



# Focus: Combatting corruption

It is difficult to define corruption in legal terms. Even today, there is still no generally accepted legal definition. A well-known and oft-cited definition stems from the international non-governmental organisation, Transparency International (TI), which designates corruption as the abuse of entrusted power for private gain.

Austrian Development Cooperation (ADC) defines corruption as the behaviour of persons or representatives of the public sector that deviates from their official responsibilities and takes advantage of their power for private aims and enrichment (cf. Policy Document: Good Governance).

Corruption is a symptom of poor governance and poses a major developmental problem in itself.

## Introduction

Development cooperation has seen a policy shift in recent years towards supporting good-governance and anti-corruption measures in partner countries as major contributors to poverty alleviation and economic growth. This policy shift is due in particular to the following basic causal elements:

- While corruption was long treated as a taboo issue in international development assistance or frequently even viewed as quite beneficial for national development, today it is widely acknowledged as a **widespread phenomenon** that acts as a **constraint on development**, with massive economic, social and political repercussions. The World Bank Institute estimates that US\$ 1,000 billion is lost every year alone through bribery payments. The **consequences of corruption** are devastating. Massive corruption undermines the efficiency of public institutions, misallocates public resources, fosters legal uncertainty, distorts competition, deters investors, impedes private-sector development, exacerbates social inequality, undermines democratic and rule-of-law institutions and contributes to political instability and ultimately also to conflicts. Corruption does particular harm to underprivileged populations, especially poor people, women and children, because it often deprives them more than others of access to essential services.
- The debate on aid effectiveness under the Paris Declaration and the Accra Agenda places heavier obligations on both donors and partner countries to bear joint responsibility for the effective use of allocated funds.
- There is also growing awareness in this connection that **corruption** poses a major **risk to international development cooperation**. Systemic corruption in partner countries causes a combination of problems: It poses a fiduciary risk, can impair development cooperation effectiveness and also jeopardizes the good reputation of the donor community. This is why international development policy debate has come to view anti-corruption as a key concern.

- The **Paris Declaration and the Accra Agenda for Action** call on the donor community to bear responsibility for supporting anti-corruption measures at the respective partner country level.
- In recent years, donors have come to situate **anti-corruption measures** in the broader context of the **good governance challenges** facing partner countries.
- Finally, donor governments themselves also need to shoulder responsibility for combating corruption, as stipulated above all in the international accords also signed and ratified by Austria, especially the **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions** and the **UN Convention against Corruption (UNCAC)** of 2003, which ADC also uses as anti-corruption guidelines.

The Corruption Perceptions Index published every year by Transparency International conveys an initial impression of the scale of corruption or propensity to corruption in a large number of countries. In abridged form, the following table shows the priority and partner countries of ADC listed on the index in recent years.

**Transparency International Corruption Perceptions Index<sup>1</sup>**

<b>Country</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Denmark	9,3	9,3	9,3	9,4	9,5	9,5	9,5	9,5
New Zealand	9,3	9,4	9,3	9,4	9,6	9,6	9,6	9,5
Austria	7,9	7,9	8,1	8,1	8,6	8,7	8,4	8,0
Bhutan	5,7	5,0	5,2	5,0	6,0	--	--	--
Macedonia	4,1	3,8	3,6	3,3	2,7	2,7	2,7	2,3
Montenegro	3,7	3,9	3,4	3,3	--	--	--	--
Serbia	3,5	3,5	3,4	3,4	3,0	2,8	2,7	2,3
Albania	3,3	3,2	3,4	2,9	2,6	2,4	2,5	2,5
Bosnia and Herzegovina	3,2	3,0	3,2	3,3	2,9	2,9	3,1	3,3
Burkina Faso	3,1	3,6	3,5	2,9	3,2	3,4	--	--
Moldova	2,9	3,3	2,9	2,8	3,2	2,9	2,3	2,4
Kosovo	2,8	--	--	--	--	--	--	--
Ethiopia	2,7	2,7	2,6	2,4	2,4	2,2	2,3	2,5
Mozambique	2,7	2,5	2,6	2,8	2,8	2,8	2,8	2,7
Nicaragua	2,5	2,5	2,5	2,6	2,6	2,6	2,7	2,6
Uganda	2,5	2,5	2,6	2,8	2,7	2,5	2,6	2,2
Palestine	--	--	--	--	--	2,6	2,5	3,0
Afghanistan	1,4	1,4	1,5	1,8	--	2,5	--	--
Somalia	1,1	1,1	1,0	1,4	--	2,1	--	--

