

U4 Expert Answer



Examples of anti-corruption clauses in cooperation agreements

Query

Please provide examples of anti-corruption clauses/proposals that donors can introduce in a convention/agreement with a public partner to prevent and manage corruption risks.

Purpose

Our agency does not have a comprehensive anti-corruption/ethical framework in place yet. We are increasingly using agreements with public partner for the implementation of our programs and would like to introduce anti-corruption safeguards in addition to regular financial controls into these agreements.

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Summary

No aid modality is free from fraud and corruption risks and most donors have developed anti-corruption strategies to safeguard their funds from corruption. This includes committing to a “no bribe” policy both internally and externally.

In dealings with development partners, the key pillars of these anti-corruption strategies typically cover three major dimensions, namely prevention, detection, and a regime of appropriate sanctions.

Introducing specific anti-corruption clauses in cooperation agreements is an important means to integrate corruption into the political dialogue with partners. In addition, donors' corruption risk management strategies also include efforts to improve the project design process with the objective to explicitly assess and address corruption risks at all stages of the programme cycle, to promote greater transparency, disclosure and civil society participation as well as to strengthen the monitoring and supervision of development projects at the implementation stage.

Ensuring that adequate strategies and resources are made available to support the implementation of these strategies is essential, particularly in countries affected by high levels of corruption, where enforcing a zero tolerance policy is a significant challenge.

Author(s): Marie Chêne , Transparency International, mchene@transparency.org

Reviewed by: Dieter Zinnbauer, Ph.D., Transparency International, dzinnbauer@transparency.org

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1 Overview of corruption risks to be addressed in cooperation agreements

There is a broad consensus among the donor community that no aid modality is free from corruption and patronage and available evidence suggests that the misuse of development funds is a risk both in budget, programme and project support. Against this background, most donors have developed specific anti-corruption strategies aimed at protecting their grants, loans and projects from fraud and corruption. These strategies usually include four levels of activities that are closely interrelated:

- Introducing internal integrity management systems to ensure transparency, integrity and accountability of operations and staff;
- Protecting development projects from fraud and corruption and ensure that aid is used for its intended purpose;
- Supporting aid recipient countries to effectively address and mitigate corruption risks;
- Participating in global anti-corruption work and international cooperation.

Although these four dimensions are integral components of any comprehensive anti-corruption framework, this query will more specifically focus on the second dimension and review strategies to strengthen the ability of agencies to prevent and detect fraud and corruption in their dealings with cooperation partners.

Definition of fraudulent and corrupt practices

The first critical step for the success of corruption risk mitigation strategies in development projects and programs is to promote a common understanding of the practices covered by donors' anti-corruption strategies both internally and among the various stakeholders and development partners. This can be done by introducing some form of definition of corrupt practices in donor policies and cooperation agreements.

In 2006, for example, leaders of seven multilateral organisations¹ established a joint International Financial Institution (IFI) Anti-Corruption Task Force to work towards a consistent and harmonised approach to combat corruption in their activities and operations. To promote a common understanding of prohibited practices, they agreed on the following definitions of corrupt and fraudulent practices (International Financial Institutions Anti-Corruption Task Force, 2006):

- A **corrupt practice** is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.
- A **fraudulent practice** is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- A **coercive practice** is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- A **collusive practice** is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

Overview of major corruption risks

As a second step sound and effective corruption safeguards need to be based on a solid understanding of the scope and the nature of the corruption risks involved at the various stages of the programme cycle.

With the scaling-up of aid as recommended by the Paris Declaration on Aid Effectiveness, development aid faces a new set of corruption challenges. These risks are mainly associated with issues of general accountability of public resources: risks of fraud and corruption may shift in nature with the increasing use of aid modalities such as Sector Wide Approaches (SWA)

¹ Members of the Task Force include the African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank Group, International Monetary Fund, Inter-American Development Bank Group and the World Bank Group.

and Direct Budget Support (DBS) that require well functioning national public procurement and financial management systems.

With project support, risks of corruption exist at all stages of the project cycle, from project selection, design, and implementation to project evaluation, with specific vulnerabilities associated with procurement and financial management activities.

