

From local to global Stopping corruption from stunting development

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Front cover: In Nigeria, corruption pervades all levels of government. Christian Aid partner organisation Muslim/Christian Dialogue Forum (MCDF) identified that religious differences were being exploited by politicians to hide corrupt practices. MCDF uses the teachings of the Qu'ran and the Bible to bring Muslim and Christian leaders together to tackle corruption and to build peace. It has trained local leaders in the Mando community in how to engage with their local government and how to monitor budgets so that the government is held to account.

Over the past two years, these leaders have met in community 'parleys' (meetings) to discuss the main needs of their community. A primary school was urgently needed because the children had to walk for more than an hour and cross a busy main road to get to the nearest school.

The leaders successfully lobbied for the local government to build a school in the village. Four months after being completed, the building is already deteriorating. The villagers fear that the full budget for the school was not utilised and that cheap materials were used instead. Community leader Alh Madu Maidara says: 'When the government agreed to build this school everyone was so happy, but... there is no furniture so the students have to sit on the floor to study... I've lost confidence again in the government.'

Front-cover photo: Christian Aid/Rachel Stevens

Executive summary

Christian Aid is not an anti-corruption agency, nor do we support any specific anti-corruption organisations, but our experience and that of our partner organisations has repeatedly demonstrated that corruption is a major development issue. It is widespread all over the world, from small bribes for traffic police to insider trading in the City or on Wall Street. Corruption stems from the misuse of power and one thing is clear: from the community to the global level, it harms those with least power and least say; the men and women living in poverty throughout the developing world.

Christian Aid responds to corruption in different ways. For example, we advocate for reforms to prevent corrupt monies finding their ways to western banks and tax havens, and support the accountable governance activities of our partners. Many partners feel that these activities to increase the accountability of governments or companies help challenge the power imbalances that cause corruption.

Western governments play an important role in both perpetuating and curbing corruption. Some western firms have secured contracts overseas through bribery, or dodged paying tax in countries where they are located. Many western banks have accepted deposits with 'no questions asked' that have turned out to be funds embezzled by politicians, officials and businessmen in developing countries. Initiatives to challenge these practices have proceeded slowly, particularly when it comes to prosecution.

The question of aid is complex. Aid to developing countries not only helps poor communities (through paying for essential public services, for example); it also helps combat corruption through investing in institutions essential to fighting corruption. But aid donors have had their fair share of critics – not only for failing to protect their own projects from corruption, but also for standing by while governments divert country (and sometimes even donor) resources.

This report looks at how corruption plays out in reality, and how donors and civil society organisations in both the developed and developing world can contribute to the fight against it. This report is based on case studies in Kenya, Nigeria, Peru and Tajikistan, as well as on secondary research. The case studies include interviews with aid donors – including bilateral agencies, such as the Department for International Development (DFID), and multilateral agencies, such as the World Bank – as well as interviews with anti-corruption campaigning groups and Christian Aid partner organisations.

There have been some important steps forward in fighting

corruption in recent years. There is consensus that corruption undermines development, and that corruption itself is a symptom of a broader failure of accountability within countries. Also a number of new conventions have been agreed internationally that task countries of the North and South with stopping activities that drive corruption.

This research identified the following lessons, which are relevant for all those committed to reducing corruption and building better governance.

Aid

- While strengthening institutions to do their work effectively is important, it needs to be complemented by increasing their accountability and supporting institutions that hold governments accountable, such as parliamentary committees.
- Corruption is not confined to the public sector. It is seen within the private sector, as well as in transactions between the public and private sectors. However there is still a belief evident in some donor analysis that the state is bad and needs restrictions, and that the private sector is good and needs to have greater flexibility.
- Corruption is not confined to the state. It has become *modus vivendi* in our case study countries, evident in both the formal and informal systems of power. It is important to look at the thorny question of culture without simply resorting to blaming the victims.
- It is vital to support civil society demands for less corruption and better governance.
- Donors need to practise what they preach. If they believe recipients should be more transparent then they need to do likewise, both in their home countries and in programme countries.

Beyond aid

Corruption is a global phenomenon that cannot be combated through aid programmes alone. The way a country is linked into the global economy can help its development, but it can also exacerbate corruption. Greater transparency in business dealings and banking transactions, and greater commitment to investigate and prosecute people accused of bribery overseas, are urgently needed.

Civil society

Donors play an important role in helping to overcome the

weak capacity of developing country governments to fight corruption, but only a strong civil society can help overcome a lack of political will. This research showed some important areas where civil society could be more effective in combating corruption. Greater coordination between formal anti-corruption organisations and the governance groups, particularly those working outside the capital cities, is needed. This research also showed the importance of balancing work on awareness raising, and monitoring governments and companies with activities that aim to address the societal roots and symptoms of corruption.

Through working in partnership, donors, international non-governmental organisations, such as Christian Aid, and local citizens' groups can combat corruption.