<sup>1</sup> The index is based on the perception of businessmen and country analysts and is compiled from surveys of national and foreign experts. A comparison of corruption perceptions over the years reviewed is misleading, because some disparate data sources have been adduced for the individual years.



## Corruption as a social and political phenomenon

As a technical term, corruption is largely used in the social sciences, but it is not a legal notion as it lacks the constitutive elements for an offence. Legal usage demarcates closely-defined offences: taking or offering a bribe, giving or accepting undue advantage, etc. An act of **'corruption'** must entail at least **three essential elements**:

- A **decision-maker** whose decisions are governed by laws, provisions and criteria, from which he is empowered to deviate but to which he is nevertheless accountable when making them
- A **'transactional relationship'** between a decision-maker and an interested person/institution, who/which in exchange for a desired or hoped-for decision offers or promises an undue advantage to the decision-maker
- The **concealment of the reasons** for the decision by the decision-maker

In most cases, corruption is due to several national and international factors/drivers. Of decisive importance also is the kind of corruption meant. Frequently cited causes are poverty, ineffective law enforcement institutions, allegiance to certain ethnic groups and the resultant social obligation to serve the interests of their members, but also low pay for public officials, for example. Businesses, often those with multinational operations, play a large role also. The internationally reputed corruption expert, Robert Klitgaard, developed a formula in 1988 for the elements that are largely responsible for corruption:

### **Corruption = Monopoly + Discretion – Accountability**

According to Klitgaard, areas that are particularly prone to corruption are those where there is hardly any or no possibility of obtaining services from other providers (monopoly), decision-makers have a relatively large leeway, in awarding contracts, for example (discretion) and there are limited or no ways of holding those responsible to account (accountability). Transparency and integrity are crucial here.

Corruption occurs either on its own or in connection with a whole array of misconduct, such as conflict of interest, embezzlement, fraud, taking and offering of bribes, political corruption, maladministration, nepotism, concealment, extortion, illicit personal gain and/or mismanagement.

The burgeoning literature on corruption and anti-corruption frequently distinguishes amongst several types of corruption:

- Grand corruption vs. petty corruption vs. political corruption
- Situational vs. systemic / structural corruption
- Controlled vs. uncontrolled corruption

The most common distinction cited in the literature is between grand corruption and petty corruption. While the former largely pertains to (mis)conduct by high-ranking and highest-ranking decision-makers, petty corruption is primarily concerned with the (mis)conduct of decision-makers in the low to middle tiers (e.g. illicit money transfers or gratuities in approval procedures, minor offences, police checks etc.).

While particularly grand corruption causes enormous adverse effects on the economic, social and political development of a country, the detrimental effects of petty corruption on the development of a country, should not, however, be disregarded. Account should also be taken of the – albeit indirect – connection between these two forms. The (mis)conduct of higher-level decision-makers sets an (a bad) example for their low-level counterparts and cases of malfeasance can very rapidly culminate in a systemic form of corruption. This is why the role and behaviour of higher-ranking decision-makers is very often of particular importance for the success or failure of efforts at combating corruption. Only ethical conduct by this group can prevent a country from slipping into a pernicious spiral of corruption and falling into a 'corruption trap' that is very difficult to escape from.