While different forms of aid may be associated with different risks of corruption, the degree to which corruption distorts the development impact of different aid modalities seems to depend on several country specific variables such as the level of aid dependency, the nature and state of the overall governance environment and general corruption levels (Fritz, V. and Kolstad, I., 2008). At project level, corruption risks may also vary according to the types of projects, the choice of partners, implementing mechanism and systems for fraud detection.

A 2007 U4 brief in corruption and fraud in international aid projects describes more specifically the patterns of fraud and corruption that commonly occur across different sectors and differing contexts (Kramer, W. M., 2007). These corruption risks include:

Bribes

Local project and government officials often demand bribes from contractors and consultants in exchange for contracts or benefits awarded by the implementing agencies. The amount of bribes may vary but are usually a fixed percentage of the contract, typically between 5 and 20% to win a contract and 2 to 5% to have invoices paid. Contractors can pay bribes to be shortlisted, obtain approvals for contract extensions or amendments, to compromise auditors or to avoid cancellation of contract for poor performances. The combined payments can reach 30 to 40% of the contract value, making it impossible for the contractor to meet the specifications without significant price increases or contract amendments. Bribes can be paid to a wide range of stakeholders, including project personnel, supervisory government or ministry officials and even international aid agencies, auditors, inspectors, etc. These various actors sometimes work in collusion with each other to divert aid resources.

Bid rigging

Bribery can lead to bid-rigging, when money changes hands to ensure that a contract will be awarded to the bribe-paying firm (whose prices are likely to be inflated

to cover the cost of the bribe), or to induce corrupt government officials to manipulate the bidding process to exclude other competitors.

Fraud by contractors and consultants

Common fraudulent schemes include a wide range of practices such as billing for work that was never performed, failing to meet contract specifications, delivering substandard products or services, overbilling/overcharging for goods, consulting studies or civil works, submitting forged or false bid securities, performance certificates or financial statements.

Fraud by local project officials

Fraudulent practices by local project officials can include diverting project assets to the official private's use, foreign travels for unnecessary meetings, study tours or training, creating "ghost" employees and fictitious expenses, leasing warehouses, equipment or "office space" to the project or contractors, etc.

Fraud and corruption in capacity building related activities

Training and seminars are also soft targets for corruption, as demonstrated by an independent evaluation of a natural resource programme in Tanzania (Jansen, E.G, 2009). Generous per-diem systems are open to abuse. Administrators can divert per diems intended for participants to themselves. Participants only attend the opening session to collect their per diem or workshop organisers bill for too many participants or for too many days. A U4 expert answer on low salaries and the culture of per diems and corruption has specifically dealt with related issues (Chêne M., 2009).

2 Examples of risk mitigation strategies in cooperation agreements

Most donors have put in place anti-corruption systems and measures to safeguard development projects from corruption. The basic components of these anti-corruption strategies include three dimensions, namely prevention, detection, and a regime of appropriate sanctions. They typically focus on improving the project design process, promoting greater transparency, disclosure and participation, as well as strengthening the monitoring and supervision of development projects at the implementation stage. The importance of supporting civil society participation at all levels of

project design and implementation cuts across all anti-corruption approaches.

Methods for preventing corruption in aid projects

Explicit anti-corruption policies and internal integrity management systems

The introduction of anti-corruption clauses in cooperation agreements needs to be backed by credible leadership, anti-corruption policies and internal integrity management systems that demonstrate the agency's firm political will and institutional commitment to effectively address corruption issues. Internally, most bilateral and multilateral agencies have anti-corruption policies in place that cover their staff and include ethical frameworks and codes of conducts integrated in staff employment contracts. Effective internal complaints mechanisms and whistleblowing protection are also part of effective internal integrity management. The U4 has produced a report synthesising the partner agencies' set of internal anti-corruption management systems (Mathisen, H., 2003). This commitment against corruption needs to be communicated both internally and to external partners.

DFID for example publicly communicates a zero tolerance policy to corruption each time fraud or corruption is identified. Policy documents state that the agency will "always take action to recover lost funds. Future funding may be withheld from partner governments where arrangements for preventing or detecting fraud and corruption do not improve" (DFID, 2010).

