

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

PRINCIPLES FOR DONOR ACTION IN ANTI-CORRUPTION

The GOVNET's Principles for Donor Action in Anti-Corruption provide an understanding of how donors can improve their co-ordination in the fight against corruption and provide a basis for dialogue with partner countries. They were approved at the DAG meeting of 22 September, alongside the GOVNET's Policy Paper on Anti-Corruption: Setting an Agenda for Collective Action (DCD/DAC(2006)3/REV2). This final version of the paper updates the earlier draft status of the Principles and includes a reduced introductory section (paras 1-6).

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Background

1. The DAC has been concerned with corruption for over a decade, with work undertaken on strengthening donors' efforts in aid-funded procurement in particular¹. However, a 2003 GOVNET report² concluded that donors had made little progress in addressing corruption in the field. Limited capacity, competing priorities and piecemeal approaches constrained any strategic impact at the field level, beyond one or two well known small-scale examples.

2. At the same time, the context in which donors operate has changed. Donor-driven perspectives have given way to approaches that place donors in a role that supports developing countries' own anti-corruption efforts. International co-operation and understanding of corruption have advanced, with a number of initiatives promoting more coherent frameworks for addressing corruption. And the prospects of very significant increases of aid—possibly an additional \$50 billion per year by 2010 and beyond—have raised the stakes for both donors and partner countries. Stronger governance and anti-corruption provisions, accountability and financial management capacity will be needed both by recipients and donors.

Principles for Donor Action in Anti-Corruption

3. In response to these developments, a *Partnership Forum on Improving Donor Effectiveness in Combating Corruption* took place in December 2004. Draft *Principles for Donor Action in Anti-Corruption* were developed and subsequently endorsed by the GOVNET. A survey conducted in ten developing countries³, as well as presentations to donor communities, partner countries and civil society representatives⁴, revealed strong support for the draft *Principles*. The overriding emerging conclusion was that the draft *Principles* reflected best practice and that their widespread application would enhance donor effectiveness in combating corruption. The draft *Principles* were given final endorsement by the DAC at their 22 September 2006 meeting.

4. The *Principles* embrace the key areas and activities where donors should work together on anti-corruption. They emphasize the need to support and strengthen the capacity of civil society, and underline the need for OECD donors to undertake work in their own countries on areas such as repatriation of assets, money laundering, and the ratification and implementation of the United Nations Convention against Corruption.

Making use of the Principles

5. The *Principles* constitute basic guidelines and orientations to improve collective donor action in the fight against corruption. They serve as stand-alone policy guidance as well as complementing the GOVNET Policy Paper on Anti-Corruption (DCD/DAC/GOVNET(2006)3/REV2), which sets out opportunities for collective action in a number of areas where a concerted approach seems essential if the multiple risks associated with corruption are to be successfully managed.

¹ DCD/DAC(96)11/FINAL; and OECD Revised Recommendation of the Council on Combating Bribery in International Business Transactions, 1997.

² DCD/DAC/GOVNET (2003)1, Synthesis of Lessons Learned of Donor Practices in Fighting Corruption.

³ Bangladesh, Georgia, Kosovo (Serbia and Montenegro), Mozambique, Nicaragua, Nigeria, Tanzania, Uganda, Vietnam and Zambia.

⁴ OECD-ADB Expert meeting on preventing corruption in the Tsunami relief efforts (Jakarta, April 2005); Global Forum IV on Corruption (Brasilia, June 2005).

6. Donor agencies are invited to use the *Principles* to inform the design of anti-corruption policies and as a diagnostic tool for governance assessment work on the ground. The first DAC-led anti-corruption and governance assessment mission to Cameroon in July 2006 demonstrated that the *Principles* can be used to remind donors of the need to work on both the 'demand' and 'supply' sides of corruption. It is expected that as more of these joint assessments are piloted in partner countries, the *Principles* will be used as common guidance and as a basis for dialogue with other stakeholders.

Principle No. 1

Collectively foster, follow and fit into the local vision

Meeting the MDGs requires, inter alia, the resolve to fight corruption and to meet commitments agreed in relevant international and regional conventions including the UN Convention Against Corruption (UNCAC) and the recommendations of the Financial Action Task Force (FATF) on anti-money laundering. Whenever feasible, these endeavors should be led by the host government.

At the country level, donors should:

Collectively:

- Promote with government the development of a shared government-donor vision/strategy and collaborative mechanism(s) for anti-corruption dialogue and action, ideally based on government commitment to implement the UN Convention (or other relevant instrument).
- Share diagnostics, knowledge and analysis through such mechanism(s), identifying gaps and reviewing progress.
- Engage with other key actors through such mechanism(s) (e.g. civil society, media and the private sector).
- Support and strengthen the capacity of civil society for strengthening the demand for reform, and promoting and monitoring transparency and accountability in the fight against corruption.
- Work, where government commitment is weak, with local and international civil society and private sector actors as the primary alternative, but recognising that strengthening government commitment is the essential objective in the long term.
- Take time to understand local political, economic, social and historical contexts and challenges, and develop responses that are appropriate to them.
- Favour long-term responses over short-term, reaction-driven inputs, but without losing the capacity for responding quickly to support new initiatives and emerging reformers where these opportunities arise

As individual donors:

- Agree to present our anti-corruption assistance explicitly as being contributions to the shared vision/strategy⁵ and the collective donor approach.

⁵ This should not be taken to imply any obligation to move to formal pooling arrangements, financial or otherwise.

Principle No. 2**Acknowledge and respond to the supply side of corruption**

Donors recognise that corruption is a two-way street. Action is needed in donor countries to bear down on corrupt practices by home-based companies doing business internationally. The OECD Anti Bribery Convention has helped to underline the responsibilities that OECD member countries themselves have on the 'supply side' of corruption. Donors need to work more effectively within their own domestic environments, with key relevant departments responsible for trade, export credit, international legal co-operation and diplomatic representation, as well as with the private sector.

Development agencies should:

- Foster stronger action by relevant domestic departments in their own countries against the supply-side of corruption in areas such as bribery by donor country companies, money laundering, repatriation of assets or the ratification and implementation of major international Conventions such as the OECD Anti-Bribery Convention.
- Inform counterparts in other development agencies of this engagement.
- Engage proactively with the private sector in partner countries.
- Ensure that accountability and transparency measures are included in all areas of donor assistance
- Contribute to strengthening inter-country co-operation (mutual legal assistance, mechanisms for asset recovery) both by strengthening capacity in developing countries for making requests for international legal co-operation and by collaborating with domestic departments where appropriate.

Principle No. 3**Marshal knowledge and lessons systematically and measure progress.**

It is essential to make better use of existing knowledge and lessons learned, supporting governments in making them an integral part of the policy making process. It is also important that clear baselines and targets are set, while progress is systematically assessed against results.

At country level, donors should:

- Collectively foster knowledge gathering to inform policy and operational action, drawing, wherever possible, on local capacity.
- Encourage government to develop systems that better connect evidence with policy development.
- Foster the systemisation and publication by government of the measurement and the reporting of progress on anti-corruption efforts.

At the global level, donors should:

- Develop a systematic approach to dividing up efforts for undertaking strategic research/knowledge gathering and synthesis and in sharing results.