## Corruption and development cooperation

Development cooperation has to deal with **three kinds of corruption**:

**Internal anti-corruption:** Corruption undermines the effectiveness of donor measures and initiatives. On the one hand, donors operate in some countries that are rated as highly corrupt. Moreover, abuse cannot of course be ruled out in their own organisations, either. There is the risk of forfeiting donor funds through corruption but it can also render development assistance ineffectual in developing countries. Through internal measures, donors therefore try to protect both their own resources and raise the effectiveness of their projects and programmes. We can distinguish **three forms corruption** here:

- Unilateral misuse of development funds by the donor
- Unilateral misuse of funds by the recipient
- Covert arrangements between donor and recipient

The most frequent incidence of corruption tends to occur on the recipient side, with systemic, not just individual, corruption prevalent in many partner countries. Rated as most prone to corruption in general are projects and programmes in emergency/reconstruction assistance and projects requiring investments (procurement and contracting).

**External anti-corruption:** To assist developing countries in their anti-corruption efforts, donors largely actively support capacity building in relevant institutions. This is not confined to support for the judicial sector, public administration or also relevant civic organisations, for example. Account must also be taken of corruption on the donor side, particularly the private sector.

**International initiatives:** In the course of stepping up efforts for good governance in the partner countries, growing international attention has been paid in recent years to fighting corruption. Besides the **World Bank**, the **United Nations** has also taken significant steps to stem this phenomenon both via the Convention against Corruption (UNCAC) and the Global Programme against Corruption. The OECD/**Development Assistance Committee** (DAC) is also doing more to fight corruption, increasingly playing a coordinating role within the international donor community for the operational implementation of anti-corruption measures. In bilateral development cooperation, a large number of donors have now framed anti-corruption policies and programmes. Besides the international NGO, Transparency International, other major initiatives are the U4 Anti-Corruption Resource Centre as a resource centre on anti-corruption in development contexts and the United Nations Global Compact as an initiative for the private sector.

## Guiding principles

1. Rather than an isolated phenomenon that can be set apart, corruption is a **symptom of poor governance**. This is why corruption must be perceived in broad terms and be accounted for in policy dialogue and in dialogue with the private sector and NGOs or in projects and programmes. Besides government institutions, it is also important above all to involve civil-society organisations, the media and the private sector in anti-corruption efforts.
2. Pursuant to the Paris Declaration and in keeping with efforts at harmonization and alignment, ADC advocates a **coherent and concerted anti-corruption approach** amongst donors and partner countries.
3. ADC caters for corruption in its programmes and projects by incorporating **anti-corruption elements** (e.g. as clauses in agreements or through transparent procedures in commissioning and implementing projects).
4. Moreover, greater account will be taken of **corruption as an issue in ADC** at all intervention levels, in programming processes, in policy dialogue or in further training of personnel, for instance.
5. ADC is committed to supporting the implementation of the **UN Convention against Corruption**, which was also co-drafted by developing countries.

## Selected projects

### Networking against corruption

At the annual meeting the World Economic Forum in Davos in January 1999, the then Secretary-General of the United Nations, Kofi Annan, launched an initiative for UN cooperation with the private sector entitled Global Compact. Under this, individual industrial companies pledge to comply with certain legal, ethical, social and ecological rules, also undertaking to combat all forms of corruption, including extortion and bribery. Over 5,000 enterprises as well as labour, human rights, environmental and development organisations are now involved.

The Austrian Global Compact Network helps strengthen dialogue among Austrian enterprises on their specific contributions to the Millennium Development Goals. The annual funding programme provides for enlarging these networks by at least 50 per cent, promoting awareness of the Global Compact in general and the Austrian network in particular, stepping up active participation and exchange by Austrian stakeholders and advancing the active implementation of the ten principles of the Global Compact and the Millennium Development Goals. Apart from supporting the Austrian network, the Austrian Development Agency (ADA) is also itself engaged in the Global Compact as part of its commitment to sustainable development.