SIDA's Anti-corruption regulation also operationalises a non-tolerance attitude against fraud and corruption through a set of concrete measures and recommendations (SIDA, 2004). Following an internal audit of the agency's management of contributions in corruption-prone environments in 2004, the agency reinforced this zero tolerance policy and committed to repeatedly communicate it both internally within the organisation and externally to partners as follows: "SIDA does not compromise on the quality of its development cooperation, will only disburse funds when conditions and requirements are fulfilled, will never accept corruption, will always act upon suspicion of corruption and will always ensure to inform those concerned within and outside of SIDA"(Office of the Director General SIDA, 2004).

The Asian Development Bank (ADB) anti-corruption policy also expresses a "zero tolerance" policy for corruption and imposes a "compelling obligation" on its staff to ensure the integrity of Bank's operations. As part of this obligation, managers and staff are required to address corruption issues openly, comprehensively and rigorously throughout the entire range of ADB operations and at all stages of the programme cycle. (Herz S, 2004).

Further examples of **U4 Partner Agencies'** anti-corruption policies, strategies and anti-corruption efforts can be found on the U4 website.

Anti-corruption clauses in development agreements

The introduction of specific anti-corruption clauses in cooperation agreements has been promoted as a means to integrate corruption into the political dialogue with partner countries. Such clauses also demonstrate leadership commitment to a "no-bribe" policy, sending the signal that corruption will not be tolerated by the donor. Following a 1996 OECD recommendation, almost all DAC members have explicitly inserted anti-corruption clauses into financial cooperation loan and financing agreements. The follow-up report on the implementation of this recommendation provides specific examples of such clauses (OECD, 1997):

CIDA for example formulated the anti-corruption clause as follows: "No offer, gift, consideration or benefit of any kind, which constitute illegal or corrupt practice, has or will be made to any one, either directly or indirectly, as an inducement or reward for the award or execution of this contract. Any such practice will be grounds for terminating this contract or taking any corrective action as appropriate."

DANIDA opted for a clause adapted from the World Bank's anti-corruption provision in its "Standard Government Agreements for bilateral projects":

"The Danish Ministry of Foreign Affairs:

- *may cancel a Standard Government Agreement for Bilateral Development Projects if it determines, with respect to any contract to be financed by Danish aid funds, that corrupt or fraudulent practices were engaged in by representatives of the recipient or of a beneficiary of the aid funds during procurement or during the execution of the contract without the recipient having taken timely and appropriate*

action satisfactory to the Ministry of Foreign Affairs to remedy the situation;

- *will have the right to inspect accounts and records of suppliers and contractors relating to the performance of the contract, and to perform a complete audit by auditors appointed by the Ministry of Foreign Affairs; and*
- *may bar firms from contracts financed by Danish aid funds, either indefinitely or for a specified period of time if the Ministry of Foreign Affairs determines that the firm is engaged in corrupt or fraudulent practices in competing for, or in executing, a contract financed by Danish aid funds.”*

Since 2001, the **German cooperation** has also introduced the following clause in its loan and financing agreements as well as in technical cooperation financing agreements which assigns responsibilities to partners with regard to measures for preventing corruption in development cooperation projects:

“The borrower, recipient, project executing agency (in financial cooperation) or recipient (in technical cooperation) will ensure that the persons they employ to prepare and implement projects, award contracts for the financed goods and services (only FC: and with drawing down loan amounts) do not demand, accept, make, guarantee, promise or have promised any illegal payments or other advantages in connection with these responsibilities.

Based on this clause, direct sanctions are possible in the event of violations. In addition a declaration of personal commitment ensures that the partner to the agreement actively passes on the commitment to preventing corruption to its employees. As this declaration is an integral part of the agreement between the project executing agency and suppliers, a violation of this constitutes a violation of the supply or consulting agreement” (GTZ, 2002).

Explicit assessment of corruption risks

In addition, most donors recognise the critical importance of assessing corruption risks at country, sector and project levels, including those risks associated with the capacity, administrative and financial management systems of partner institutions. Donors increasingly require that these risks are explicitly discussed in the formulation of cooperation agreements and systematically addressed in project

appraisal, preparation and evaluation reports. Action plans with specific anti-corruption targets and performance indicators can be developed within this framework.

