U4 Expert Answer

Designing an Embassy Based Anti-Corruption Plan

Query:

"Our embassy in Sarajevo (with an integrated development agency field office) is preparing to draft an embassy anti-corruption plan. What should a comprehensive AC plan of this kind include? We aim to have a simple plan, easy to follow up in our annual reports.

Can you assist with this? Is there any check list of what an AC plan of the kind should contain?"

Purpose:

As mentioned the purpose is that our field office in Sarajevo is preparing to draft an anti-corruption plan.

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Introduction

Donor agencies have a responsibility to ensure that aid resources are used in the most efficient and cost effective way for their intended purposes. Corruption may take many forms and affect every stage of the project cycle, from the selection to the evaluation of development projects. For example, corrupt practices can occur in the selection of consultants who appraise, implement or evaluate a project, in the procurement of goods and services needed for the implementation of the project, as well as in the implementation and financial management of the project, resulting in massive diversion of project funds from their original purposes. A number of U4 queries have covered related issues and directly address the enquirer's concern. Please see "Preventing, Identifying and Curbing Corruption and Mismanagement in Donor Supported Projects and Programmes" (http://www.u4.no/helpdesk/helpdesk/queries/query67.cfm), "Creating an Embassy-wide Anti-Corruption Strategy" (http://www.u4.no/helpdesk/helpdesk/queries/query106.cfm) or "Consequences and Tracking of Corruption in Development Aid" (http://www.u4.no/helpdesk/helpdesk/queries/query76.cfm).

Different forms of aid are also associated with different risks of corruption. With the scaling up of aid recommended by the Paris Declaration and the current debate on aid modalities, development aid faces new corruption challenges, as risks of graft, fraud and corrupt practices may even be higher in the case of Sector Wide Approaches (SWA) or provision of Direct Budget Support (DBS) which require well functioning national public financial management systems as well as sound public procurement systems to be effective. Against this background, most donor agencies have developed anti-corruption strategies aiming at protecting their loans and projects from corrupt practices as well

as strengthening aid recipient partners' commitment, capacity and systems to effectively address and mitigate corruption risks. For example, SIDA has developed an anti-corruption regulation that provides a useful framework and practical guidance to address corruption risks when engaging with development partners, regardless of whether they are government agencies or organisations. Please see: www.**sida**.se/shared/jsp/download.jsp?f=**SIDA**4362en_Anit**Corruption**.pdf&a=3360

Part 1: Understanding the Specific Context of Bosnia-Herzegovina

The experience of the last decade in fighting corruption has shown that there is no one-size-fit-all strategy to effectively address corruption at national level. The nature and extent of donors' engagement in anti-corruption work depends on the specific context of each country. As a result, anti corruption efforts must be firmly anchored in the political, economic and institutional environment of the country where they will be implemented. As a starting point to the design and implementation of an anti-corruption plan, it is important to asses the nature and scope of corruption as well as develop a sound knowledge of the specific technical issues, risk factors and conditions of a particular country, as recommended in SIDA's anti-corruption regulation. In Bosnia-Herzegovina (BiH), anti-corruption work is confronted with serious challenges of corruption combined with weak and inefficient integrity structures and mechanisms to prevent and combat it.

Extent of Corruption

In 2007, the Corruption Perceptions Index ranks BiH at 84th of the countries surveyed, with a score of 3.3. (Please see: http://transparency.org/policy_research/surveys_indices/cpi). Further surveys confirm the pervasive nature of corruption in the country. A corruption perception study carried out in 2004 by Transparency International BiH confirms that around 50% of respondents believe that local politicians and most civil servants are involved in corruption while the low level of trust towards political parties is reflected by 92% of respondents believing that party leaders are involved in bribery and corruption. Please see: (http://www.ti-bih.org/Articles.aspx?ArticleID=50dfbec9-5894-482a-bb07-4fcdbdacd967). This study also finds corruption to be especially prevalent at the local (municipal and cantonal) level, where the majority of contacts between citizens and public administration take place. Political parties are also perceived to be one of the most corrupt institutions of the country, with political elites involved in illegal activities and corrupt practices, resulting in very low political will to effectively engage in anti-corruption reforms.