(UN Global Compact 2607-01/2009, 01.03.2009 – 28.02.2010, 2607-01/2010, 01.03.2010 bis 28.02.2011)

### Anti Corruption Portal for smaller and medium-sized enterprises

The Business Anti-Corruption Portal ([www.business-anti-corruption.com](http://www.business-anti-corruption.com)) is aimed at smaller and medium-sized enterprises operating in so-called emerging markets and developing countries. Interested firms receive assistance in the fight against corruption. As these companies usually have less resources at their disposal than larger ones, various instruments have been developed to help in fighting corruption. The portal enables enterprises to implement Principle 10 of the Global Compact, which explicitly addresses anti-corruption and thus makes a contribution to improving the economic climate. The portal offers an assortment of tools and information that can be applied separately or together. In particular, this also includes detailed country studies with relevant information on corruption. Information is also available on institutions engaged preventing and combating corruption in the respective country. Some have been devised specifically, others are standard procedures and methods that have been tailored to suit the purposes of smaller and medium-sized enterprises, because many instruments developed in anti-corruption under OECD are aimed at larger companies. The portal is financed by various European foreign and development ministries as well as by ADC and the webpage is administered by the Global Advice Network. (Business Anti Corruption Portal 2615-00/2009, 01.07.2009–30.06.2011)

### Modern public administration in Albania

A sound national budget is essential for a state to be able to perform its various functions. A modern public administration run in line with the principles of coherence, cost-effectiveness and transparency plays a major role here. With support from Austrian Development Cooperation, the EU, the United Kingdom, Sweden, the Netherlands, Italy and Switzerland, an integrated planning system (IPS) is being introduced in Albania to improve the efficiency of public administration and raise the effectiveness of public expenditure. In special training courses, personnel in the ministries acquire the necessary know-how in organisational development, budgeting, expenditure control or human resource planning, for example. Improved planning methods, policymaking and prioritisation and closer interministerial coordination prevent duplication and enable more effective and efficient investment planning. IPS will also raise the effectiveness of donor funding.

(International Development Association, 8153-00/2007, 15.11.2007 - 30.09.2010)

## **Building the common state of Bosnia and Herzegovina**

Life in Bosnia and Herzegovina is still beset with political animosities among ethnic groups. The common state created by the Dayton Agreement in 1995 is still quite weak. Major responsibilities are discharged by ethnically dominated lower-tier administrative divisions. This is why Austrian Development Cooperation supports projects aimed at strengthening the common state. For example, it promotes the Court of Bosnia and Herzegovina established for the prosecution of war criminals. Fighting corruption and organised crime is also a major task of the court. International judges and public prosecutors are assigned for the prosecution of war crimes and international advisers are tasked with advising on the prosecution and punishment of corruption and organised crime.

At a donor conference at the end of December 2009, eight donors besides Austria pledged financial support (European Commission, United Kingdom, Turkey, Switzerland, Germany, Sweden, the USA and Norway). A Management Section and a Transitional Council direct and monitor the work of the Court of BiH. As of 2013, no more international judges and public prosecutors will be needed. A transition plan for 2010-2013 sets out the approaches and goals for the organisational development of the Court of BiH.

(Registry of the State court of Bosnia and Herzegovina, 8027-00/2008, 01.01.2008 - 31.12.2009; 8027-00/2010, 01.05.2010 - 31.12.2012)

## **Budget support for Mozambique**

Budget support is the direct transfer of funds to the government of a partner country, usually directly to the finance ministry. The funds are not tied to a specific project or programme and they are allocated through the institutions and procedures in the recipient country. The provision of general and sectoral budget support also strengthens national administrative systems, which enhances efficiency and transparency. Transparency in particular is essential for safeguarding public administration against corruption. Budget support also contributes in particular to strengthening constitutionally mandated institutions, such as parliaments and audit authorities, to enable them, for example, to perform their assessment, monitoring and control tasks better. This provides sustainable support for national systems of democratic accountability.