The World Bank **Governance and Anticorruption (GAC) Implementation Plan** for example recommends a systematic analysis of GAC issues in the design and implementation of Country Assistance Strategies (CAS), as well as in sector work, sector programmes and projects. In addition to explicitly discussing corruption and governance risks in the country assistance strategy, the CAS of some countries such as Indonesia or Ghana require all 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. To operationalise these principles, **a framework for integrating GAC elements in CAS** has been developed for use by staff. This framework is primarily aimed at country teams for countries perceived to be affected by high levels of corruption.

Similarly, the **ADB** not only requires all projects to include an explicit assessment of how the project may be affected by corruption, but also how to address these risks, including an explicit action plan for high risk projects. This is expected to support the design interventions in ways that limit corruption and promote transparency and accountability.

Such assessments can be especially important in high risk countries. The above mentioned internal audit of **SIDA's** management of contributions in corruption-prone environments formulates a series of relevant recommendations. It strongly emphasises the need to conduct in-depth corruption risks assessments for each of the intended contributions as a key element for decision making, as well as for the formulation of the agreement. The report further recommends that in such environments, cooperation agreements clarify a number of points, in order to deal with corruption. These include special conditions for support/continued support, regulations of procurements, operational and financial reporting, repayment obligations, possibilities of terminating the agreement, as well as the frequency, scope and focus of audits. In addition, a reliable and relevant corruption analysis and discussion of corruption risks should also be carried out for each proposed allocation.

Management policies and practices

Most donors have developed guidelines and regulations to strengthen their own management policies and practices with a special emphasis on the vulnerable areas of financial management and procurement rules as part of their internal integrity management systems. These measures typically cover issues such as hiring, accounting and reporting guidelines, procedural rules for procurement, regulations governing financial controls, internal and external audits, etc. They can be referred to in cooperation agreements with the view to promote stricter standards and coherent rules across all the agency's operations.

In line with the Paris Declaration and efforts to reduce transaction costs associated with diverse and uncoordinated donor requirements, some donors like **NORAD** recommend an effective alignment with the partners' systems and procedures, as well as harmonisation between donors. This is meant to avoid risks of adding unnecessary administrative burden on development partners (NORAD, 2005). This approach creates a set of new challenges, as in many developing countries, development partners have weak internal structures and systems in place. Within this framework, as part of the aid effectiveness agenda, it may therefore be important within this framework of aid effectiveness to support developing partners' efforts to strengthen their own accountability and financial management systems through capacity building interventions or the provision of expertise, technical and financial assistance.

When project aid is being used, effective corruption safeguards need to be established to ensure that results are being achieved and effective controls and reporting systems are in place. Donors usually impose specific progress, financial and audit reporting requirements to ensure that the obligations stated or referred to in the cooperation agreement are complied with. **SIDA's** anti-corruption regulation for example states that it will be contractually determined what type of audit is intended and when it should be carried out and reserves the right to have a separate audit carried out, if the agency judges that this is necessary.

Transparency, disclosure and access to information

Beyond specific anti-corruption clauses, the need to introduce effective mechanisms to promote more transparency, citizen accountability and participation cuts across all prevention efforts. One of the core principles of the above mentioned **World Bank GAC**

implementation plan is the systematic engagement with a broad range of stakeholders, by strengthening transparency, participation, and third-party monitoring of its operations.

Strengthening information disclosure policies, access to information and transparency of operations is an important prerequisite for this. Effective information management, using information technology when appropriate, is likely to foster better public participation and provide opportunities for participatory project monitoring. Some donors are stepping up their disclosure efforts. For example, **NORAD** publishes some information about all its grants on its homepage, giving journalists and the media access to grant related information, while **SIDA** indicates to commit to increased transparency and dissemination of information on different contributions to provide opportunities for local control and monitoring. Some experts also recommend that aid projects above a certain value and all programmes be subject to public discussion and review by parliament, the business community and civil society organisations (Cooksey, B. (2002)

Methods for detecting fraud and corruption

Appropriate mechanisms need to be in place for detecting, investigating and sanctioning potential violations of anti-corruption clauses. Most donors have put in place investigative regimes to investigate and address allegations of corruption. In terms of facilitating the detection of corrupt practices, efforts are mainly focussing on strengthening monitoring and supervision of development projects, external audits of specific projects, opportunities for independent monitoring by the media, parliament or CSOs and the introduction of effective complaints mechanisms and whistleblower protection.