Actions for the governments of the UK, Ireland and European Union

In their aid programmes:

- ensure aid programmes are fully transparent and champion transparency with recipients, for example by calling for independent audits
- invest in thorough, ongoing analysis of a country's political culture and institutions as part of a robust engagement with developing countries
- balance investment in strengthening government skills and abilities with strengthening government accountability
- support essential checks and balances, such as parliaments, auditor-general departments, the independent media and civil society
- look beyond corruption in state institutions to the private sector and society as a whole
- align aid programmes with the United Nations Convention against Corruption (UNCAC) and other relevant regional and international conventions.

Beyond aid:

- prioritise efforts to secure a stronger monitoring process for UNCAC
- fully implement UNCAC provisions at home and streamline the activities of anti-corruption agencies
- fully comply with the Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention, and increase resources to investigate and prosecute domestic firms accused of bribery overseas
- use the assets-recovery provisions of UNCAC as a framework

to prioritise returning stolen foreign assets and freezing assets of people, including foreigners, under investigation for corruption

- strengthen anti-money-laundering rules, including restrictions on banking secrecy, to make it harder to keep stolen assets in domestic banks.

Actions for civil society organisations:

- prioritise activities that increase ordinary people's awareness of their rights and challenge the cultural roots of corruption
- augment these with activities that aim to increase government and private-sector accountability
- work to strengthen the links between local and national governance activities and specific anti-corruption campaigns
- work in coalition with organisations around the world to secure a stronger UNCAC.

Introduction

Preventing corruption locally, nationally and internationally is important because of its impact on poverty. Corruption takes money out of the pockets of people living in poverty and reduces their access to essential public services, such as education. It contributes to their sense of poverty as vulnerability, because they feel they have a lack of control over their lives.

The impacts of corruption are also indirect. It undermines economic development. For example Raymond Baker of the Global Financial Integrity Project has estimated that corruption and the bribery of public officials is responsible for US\$20-28 billion of funds leaving the developing world each year.¹ Of course, much corrupt money remains in countries, representing even more lost money for development.

into most areas of Kenyan life under Daniel arap Moi. The coalition made a good start, including the introduction of important anti-corruption legislation. There are some successes: the Kenya Revenue Authority has steadily increased revenue collection and reduced bribery in tax collection. However, it did not take long for corruption scandals to beset the Kibaki government.

At the start of 2008, Kenya hit the international news when riots broke out following a fraudulent election result. Corruption had a role to play: the political and business elite had for a long time given favours and preferences to people of their ethnic group. After months of flux, Kenya is trying to put itself back together, but the problems of a political system based on patronage remain and are no less of an urgent priority now than they were in 2002.

Table 1: Background data for our focus countries

Country	Population ²	Human development index ³	Gross national income (GNI) per capita ⁴	Aid as a percentage of GNI ⁵
Kenya	35.1 million	148 of 177 countries	US\$580	4.5% (US\$943m, 2006)
Nigeria	145 million	158 of 177 countries	US\$640	11.1% (US\$11,434m – this is very high because of Nigerian debt relief received in 2006)
Peru	28.4 million	87 of 177 countries	US\$2,920	0.5% (US\$468m, 2006)
Tajikistan	6.7 million	122 of 177 countries	US\$390	8.8% (US\$240m, 2006)

Source: OECD and United Nations Development Programme (UNDP)

To fight corruption effectively it is vital to understand all its different impacts and, fundamentally, what causes it. To help in this the focus of this report is on four countries: Kenya, Nigeria, Peru and Tajikistan. These countries were chosen because of demand from local offices for help in understanding the issue better and reflect on how they can respond to it more effectively.

All four countries are, to some extent, in transition. Kenya, Nigeria and Peru were run by corrupt dictators during the 1990s, while Tajikistan has evolved from being part of the Soviet system and also suffered a five-year civil war in the 1990s.

Kenya

In 2002, Mwai Kibaki and the Rainbow Coalition came into power through democratic elections in an anti-corruption mandate, pledging to get rid of the systemic corruption that had infiltrated

Nigeria

Today when people think of Nigeria, they tend to think of corruption. Nigeria had almost 30 years of continuous military rule under a variety of dictators who institutionalised corruption and were responsible for massive outflows of funds. Democracy returned in 1999, but to a country where corruption was now deeply entrenched. On hearing of the then-President Obasanjo's anti-corruption campaign, the speaker of the house declared: 'Who is Olusegun Obasanjo to wake up one day and decide that corruption, which has become a way of people's life in Nigeria, is now an evil?'⁶

Obasanjo stood down after two terms in office. The 2007 election to decide his successor was neither free nor fair, and was accompanied by significant violence. As Nigerians wait to see what President Umaru Yar'Adua will do to further the

fight against corruption, Obasanjo's record is already being questioned, as Nigeria's House of Representatives asks why the US\$10 billion spent on improving electricity supply was so unsuccessful.⁷

Peru

In 2000, President Alberto Fujimori of Peru left power, having presided over a decade of systematic corruption. 'Fujimorism' was the term used to describe the use of state funds by Fujimori and his close colleague Vladimiro Montesinos to maintain and perpetuate their power: receiving bribes or bribing politicians and authorities, buying out the media, vilifying opponents, investing in drug-trafficking and selling weapons for personal profit.