State of the National Integrity System

The National Integrity System Study of BiH (NIS study) published in 2007 also concludes that the country faces a serious corruption challenge with only weak and ineffective institutions and structures to combat it. (Please see: http://www.transparency.org/policy_research/nis/regional/europe_central_asia). The NIS identifies a series of overarching issues that contribute to the lack of capacity and inefficiency of national institutions and structures in place to effectively address corruption related issues. These include excessive bureaucracy, overlapping and complex legal and regulatory framework, weak enforcement structures and mechanisms and non transparent administrative procedures including business regulations. Although EU-compliant public procurement legislation has been adopted, public procurement remains opaque and ineffective and a large number of infractions are still being recorded. The weak judicial structures in the country further challenge the enforcement of anti-corruption regulations. One of the major obstacles to anti-corruption reforms identified by the study is the lack of political will and institutional commitment to effectively tackle the problem.

Anti-Corruption Activities

The public sector has been unable, to date, to effectively address governance issues, or develop and implement a comprehensive anti-corruption policy. There have been three attempts to date to present and implement an anti-corruption strategy since 2000. The most recent attempt is known as the Medium-Term Development Strategy for BiH and addresses corruption within the framework of the Poverty Reduction Strategy Paper that was adopted in 2004, covering the period 2004-2007. Various actions plans developed by other levels of government have mainly consisted of legal reforms and a set of institutions yet to be established. A promising development has been recorded in early 2007, when the speakers of the national parliament and the prime minister officially declared that the NIS would be accepted as the institutional and legal framework on which a plausible anti-corruption strategy will be developed and implemented, with progress verified and monitored by TI-BiH.

Another positive step forwards and potential entry point for anti-corruption reform in BiH has been the signing and ratification of the UN Convention against Corruption (UNCAC) in 2005. The challenge lying ahead is now to bring domestic laws and regulations in line with the UNCAC as well as put appropriate mechanisms in place to enforce them effectively. The NIS recommends focusing primarily on requirements related to asset declaration of elected and appointed officials, asset recovery, improvement of criminal codes, strengthening international cooperation and the formation of an anti-corruption coordinating authority.

The above assessment of the extent of corruption and current state of the national integrity system in BiH leads to the recognition that an embassy based anti-corruption plan is likely to have limited impact unless parallel and sustainable changes are made to the systems and institutions of BiH. The prospect of the EU accession can play a major role in promoting dialogue in this regard and be a powerful drive for anti-corruption reform.

Part 2: What to Include in an Anti-Corruption Plan?

In-country, donor agencies can work against corruption at three different levels, first by making sure that staff and organisation operate according to the highest integrity standards, second by taking appropriate measures to safeguard development projects, programmes and loans from corruption and third by supporting partner countries' efforts to fight corruption and strengthen national integrity systems. As agreed with the enquirer, this answer will more specifically deal with the first two aspects of the issue. Most donors have developed anti-corruption strategies to address corruption risks that primarily focus on improving the project design process, promoting greater disclosure and increased participation as well as strengthening the monitoring and supervision of development projects. A recurrent issue cutting across all anti-corruption approaches and measures is the critical importance of supporting civil society engagement at all levels of policy design and implementation.

Prevention of Corrupt Practices

Introduce Anti-Corruption clause in cooperation agreements
SIDA or GTZ emphasise the importance of integrating corruption into the political dialogue with partner countries as a critical component of a comprehensive anti-corruption strategy. Within this framework, anti-corruption clauses are inserted into financial cooperation loans and financing agreements. These anti-corruption clauses demonstrate leadership commitment to a "no bribes" policy, giving the signal that corrupt practices are not to be tolerated.