Monitoring and supervision of development projects

Development projects need to be closely monitored and supervised to allow detection of fraud and corrupt practices. New aid modalities transfer recipient countries the overall responsibility of managing aid. This implies that donors tend to focus more on policy dialogue with the local authorities and gradually step back from overseeing the actual implementation of projects and programmes, resulting in inadequate control and oversight provisions. Issues related to quality and frequency of project oversight need to be

given adequate consideration in cooperation agreements, which should promote close project monitoring, clear reporting requirements and allow regular oversight field visits and review mission with broad scope, duration and opportunities for beneficiaries' feedback.

The **ADB's** Anti-corruption operational procedures, for example, instruct staff and management to dedicate appropriate resources and attention to upgrade project supervision during the implementation phase, especially for projects that have been identified to be particularly risky. This includes improving oversight missions, initiating random audits and more closely scrutinising the scope and range of change orders to ensure that they are appropriate for the project. (Herz S., 2004).

At another level, projects can also be designed in ways that promote independent monitoring of project implementation and allow project beneficiaries to participate, monitor and evaluate the actual outcome of the project. This can involve interventions aimed at building partnerships for civil society oversight, opening avenues for community feedback and establishing linkages with beneficiaries. There are many tools that can be used and built in cooperation agreement for detection purposes such as social audits, public hearings, citizens report cards, using new technologies, etc.

External audits of specific projects

Cooperation agreements should also allow for conducting unannounced value-for-money evaluations or random audits of selected projects, typically carried out by official consultants or external independent auditors. The World Bank for example periodically commissions international audit companies to conduct "surprise" external audits of World Bank supported projects (Chêne, 2007). SIDA's anti-corruption rules also mentions that the agency shall carry out external audit of the contribution, if mismanagement or corruption is suspected.

Effective complaints mechanisms and whistleblowing protection

The introduction of effective complaints mechanisms can help enhance transparency and accountability and uncover potential cases of fraud and corruption. Such mechanisms provide members of the public, staff from the agency or the partner organisation, as well as beneficiaries with a channel to report irregularities or suspicions of misconduct. This implies that there is an

appropriate system in place to manage, investigate and solve complaints, enforce recommendations and impose sanctions. Moreover, appropriate provisions for protecting whistle blowers from possible reprisal need to be in place. U4 expert answers have been published on best practices in designing effective complaints mechanisms and whistle blowing legislation. (Chêne M., 2007 and 2008).

Sanctions

A regime of credible sanctions is also key to deterrence. Cooperation agreements provide an opportunity to make sanctions related to corruption in the use of aid funds more systematic and explicit. They can specify a range of measures and sanctions that can be applied in case abuse or corruption is uncovered, including suspension of the contribution until corrective action is taken, cancellation or termination of the agreement, repayment of the funds involved, as well as blacklisting of firms involved in procurement fraud. Some organisations such as the Inter American Development Bank introduce a transparency dimension by making anti-corruption policies and sanctions public as well as by publishing the sanctions taken against corrupt firms or officials together with the name, country, ineligibility and grounds to generate a deterrent against future violations.

3 Lesson learnt from the implementation of anti-corruption clauses

The operationalisation of these policies faces major implementation challenges, as donors need to provide the resources and capacity to enforce a zero tolerance policy, especially when they are confronted with the countries affected by endemic corruption. In addition, the scaling up of aid recommended by the Paris Declaration is usually not matched by a parallel increased in staff and resources for the management of these funds², while the increased reliance on the development partners' weak internal structures and systems create additional vulnerabilities for the financial management of aid funds. If left unattended, this

² For example, while the EU is the largest donor in the world, only about 20 OLAF investigators are currently assigned to investigate cases of fraud and corruption in EU aid.

situation is likely to undermine the credibility of donors' commitment against corruption in the long run.

The case of the ADB

A study was conducted in 2004 to assess ADB's efforts to limit the incidence of corruption in its lending operation. (Herz, S, 2004).

ADB has taken a strong stance against corruption and developed a comprehensive anti-corruption strategy that promotes a "zero tolerance" policy for corruption in its operations. The study reviewed a sample of country strategies, project appraisal and evaluation reports to assess to which extent this policy was actually enforced and whether corruption risks were adequately assessed and addressed in the Bank's operations. The review established that ADB almost never complied with the policy requirement to explicitly address corruption issues in its reports, assessments and evaluations.

