer has compiled academic evidence on the impact of corruption on growth and inequality (Chêne 2014; Zúñiga 2017):

- Corruption is negatively correlated with economic growth, with macro-level studies consistently finding that corruption significantly decreases economic growth and development.
- Corruption affects the quantity, quality, cost and profitability of investment.
- Corruption undermines a country's tax structure and its revenue collection capacity.
- Corruption also has a corrosive long-term impact on business activity at the company level, including small facilitation payments.
- Corruption affects human development and wealth distribution.
- Corruption creates a biased tax system that affects income distribution.
- Corruption affects the targeting, quantity, quality and outcomes of social spending.

In addition, corruption affects the overall government and institutional environment of a country as it is likely to have a long-term detrimental impact on the regulatory environment and the efficiency of the state. This in turn erodes citizens' confidence in public institutions and political processes, undermines social trust and the legitimacy of state institutions, and ultimately has a corrosive impact on the rule of law and democratic processes (Andreev 2008).

Since retaining power is a strong incentive for political leaders, generating demand for anti-corruption reforms among public officials may involve addressing the fear of losing power. This evidence may show politicians that by fostering transparency, accountability and empowering citizens, they can enhance their reputation, popularity, legitimacy and power (Kukutschka 2014).

## “Naming and shaming” campaigns

For individuals, companies and states, a good reputation is an asset that can be valued out of self-interest as there are strong incentives to belong to a group or a community of states. Therefore, reputation can be a powerful resource to motivate political actors to care about the fight against corruption. Political and business leaders need to sustain their reputation as they have to win elections, make business deals and convince their constituency that they are worthy of their leading position. As such, the stakes of maintaining a good reputation and avoiding potential reputational damages could be much higher for these actors than for average citizens. Some authors even argue that, beyond financial gain and thirst for power, the primary motivation for political leaders is social prestige, which could make the risks of reputational damages a powerful tool to influence them (Gopalan 2007).

## Country rankings

The publication of country rankings can be used as a leverage to advance reforms. While such rankings do not intend to create reputational damages intentionally, they may affect the reputation of a country by triggering media coverage and provide incentives for reforms, especially when country performances in such rankings are used to determine a country's eligibility for aid, investments or credit allocations.

Several organisations, such as Transparency International and the World Bank publish corruption indicators and rank countries according to their perceived level of corruption, enabling the international community and civil society to assess the extent of corruption in a country. This has helped generate policy discussion about the performance of states and creates incentives to generate political will among politicians in corrupt countries as there are major reputational damages for politicians to be ranked at the bottom of Transparency International's Corruption Perception Index (Kukutschka 2014).

## Naming and shaming campaigns

Shaming campaigns by the international community can have an important role in enforcing international norms and influencing the offending states to take corrective action as national reputation is a valued asset for most countries in the world.

As states are increasingly inter-dependant, with strong commercial, political and social linkages, the cost of reputational damages can have far reaching consequences and result in lost business opportunities, flight of capital, collapse of the state's credit rating, expulsion from international institutions, etc. In this context, shaming refers to "a deliberate attempt to negatively impact a state or a leader's reputation by publicising and targeting violations of international law norms" (Gopalan 2007). Shaming activities can take many forms at the international level, including:

- labelling a state as an offender
- imposing economic sanctions on other states
- creating a reputation as a bad actor or non-cooperator
- expulsion from international organisations or group membership, with the potential to harm economic activities
- withdrawal of state invitations
- shunning by other states and commercial entities
- negative voting by other states in international organisations
- resolutions by political groups in domestic legislatures
- sporting boycotts (such as the sporting boycott of South Africa during the Apartheid era)
- mobilising domestic public opinion against the offending regime or leader

Such approaches were used by the international media and NGOs such as Amnesty International and Human Rights Watch in the case of the abuses of Iraqis prisoners at Abu Ghraib prison in 2004. The shaming campaigns relayed by the international and domestic media resulted in expressions of regret and corrective action. A few lessons can be learned from this experience as well as the strategies used by organisations such as Amnesty International (Gopalan 2007):

- The campaigns were grounded in internationally accepted norms by using internationally recognised standards.
- Such approaches are more likely to work in more democratic societies with a free press and a meaningful opposition. Democracies are typically more responsive to this kind of strategy as opposition parties can use the report to attack the government.
- The newsworthiness of the reports also has an impact on the success of the campaign as media campaigns are more likely to be successful at exposing prominent states rather

than smaller and less strategic states, which are more likely to be ignored.

- One effective approach has been to associate countries like the United States with states with the worst record for human rights compliance.

There are also risks associated with such international shaming approaches: i) the evidence based used for such actions needs to be sufficient; ii) such approaches are over-inclusive, targeting indiscriminately those responsible for those actions and ordinary citizens; and iii) there are risks of having an ideological or political bias in case selection (Chêne 2013).

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