Identify corruption risks in all development projects
Specific sectors, projects or aid modalities are more vulnerable than others to corruption. Corruption risks must be considered while making a decision on the appropriate form of assistance that will be provided or when selecting and designing development projects. Most donors now explicitly take corruption into account when formulating countries' assistance strategies. The World Bank for

example specifically considers corruption and governance related issues in its Country Assessment Strategies and requires an assessment of the corruption risks as well as government's willingness and capacity to control it. SIDA, GTZ and the Asian Development Bank (ADB) also request that development projects and loans include a fiduciary risk assessment. Within this framework, the capacity of the various development partners to manage corruption risks can be carefully evaluated and include a complete financial accountability and procurement assessment. A U4 answer has specifically dealt with corruption risk assessment tools for development projects. Please see: http://www.u4.no/helpdesk/helpdesk/queries/query85.cfm

Explicitly address corruption risks in project appraisal, preparation and evaluation reports

The ADB, for example, requests all projects to include not only an explicit assessment of how the project may be affected by corruption, but also how to address this risk, including an action plan for high risk projects. As a result, during the preparation and appraisal phase of the project cycle, special attention should be given to design interventions in ways that limits corruption and promotes transparency and accountability. This exercise provides an opportunity to address deficiencies and mitigate corruption risks at the implementation stage of the project. At the implementation stage, project documentation, reports, assessments and evaluations should also explicitly and systematically address and monitor corruption related factors. The World Bank, for example, recommends incorporating anti-corruption objectives in sectoral programmes, tailored to address specific sectoral features and risks. In addition, a detailed anti-corruption action plan can be developed for projects or programmes that are exposed to very high risks of corruption.

Improve management policies and practices, with a special emphasis on financial and procurement rules

Most donors' anti-corruption strategies seek to strengthen management practices and disbursement policies by improving the performance of their public financial management systems and procurement rules and procedures, including the use of consultants. These measures include promoting stricter standards, coherent rules and increased supervision with regard to disbursements, competitive bidding, hiring, accounting, auditing as well as reporting. Within this framework, it is also important to assist development partners in their effort to strengthen their own accountability and financial management systems, which may require providing ad hoc expertise as well as technical and financial assistance to help them build structures to reduce corruption risks.

Improve transparency, disclosure and participation

Effective information management including access to information is the corner stone of public accountability and transparency. For example, timely, complete and precise access to budget information and expenditures is a prerequisite to increase supervision capacity as well as foster public oversight of development projects. Improving information disclosure policies and transparency of operations is also likely to foster better public participation and improve project monitoring. The World Bank state that many programmes that have a track record of success focus on increasing transparency of decision making and involve beneficiaries in policy making and oversight. (Please see "Strengthening World Bank Group Engagement on Governance and Anticorruption": http://www.worldbank.org/html/extdr/comments/governancefeedback/gacpaper.pdf). Some experts also recommend that all aid projects above a certain value and all programmes be subject to public discussion, including wide review by parliament, the business community and civil society organisations. (Please see "Can Aid Agencies Really Help Combat Corruption?" http://www.unodc.org/pdf/crime/publications/aid_agencies.pdf)

This approach implies giving citizens and beneficiaries access to information in order to empower them to participate in development policies as well as monitor policy making, project design and implementation. This also requires complete and regular disclosure/publication of project information, including procurement, public expenditure reviews and audit information as well as public access to data on aid input, debt and rationale for public investment choices. For example, NORAD publishes all its grants on its homepage as part of its anti-corruption policy, giving journalists and the public access to grant related information. The capacity of civil society organisations, parliaments, the media

or members of the public may also need to be built to empower them to fully play their watchdog role in this regard.

