

# Promoting anti-corruption in EC Development Cooperation

*"...the Community will promote democracy, human rights, good governance and respect for international law, with special attention given to transparency and anti-corruption."*

*"The Community will actively promote a participatory in-country dialogue on governance, in areas such as anti-corruption, public sector reform, access to justice and reform of the judicial system."*

*"Particular emphasis will also be placed on improvements in public finance management, as fundamental to combating corruption and promoting efficient public spending."*

(European Consensus on Development, 2006)

## ... What are we talking about?

### *The EC approach to anti-corruption*

The fight against corruption is a key element contributing to better democratic governance and to achieve the Millennium Development Goals. Corruption is not confined to a limited number of sectors, where bribes are paid and/or solicited (public works, infrastructures, tenders, customs, and access to public basic services). It is a complex issue affecting public institutions and citizens as well as different processes in a society and is a major obstacle to achieve development objectives. It covers abuses by government officials such as embezzlement and nepotism, as well as abuses linking public and private actors such as bribery, extortion, influence peddling, and fraud. As an abuse of entrusted power for private gain, corruption arises not only in political and bureaucratic spheres, but also in the private sector, and can be petty or grand, organized or unorganized.

Corruption poses several distinct types of risk. The combination of fiduciary risks (misuse of funds), with an undermining impact on development, and the risks to their reputations for donor countries (citizen support to aid) of humanitarian and development assistance to countries with corrupt leaders, has focused attention on corruption as a core concern. The Paris declaration on aid effectiveness points out that "corruption and lack of transparency [...] impede effective resource mobilization and allocation, and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems." There is a growing recognition that joint donor responses to stagnating or deteriorating corruption situations are necessary.



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### **... What do we stand for?**

#### *Principles underpinning the EC anti-corruption approach*

The EC communication on governance and development (2003) mentions that "*combating corruption should be done within the framework of broader support to strengthen good governance and democratisation processes*".

The EC communication on Governance in the European consensus on development (2006) sees corruption "*as a symptom of poor governance and of a lack of transparent, accountable management and control systems*" and stresses the fact that "*tackling corruption must not be addressed in isolation but integrated into development and poverty reduction strategies and into support for the processes of democratic governance*".

The EC communication on a comprehensive EU policy against corruption (2003) highlights the importance to encourage anti-corruption policies in the acceding, candidate and other third countries. The Communication calls for the detection and punishment of all acts of corruption, the confiscation of illicit proceeds and a reduction of the opportunities for corrupt practices through the establishment of transparent and accountable public administration standards. Furthermore, it provides for anti-corruption clauses into cooperation agreements and external aid programmes, against the background of guiding principles of improving the fight against corruption ranking from the implementation of dedicated strategies to effective prevention measures and efficient law enforcement.

The 2003 United Nations Convention Against Corruption (UNCAC) provides concrete area of interventions that may be considered as entry points for EC assistance. The EC is encouraging UNCAC signature and ratification by third countries, as well as the adoption of an efficient mechanism of the review of implementation that may accurately define the technical assistance needs of the concerned countries.

### **... Where do we want to go?**

#### *Objectives of EC support*

As corruption is a symptom of the failure of the broader system of governance, it cannot be addressed in isolation, but rather as part of the overall support to democratic governance reform processes. Fight against corruption therefore has to be carried out through the consolidation of State capacities to assume its full functions, as well as through the strengthening of other governance actors both from the public sphere and from Civil Society to ensure better accountability and transparency.

### **... How do we get there?**

#### *Actions undertaken by the EC*

EC geographical and thematic programmes strive to support among others rule of law (incl. law enforcement and security sector reforms), democratisation (elections, parliaments, media, etc.), public administration reform, public finance management, decentralisation, and participation and reinforcement of civil society. Balanced support to improve "checks and balances" and transparency in the beneficiary country, either via

state or non state actors' support, can contribute to sustainable governance improvement and, therefore, create a "playing field" for an effective anti-corruption policy.