Mozambique has long been regarded as a showcase example for budget support. In 2008, 19 donors already provided 38 per cent of official development assistance (approx. US\$ 600 million) through budget support. Since 2005, Austrian Development Cooperation (ADC) has contributed to sectoral budget support in agriculture. Based on the positive national record, it selected Mozambique as a pilot country for general budget support and has made contributions to the overall national budget since 2008. ADC is continuously involved locally at both policy and technical level in the monitoring mechanism for budget support. Mozambique's progress in poverty reduction and good governance is evaluated every year. The donor countries are also assessed for compliance with their international obligations under the Paris Declaration or the Accra Agenda to ensure more efficient and effective development aid. Particular support is given to the participation of Mozambican civil society in this analysis and in dialogue between donors and government.

(General Budget support Mozambique, 2499-00/2007, 01.01.2008 – 31.12.2010, 2499-00/2009, 01.01.2010 – 31.12.2010, 2499-00/2010, 01.01.2011 – 15.04.2014)



## Further information on the topic

### ADC:

**BMeiA** 2009, Three-Year Programme on Austrian Development Policy 2009-20011.  
[www.entwicklung.at](http://www.entwicklung.at)

**BMeiA** 2009 (reprint),, Good Governance - Policy Document of Austrian Development Cooperation and Cooperation with Eastern Europe, Vienna: BmeiA

### Selected bilateral donors:

**DEZA** Corruption – A scourge to be combated but not an inevitable one (with further literature)

[http://www.deza.admin.ch/en/Home/Themes/Rule\\_of\\_Law\\_Democracy/Combating\\_corruption](http://www.deza.admin.ch/en/Home/Themes/Rule_of_Law_Democracy/Combating_corruption)

GTZ How German development cooperation supports anti-corruption efforts and fosters integrity (with further literature)

<http://www.gtz.de/en/themen/politische-reformen/korruption/19075.htm>

**Sida** 2004, Anti-corruption strategies in development cooperation, Stockholm: Sida

<http://www.u4.no/document/showdoc.cfm?id=99>

### Multilateral organizations:

**OECD** The Fight Against Corruption,

[http://www.oecd.org/document/34/0,3343,en\\_2649\\_34565\\_19392866\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/34/0,3343,en_2649_34565_19392866_1_1_1_1,00.html)

**UNDOC**: <http://www.unodc.org/unodc/en/corruption/index.html?ref=menuse>

**UNCAC**: [http://www.unodc.org/pdf/crime/convention\\_corruption/signing/Convention-e.pdf](http://www.unodc.org/pdf/crime/convention_corruption/signing/Convention-e.pdf)

**UN** Global Compact: <http://www.unglobalcompact.org>

**World Bank Anti-Corruption Webpage:**

<http://www1.worldbank.org/publicsector/anticorrupt/index.cfm>

**OSCE** 2004, Best Practices in Combating Corruption, Wien: OSCE:

[http://www.osce.org/publications/eea/2004/05/13568\\_67\\_en.pdf](http://www.osce.org/publications/eea/2004/05/13568_67_en.pdf)

### Organizations/Associations/Initiatives and NGOs:

**U4 Anti-Corruption Resource Centre**: <http://www.u4.no>

**Business Anti-Corruption Portal**: <http://www.business-anti-corruption.com/>

**Global Compact Network Austria:**

<http://www.unglobalcompact.at/content/ungc/site/de/netzwerk/oesterreichischesnetzwerk/index.html>

**Transparency International**: <http://www.transparency.org>

**Global Integrity**: <http://www.globalintegrity.org/>

**Global Witness**: <http://www.globalwitness.org/>

**Revenue Watch Institute**: <http://www.revenuewatch.org/>

**Tiri – Making Integrity Work**: <http://www.tiri.org/>

**Global Organisation of Parliamentarians against Corruption:**

[http://www.gopacnetwork.org/main\\_en.htm](http://www.gopacnetwork.org/main_en.htm)