Detection of Corrupt Practices

Ensure close monitoring and supervision of development projects
Development projects, especially those identified as being highly vulnerable to corruption risks, need to be closely monitored and supervised to allow detection of fraud and corrupt practices. This can be done by improving the quality and frequency of general project oversight, setting clear as well as high reporting requirements, organising regular review missions with broad scope and duration.

Conduct external audits of specific projects
Unannounced value for money evaluations or random audits of selected projects is also a way to uncover abuse and fraudulent practices as well as identify system weaknesses and quality of internal control systems. They are usually carried out by official consultants or external auditors. The World Bank, for example, periodically commissions internationally recognised audit companies to conduct "surprise" external audit of World Bank supported projects.

Promote independent monitoring by the media, parliament or civil society organisations
Recipients can be encouraged to participate, monitor and evaluate the implementation processes and actual outcome of development projects. Building partnerships for civil society oversight, opening avenues for community feedback and establishing linkages with end beneficiaries is crucial in this regard. An effective access to information/disclosure policy enables the media or civil society organisations to investigate and monitor development projects and play a critical role in the detection and public exposure of corruption cases. This can contribute to shape public opinions on the impact of corruption on development, lower the threshold of tolerance for mismanagement of aid resources, and ultimately act as a deterrent for corrupt practices. Parliamentary committees can also be set up and empowered to review aid performances, provided they have both the mandate and authority to question senior public officials.

Introduce effective complaints mechanism and whistleblower protection
The introduction of a complaints mechanism to handle concerns about the delivery of aid can help to enhance accountability and transparency. Members of the public, staff or beneficiaries can report irregularities or suspicions of misconduct, providing valuable insights on project implementation. Appropriate provisions must be made to protect whistle blowers-whether staff or beneficiaries- from potential reprisals. For example, the assessment of ADB's efforts to limit corruption in its lending operation recommends management to reinforce the message that head of departments preventing or deterring staff from reporting allegations of corruption are committing offences and may be disciplined. (Please see: http://www.bicusa.org/Legacy/Zero_Tolerance_Report.pdf). A U4 answer has specifically dealt with the challenges and benefits involved in introducing a complaints mechanism in development projects. Please see: http://www.u4.no/pdf/?file=/helpdesk/helpdesk/queries/query132.pdf)

Feedback from firms and competitors
Getting periodic feedback from firms participating in the procurement processes can also provide valuable insight on the implementing agencies' behaviour during procurement processes.

Sanctions of Corrupt Practices

In addition to legal actions that may be undertaken through relevant national authorities, credible sanctions against firms, individuals or public officials whose engagement in corrupt practices is proved must be clearly defined and announced. These sanctions include internal disciplinary measures against staff involved in fraud and corruption. Organisations must have a clear policy and detailed sanctions against staff against whom evidence of corruption has been uncovered. This

policy, investigation process and possible sanctions should be made public and widely disseminated to all staff members, partners, and stakeholders.

As an ultimate recourse, SIDA anti-corruption regulation stipulates that evidence of corruption and mismanagement may result in the cancellation of further contributions to the grant, although the potential consequences of such measures on the targeted end beneficiaries should be carefully assessed. SIDA may also demand that disbursed funds may be repaid if the partner does not follow the agreement.

In-House Integrity Measures

To be credible in promoting the policy dialogue on corruption, donor agencies must develop and implement clear in house ethical standards and prevention mechanisms. Agency staff usually deal with large scale budgetary funds, rewarding public contracts, subsidies as well as grants. Mechanisms must be in place to ensure that all staff adhere to the highest possible ethical standards and behave above board. They also work in close relations with local partners, which may potentially enhance the risk of developing corrupt networks at the country level.

To address this issue, most bilateral or multilateral donor agencies such as GTZ, DfID, NORAD, the Netherlands or IMF have developed ethical frameworks and codes of conducts promoting principles of ethical behaviours that can be/are included in staff employment contracts. Such codes of conduct set out strict standards of behaviour and promote a "no bribe" policy, traditionally providing clear guidelines on issues such as giving and receiving gifts, hospitality or travel expenses, conflicts of interest or sponsorships. The IMF code also includes financial disclosure requirements for senior staff members. Regulations extend to spouse, family or close connections.