Contributing factors to poor implementation

The report identified a number of contributing factors to explain this poor record in complying with the organisation's anti-corruption policy and operational procedures:

- ADB staff was not provided **appropriate guidance** on how to assess corruption risks and integrate them in their analysis and decision-making, resulting in corruption risks being addressed in an inconsistent, unsystematic and partial manner;
- **Wrong incentive structures** put stronger pressure on staff to disburse funds and finance new projects than to ensure successful completion of ongoing projects;
- **Weaknesses in institutional leadership** may also explain poor performance in implementing the anti-corruption regulations.

Recommendations

The report concludes by promoting a number of steps that should be taken to improve the Bank's performance in managing corruption risks in its lending operations, including:

- Providing staff with clear guidance for managing corruption risks in all Bank operations;

- Developing a pro-active participatory strategy to mobilise and involve civil society in anti-corruption efforts;
- Improving the Bank's information disclosure policies and the transparency of its operations;
- Improving the quality and rigor of its project monitoring and oversight;
- Commissioning external audits of the scale of corruption in its operation and the efficacy of its internal control mechanisms;
- Articulating a stronger organisational commitment against corruption.

Case study of a natural resources programme in Tanzania

Norway supported a Management of Natural Resources Programme (MNRP) in Tanzania between 1994 and 2006. The initiative was recognised as a flagship, programme with very positive development outcomes. Successive evaluations of the programme, including feedback from annual meetings, field trips and mid-term reviews were positive. This was broadly in line with conclusions of the Controller and Auditor General's audit reports both in terms of results and financial management (Jansen, E.G., 2009) *Dows aid work? Reflections on a natural resources programme in Tanzania*).

After twelve years of support totalling about 60 million USD, an independent audit conducted in 2007 – the first independent evaluation of the programme - revealed that as much as half of the funds – 30 million USD – might have disappeared through corruption and mismanagement. The report uncovered poorly functioning internal and external mechanisms for controlling the financial management system, resulting in aid being used for overpriced cars and capital goods, payments to consultants with no contracts or reports, fake seminars, undocumented travels, etc. The report also established that the areas most vulnerable to abuse beside procurement were training and capacity building activities.

How could these problems be unnoticed for so long?

In theory, all internal and external mechanisms were in place for controlling the financial management of the funds. The reporting requirements involved annual

meetings between the Norwegian embassy and the Ministry, prior to which a field trip was organised to some of the projects. In addition, three mid-term reviews were conducted, one for each phase of the project. The Controller and Auditor General audited the annual accounts and made some minor comments. The audit report – very technical and difficult to understand – was sent to the embassy a month prior to the annual meeting, sometimes with opinions provided by the Dar es Salam branch of an international audit firm. Nevertheless only the first independent evaluation uncovered major problems of financial management. According to the report, over 30% of the expenses were undocumented. Factors that contributed to this situation include

- **Over-reliance on government auditing systems.** As the nature of aid has evolved over years, donors are transferring more and more responsibility for aid to national authorities, which also implies relying strongly on the government's own auditing system. As a result, donors may have shifted attention away from overseeing the actual implementation of projects. Policy planning is prioritised over project monitoring, and checking of accounts and activities on the ground.
- **Lack of effective controls.** Audits based on self reporting were inadequate to capture failures of financial management. In addition, mid term reviews lacked independence as both the government and the donors had an interest to portray the project outcomes in a positive light.
- **Disbursement pressure** also generally undermines accountability, as the need to negotiate large agreements in short time frames increases incentives for staff to ignore red flags. In addition, the pressure to disburse towards the end of the year – the so called “pipeline effect - makes it difficult for donors to ask for guarantees when they have the parallel pressure to “quickly dispense of the money”.

Future directions

Following the report, specific proposals have been made to address the situation in future programmes, including:

- The partner's financial management system will be strengthened and Ministry staff trained by

foreign independent accountants who will also monitor the accounts;

- No new agreement for any programme will be signed before a satisfactory system is in place for financial management;
- More emphasis will be placed on the various dimensions of governance such as corruption and the need for effective public involvement.

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