The EC has significantly supported programmes in the field of internal and external control mechanisms and standard oversight functions (public expenditures management, internal and external control, national assemblies). Those institutional supports (either in the form of specific programmes and / or within the context of general budget support programmes) contribute to reduce administrative dysfunctions and malpractices which leave significant room for corruption. The EC has generally prioritized this approach, notably in the context of eligibility criteria (in particular, a credible and relevant Public Finance Management system has to be in place) to EC budget support programmes.

This is complemented by EC institutional support, such as EC support to the Supreme Audit Institution in Ghana and Burkina Faso, to the Ombudsman in South Africa, or to the fight against money laundering in the Philippines, Russia and Moldova. When the level of awareness is low, specific emphasis on information and support to civil society (through support both to international and national civil society organisations) and national media to alert citizens and politics has generally and initially been used by the EC as an entry point for addressing corruption.

The EC has also financed and is funding some limited support exclusively dedicated to national anti-corruption commissions/specialized agencies, such as the support to the Prevention of Corruption Bureau in Tanzania, and to the Economic and Financial Crime Commission in Nigeria.

PFM reforms represent an opportunity to strengthen systems and thereby reduce the potential for corruption. Procurement is a particularly sensitive area that requires attention and due regards to all linkages in the PFM system. The existence of a Supreme Audit Institution and its effectiveness as well as legislative oversight through the budgetary committee of the parliament are essential elements of a well-functioning PFM system. Furthermore, failure to take corrective measures and cases of a criminal nature should ideally be prosecuted through the judicial system. This, in a nutshell, shows the span of the action required.

### **EC Support to Ghana Audit Service – Key Experiences**

From 1999 to 2004 the EC provided some 5.6 million euro to help the Ghana Audit Service (GAS) strengthen its capacity to conduct financial and performance audits, make better use of IT and strengthen its internal management capacities. The project achieved most of its targets, yet at the same time, it was realised that a sustainable improvement would require longer-term support. A second project phase for the period 2005-2009 for some €4.6 million builds on a number of key lessons learned, including:

- The need to focus on senior management level and not only on middle-management for management change to be effective and sustainable;
- Support to a SAI can only be successful in the long term if its main stakeholders, i.e. the Parliament, civil society and public opinion, have an interest in its improvement. Thus, whenever possible, support to a SAI should be coupled with support to the public accounts committee of the Parliament, the improvement of the information flow to the public, and possibly support to civil society watchdog organisations;

- The time scale of any integrated institutional support must be at least 4/5 years;
- In terms of operational objectives, the priority should be given to developing systems based audits rather than focusing on purely financial auditing; and
- The need to link specific support to SAIs to overall improvement of public finance management funded through Budget Support.

The implementation modalities, which foresee collaboration between a European Supreme Audit Institution and the GAS have been very instrumental in the transfer of knowledge and skills, while maintaining a level of equality in the partnership.

### ...Where can you find more information?

*The communications of the European Commission detailing the EC policy regarding anti-corruption supports in third countries:*

- Communication on Governance in the European consensus on development COM (2006) 421;
- Communication on a comprehensive EU policy against corruption COM (2003) 317;
- Communication on governance and development COM (2003) 615.

*Other useful resources include:*

- OLAF webpage, Activities of the European Union – Fight against Fraud, available on [http://europa.eu/pol/fraud/index\\_en.htm](http://europa.eu/pol/fraud/index_en.htm)
- JLS webpage on corruption, available on [http://ec.europa.eu/justice\\_home/fsj/crime/corruption/fsj\\_crime\\_corruption\\_en.htm](http://ec.europa.eu/justice_home/fsj/crime/corruption/fsj_crime_corruption_en.htm)
- The International Anti-corruption Day, available on [http://www.un.org/Depts/dhl/events/anti\\_corruption/index.html](http://www.un.org/Depts/dhl/events/anti_corruption/index.html) >
- UN Convention against Corruption (UNCAC), available on <http://www.unodc.org/unodc/en/treaties/CAC/index.html>

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