These provisions are meant to provide control, guidance and management of professional ethics through internal and external accountability mechanisms like independent audits, investigations and reporting controls. The ethics infrastructure is usually implemented by an "integrity or ethics" advisor or unit in place, serving as a reference point for ethics related issues and coordinating anti-corruption efforts at the organisation level.

Further prevention measures aim at raising awareness and training staff in integrity related issues as well as regularly rotating personnel in sensitive areas to avoid the development of corrupt networks. Please see "Fighting the bug within: Anti-corruption measures of the Utstein development agencies": http://www.u4.no/document/showdoc.cfm?id=74)

Monitoring and Evaluation

Monitoring and evaluation are key dimensions of accountability and require precise and fact based data on corruption as well as data collection mechanisms. Appropriate and transparent monitoring mechanisms should therefore be put in place from the project design stage and include close project supervision provisions as well as reporting and record keeping guidelines. Sound governance/anti-corruption performance indicators should also be developed along with the anti-corruption action plan to assess progress and impact.

Part 3: How to Develop and Implement an Anti-Corruption Plan

A series of strategic and operational challenges need to be taken into account along the design and implementation process of the anti-corruption action plan.

Strategic challenges

Credible and committed leadership

The first condition to ensure the successful implementation of an anti-corruption plan is to build a credible leadership, sustained political will as well as a strong institutional commitment to anti-corruption policies both inside and outside the organisation. Beyond articulating a strong organisational commitment to eradicate corruption in country level operations, this can be demonstrated by providing incentives to staff and partners to address corruption issues in development projects, allocating adequate resources to the anti-corruption plan as well as providing staff and partners regular guidance and technical assistance. However, anti-corruption efforts should not rely only on high level leadership, and the strategic commitment against corruption must spread over the various levels of the organisation as well as among development partners.

Priority setting and sequencing

There is no generic formula for sequencing anti-corruption reforms, as they should be developed in response to particular constraints identified in each country. However, it is important to set realistic objectives in consultation with the various partners and stakeholders, identify opportunities and potential obstacles and start at a point where tangible results can be achieved within a reasonable time frame to sustain support for reforms. Prioritising anti-corruption interventions should be based on the country specific context, local capacity, available resources and feasibility. Please see the above mentioned U4 Expert Answer on Creating an Embassy-wide Anti-Corruption Strategy, which has dealt more specifically with the sequencing of anti-corruption policies.

Proactive participatory strategy

The action plan should ideally be developed in consultation with civil society and government and systematically engage a broad range of stakeholders from the early stage of the project design. This approach is important to ensure buy in from all involved actors and sustain the political will of partners and counterparts. Since citizens have a vested interest in the outcome of development projects, it is recommended to invite the media, members of parliaments, the public as well of beneficiaries at all stages of the project and provide avenues to ensure that they are actively involved in the project oversight.

Reinforce rather than bypass national systems and institutions

This approach is particularly important with the view to supporting development partners' efforts to improve their integrity systems and anti-corruption accountability mechanisms. This may require investing in capacity building interventions to strengthen the partners' capacity to control corruption risks. Technical assistance may be provided in areas such as procurement, oversight agencies, financial administration, custom reforms, etc.

Donor coordination

Donor coordination is also an important aspect to take into account in order to make sure that all actors speak with one voice. This will allow a harmonised and coordinated approach based on respective mandates and comparative advantage.

Operational issues

Format of the anti-corruption action plan

The anti-corruption plan may use different formats but should outline clear and achievable objectives, problems and solutions to tackle them, implementation deadlines, expected results and outcome as well as monitoring indicators. The plan should ideally be sustainable and cover a period of several years, contain a detailed work plan with specific and measurable goals and objectives and have its own budget.

