

## Collective donor responses Barking or biting?



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In 2006, the OECD Development Assistance Committee Ministers of Development expressed a desire to move towards more effective collective responses to corruption. However, donors have continued to struggle with responding robustly to corruption cases. Donors cannot afford to continue to respond in a haphazard, inconsistent, and poorly planned fashion. Attention should be invested into how to respond to corruption cases in a manner that has a strategic focus beyond getting the money back. This means preparing a coordinated response; acting consistently and predictably; and maintaining a dialogue with multiple partners including non-state actors.



Most donors have anti-fraud policies in place, although not necessarily more general anti-corruption policies.<sup>1</sup> However, practice on the ground with respect to implementing these policies varies greatly. A recent multi-donor evaluation of

anti-corruption policy and programming concludes that the lack of follow up actions is a main weakness in donor responses to corruption (ITAD and LDP 2011: 56).

Not following up on allegations of corruption in a sufficiently strong manner is problematic on several levels. *First*, by not responding robustly to allegations, donors may be seen to condone corrupt activities, and this may raise doubts about their commitment to fight corruption amongst their respective home constituencies. *Second*, if systemic corruption is seen as a collective action problem at the national level, the role of donors as “principled principals”<sup>2</sup> (that is, credible enforcers of anti-corruption policies), possibly in the absence of national “principled principals”, becomes important.

This brief, which draws primarily on the findings of the U4 Report “Collective donor responses: Examining donor responses to corruption cases in Afghanistan, Tanzania and Zambia” (de Vibe, Taxell, Beggan and Bofin 2013), explores factors influencing the extent to which donors can act collectively as “principled principals” in response to concrete cases, addressing the following questions:

1. What are the key constraints and factors that affect the development of an effective collective donor response to a corruption case?
2. What tentative conclusions can be drawn with regards to impact of collective donor responses to these corruption cases?

## Falling short of expectations

In the corruption cases examined by de Vibe, Taxell, Beggan and Bofin (2013), donors struggled to respond robustly to corruption cases due to limited analysis, poor preparedness and lack of a plan of action.

Five main shortcomings were identified:

1. *Donors responses to the cases came about, at least in part, as a result of public attention:* Donors were much more likely to put in place a clearly articulated and well communicated response when corruption cases were too large and public to ignore. This raises a question of whether a “zero-tolerance for corruption” position is more likely to be activated in cases that catch the public’s attention.<sup>3</sup>
2. *Delay in reaching common positions and agreement on actions:* A repeated problem was considerable delays amongst donors in reaching an agreement on a common position and on follow up actions. There was also concern that as time went by the dialogue with the government about follow up became predominantly an administrative exercise (potentially a diversionary tactic) that consumed considerable energy, while not delivering any immediate, or even longer term, results with respect to holding those responsible accountable.
3. *Lack of realism and confusion over who is responsible for follow up:* Whilst donors managed to negotiate action plans for follow up, their ability to influence partner governments to implement the plans proved limited. In some instances, targets were unrealistically ambitious, especially when cooperation was needed from institutions other than the one directly affected by the corruption case. In other instances, donors focused, deliberately, on the easier areas and left the more difficult aspects of the case to one side.

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4. *Short time horizon, limited arsenal and front-loading of the response:* Donors tended to front-load their attention and dialogue in the first 6–9 months after the case emerged. As time went by, the attention to follow up by governments dwindled, reducing the likelihood of holding those responsible to account. Donors seemed to be operating with a limited arsenal of responses, generally limited to a one-off freeze or cut in funding shortly after the case emerged. This left limited options for responses further down the road.
5. *Failure to open the dialogue up to other actors and engage with other accountability processes:* Donors generally failed to make active use of opportunities to involve other national actors in the discussions, or to encourage and support domestic accountability processes to take centre stage. Donors also kept quiet about on-going negotiations with partner governments, preferring to keep these negotiations confidential.

## What can donors do differently?

The following three areas have the potential to strengthen the impact of donor responses, drawing on key factors identified by OECD for achieving more effective collective responses to corruption cases<sup>4</sup>:

### 1. Preparing collectively in advance for responses

The corruption cases examined illustrated relatively weak capacity on the part of donors in terms of putting in place a robust response to corruption—due to inadequate risk analyses at the front end and a lack of preparedness for how to coherently and sensibly respond, not just in the immediate time period after a case emerges, but also during the longer term period of follow up. In summary, the following lessons can be highlighted:

- *Take a more pro-active approach to assessing risks:* This includes the need for donors to (i) invest in dedicated analyses of corruption risks in key sectors; (ii) engage in frequent reality checks to assess whether regular audits and evaluations paint an accurate picture; and (iii) conduct a detailed political economy analysis of the national context as well as of the government agency or sector in question in order to understand underlying drivers and incentives.
- *Make contingency plans for handling corruption cases:* Donors need to improve their contingency planning for how to respond to possible corruption cases in a given programme or sector, come to a common position and implement joint responses when required. Such plans need to include (i) an assessment of the impact of different risks on the delivery of the programme at stake; (ii) an outline of possible donor responses to different

scenarios (cases); and (iii) the identification of alternative implementation or delivery modalities that could be activated in the event of allegations of corruption.

- *Improve coordination structures:* Donors need to re-structure and improve their coordination and dialogue mechanisms. This relates particularly to the challenge of improving the quality and speed of decision-making on important issues such as the response to corruption cases. Donors also need to be organised in an effective manner to draw together necessary resources to deal with emerging corruption cases.