Awareness raising, training and education activities

Awareness raising activities targeting staff and partners are also an important component of the implementation strategy. Various actors need to be informed about the policy, fully understand its implications as well as develop the capacity to effectively implement the anti-corruption measures and procedures. In particular, national staff at country level need to be given clear guidelines and practical guidance to implement the plan. Training programmes and materials may be developed to build local capacity to detect, assess and act upon early signs of malfeasance. For example, staff must be provided with adequate methodologies and diagnostic tools to realise corruption risk assessment, devise appropriate mitigation and supervision plans, and report on anti-corruption impact and evaluation.

Multidisciplinary working group representing key departments

At the embassy level, it might be advisable to set up an autonomous and multidisciplinary anti-corruption team or working group, with the specific mandate and political backing to address corruption issues, both inside and outside the organisation. The group should be composed of individuals who have the technical skills and expertise to review project design, risk rating, anti-corruption actions plans and reports throughout the project cycle.

Appropriate staffing, resources and expertise required at country level

Experience shows that integrating corruption issues into development programmes and projects require considerable resource allocations, both human and financial. As a result, anti-corruption plan must be backed by adequate staffing, skills and resources to be credible. There is also a need to consider what is within the institution capability of accomplishing, keeping in mind that some of the measures, if properly implemented, may lead to cost saving.

Part 3:   Further reading

Utstein Partners Anti-Corruption Policies

This paper presents the Utstein partners' anti-corruption policies in a comparative framework.
http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN017452.pdf

Combating Corruption in German Cooperation

This paper maps the German approach to combating corruption in development projects.
http://www.bmz.de/en/service/infothek/fach/spezial/index.html

Anti-Corruption Strategies in Development Cooperation

This SIDA Working Paper contains a brief discussion of different perspectives of corruption and provides information about anti-corruption strategies and analytical tools of various donor and multilateral organisations.
http://www.u4.no/document/showdoc.cfm?id=99

Preventing Fraud and Corruption in World Bank Projects- A Guide for Staff

This guide illustrates ways in which the design, procurement and financial management of a project may be manipulated for corrupt practices and suggests approaches and solutions to prevent and address corruption challenges in bank supported projects.
http://www1.worldbank.org/publicsector/anticorrupt/fraudguide.pdf

Anti-Corruption Guide: Developing an Anti-Corruption Programme for Reducing Fiduciary Risks in New Projects. Lessons from Indonesia.

This guide identifies seven critical steps, including:

- Understanding corruption risks by corruption mapping and analyse incentive structures
- Empowering beneficiaries and communities and involve them in procurement processes
- Building partnerships for civil society oversight and feedback
- Strengthening procurement policies to mitigate collusion

- Building strong task teams equipped with effective tools to address fiduciary risks
- Clearly defining and announcing remedies to ensure compliance with corruption prevention measures
- Consulting stakeholders to finalise the anti-corruption plan.

http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/03Publication/anti_corrup_guide031503.pdf

The IMF's Approach to Promoting Good Governance and Combating Corruption- A Guide
This guide, presented in a question and answer format is mapping IMF's work on governance and corruption.
http://www.imf.org/external/np/exr/facts/gov.htm

Anti-Corruption in Transition: A contribution to the Policy Debate
The fifth chapter of this World Bank report focuses on designing effective anti-corruption strategies for transition countries. It proposes a typology of countries differentiating the cases and consequences of corruption across countries to help set priorities, identify and evaluate entry points for anti-corruption work.
http://www.worldbank.org/wbi/governance/pdf/contribution.pdf

Review of the Implementation of ADB's Governance and Anti-Corruption Policies
These two papers evaluate the Asian Development Banks anti-corruption policies and efforts. They present the findings and formulate recommendations for the way forward.
http://www.adb.org/Governance/Review/default.asp