*Donors cannot afford to respond to corruption cases in the haphazard and poorly planned fashion.*

- *Play with open cards:* Donors should strive to increase openness and transparency around their handling of corruption cases. This could include actively communicating donor positions on a given corruption case in the local media of the country in question as well as in the media of home countries. Donors could make an effort to share the often detailed and in-depth analysis of the case that is being reviewed.

• *Involve a broad range of actors and accountability processes:* Donors could sensibly ensure the active involvement of domestic interest groups in dialogue on concrete corruption cases. Donors should

consider the following types of efforts: (i) engaging with parliament in those cases where it possible to identify allies; (ii) encouraging the government to open up discussions of the case to participation by civil society and allowing civil society to assist in monitoring the government's follow up; and (iii) ensuring that donor requirements for follow up are in line with government systems and are supportive of existing accountability processes.

- *Explore the possible involvement of an impartial entity for oversight:* Donors could take steps to set up an independent mechanism of oversight for ensuring the follow up on corruption cases, such as an independent oversight committee or independent verification of implementation of action plans issued in response to corruption concerns.

## 2. Acting consistently and predictably—implementing anti-corruption policies:

Donors have differing interpretations of the application of anti-corruption policies in their responses to concrete cases. This leads to a lack of predictability in implementing these policies in response to concrete cases. In summary, the following lessons can be highlighted:

- *Agree on trends and “red lines”:* Donors would be in a better position to act in a coordinated and predictable manner if they were to engage in frequent discussions of trend and trajectory, including what deteriorating patterns would constitute “red lines” that would necessitate taking action. This could help the donors reach greater clarity on their individual and collective risk appetite in the given country, as well as on their willingness to activate strong responses.
- *Prioritise predictability of responses over severity:* In order for collective donor responses to corruption to be credible, and for donors to be taken seriously by partner governments, there must be some credibility behind threats of sanctions. The international community must be willing to follow through to the end. If they do not, the consequence of previous inaction is a prevailing sense that donors are not really committed to anti-corruption objectives. The predictability of sanctions is more important than their severity.

## 3. Maintaining a dialogue on multiple levels, including with regard to transparency and collaboration with non-state actors:

It is widely accepted that domestic accountability mechanisms have greater potential for impact than diplomatic or aid related channels. In the cases examined, donors could have done much more to open up discussions with the public, civil society or the media. This would have prevented the process of follow up from becoming predominantly a private dialogue between donors and government. In summary, the following lessons can be highlighted:

## Will it make a difference?

Are collective donor responses to corruption likely to make a difference? The impact needs to be looked at both in terms of safeguarding donor funds and in terms of the wider fight against corruption. In terms of the former, anecdotal evidence suggests that donors achieve improved short-term impact in terms of follow up on corruption cases where they join forces. However, the track record in terms of longer-term impact, especially the sanctioning of cases and robust system improvement, is more mixed. This may in part be explained by donors not staying the course in following up on corruption cases, with competing priorities such as political expediency or pressure to deliver aid budgets taking the upper hand.

Available research suggests that donors have a limited leverage for influencing wider corruption trends. Money cannot buy policy reform, and domestic political considerations are the prime factors determining reforms (Kolstad, Fritz and O’Neill 2008: 70). However, if we consider that long-term change is made up of a series of smaller waves and changes in the political landscape, we should also recognise that donors form part of that landscape. Therefore the way donors respond to corruption, individually as well as collectively, might over time have an impact



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and certainly merits careful consideration. Disparate, contradictory responses are likely to have less impact and may at times even contribute directly to further delay and inaction in dealing with corruption.

Donors cannot afford to respond to corruption cases in the haphazard and poorly planned fashion. More energy needs to be invested into how to respond to corruption cases

in a manner that has a strategic focus beyond getting the money back. Attention should be paid to stimulating the domestic accountability agenda. This means adopting a long-term perspective to dealing with what is typically a deeply entrenched phenomenon. It implies not only coordinating donor responses when cases of corruption emerge, but also coordinating overall support to countries' anti-corruption efforts.

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## Notes

1. For further discussion on donor anti-corruption policies, see Hart, Liz and Nils Taxell. 2012. Donor anti-corruption strategies: Learning from implementation. U4 Brief 2013:10. Bergen. Chr. Michelsen Institute. <http://www.u4.no/publications/donor-anti-corruption-strategies-learning-from-implementation/>.
2. The concept of donors as external “principled principals” is presented in, inter alia, the recent article by Persson, Anna, Bo Rothstein and Jan Teorell. 2013. “Why Anticorruption Reforms Fail—Systemic Corruption as a Collective Action Problem.” *Governance: An International Journal of Policy, Administration, and Institutions* 26, no. 3: 449–471.
3. For further discussion on “zero tolerance for corruption policies”, see De Simone, Francesco and Nils Taxell. 2014. Donors and “zero tolerance for corruption” From principle to practice. U4 Brief 2014:2. Bergen. Chr. Michelsen Institute. <http://www.u4.no/publications/donors-and-zero-tolerance-for-corruption-from-principle-to-practice/>.
4. For further details, see Davila, Justine, Karen Hussman, K. Sarwar Lateef, Jose Jaime Macuane and Marcus Cox. 2009. Working Towards More Effective Collective Donor Responses to Corruption: Background Study of How Donors have Responded to Corruption in Practice. Synthesis Report and Recommendations. Paris: OECD DAC. <http://www.oecd.org/dac/governance-development/45019669.pdf>.

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