Both Fujimori and Montesinos have been tried on numerous corruption charges, and corruption has to some extent been abated. Alan García, the current president, has been quick to react to cases as they are revealed. However, the approach remains reactive, and many of the institutional structures that allowed the two men to steal substantial funds from the Peruvian state remain.⁸

Tajikistan

It is now 17 years since independence and ten years since the end of the bitter civil war that followed. This small country, the poorest in central Asia, has been rebuilding itself ever since. Poverty is now beginning to decline, but in some areas it remains a perpetual problem. Corruption, evident to all in Soviet times, has become all pervasive: witnessed and experienced by most Tajiks.

Tajiks suffered the coldest winter for many years in 2007-2008, accompanied by a breakdown in electricity supplies. People now seem more prepared to be critical of the government, but always with a degree of caution. Donors seem to be adopting a more critical stance too, following the government's misuse of International Monetary Fund (IMF) money. Partly in response to this pressure, the government has introduced new legislation and set up a new anti-corruption commission, but it has been criticised for being insufficiently independent of the government.

Chapter 1

What is corruption and why does it matter?

This chapter first defines corruption: Christian Aid is using a definition that looks beyond the traditional focus on the holders of public office, and includes the private sector. It then looks at the different ways corruption manifests itself: petty corruption, state corruption, private-sector corruption and distributional corruption. The chapter then goes on to show the direct and indirect impacts on poor communities.

What is corruption?

Corruption can be defined or expressed in a number of ways. In the very narrow sense, it is the abuse of public office for personal gain. This includes bribe-taking by junior public officials, such as civil servants and traffic police officers, as well as heads of state and senior officials dipping into public coffers or illegally exporting public assets.

The World Bank Institute's director of global programmes, Daniel Kaufmann, has argued for a broader definition, describing corruption as 'undue benefits derived by the private few from their excessive influence in shaping the institutions, policies, laws and regulations of the state to their own ends'.⁹

Christian Aid understands corruption as **the misuse of positional power – public or private – to benefit narrow interests rather than the public good**. As well as the awarding of bribes and favours, this also covers practices such as insider trading in stockmarkets and tax evasion. It also allows for a greater focus on the damaging collusion between the public and private sectors.

Forms of corruption

Petty corruption

Petty corruption by (often junior) officials means people frequently have to pay a 'fee' to access services that they

should receive for free. In Kenya, petty corruption is known by the Swahili term *toa kitu kidogo*, meaning to give something small. Petty corruption is clearly evident in all four of our case study countries, as the results of the surveys in Table 2 show.

Petty corruption is also part of a system. In Nigeria and Tajikistan, money taken by the police is passed up the chain to senior officers: in Nigeria there is even a name for this – 'returns'.¹⁴ Petty corruption is not just the remit of state officials, however; business staff may ask for similar 'fees' to do their jobs for customers.

State corruption

Misappropriation of resources describes corruption where resources are lost enroute to their intended destination (such as from central to regional government, or regional government to a local hospital). It also includes corruption in procurement deals, which can involve huge sums of government money.

- In 2005, the Nigerian chief of police, Tafa Balogun, was found guilty of corruption and money-laundering funds for police welfare worth more than N17 billion (US\$144 million). In 2007, DSP Alamiesagha, former governor of Bayelsa State, Nigeria, was found guilty of corruption and money-laundering state resources worth N15 billion (US\$127 million). Some of these assets were traced to the UK and South Africa.¹⁵
- In June 2008, President Alan García of Peru sacked senior staff and directors of a Peruvian state bank that provided heavily subsidised loans to poor men and women after discovering the staff were providing loans to themselves.¹⁶
- In 2007, the IMF discovered that the audits it had obtained from the Tajik government showed that there was US\$450 million available in international reserves. The IMF was not pleased to discover that in reality only US\$115 million was available because the remainder had been pledged

Table 2: Extent of bribery in our focus countries

Country	Year	% of people surveyed paying a bribe	Main institutions demanding bribes
Kenya ¹⁰	2008	45% (increase from 29% in previous year)	Police
Nigeria ¹¹	2007	40%	Police
Peru ¹²	2007	18%	Political parties and legal system
Tajikistan ¹³	2006	n/a	Courts and police

Source: Transparency International and UNDP

to underwrite commercial loans for cotton investors. This meant that US\$79 million of IMF funds had been spent inappropriately, leading the IMF to recall US\$48 million from the country (see box 'Cotton in Tajikistan' on page 15).¹⁷

Some of the highest-profile corruption cases are where the public sector and private sector overlap, such as in government procurement. In most countries, government is the biggest purchaser of goods, works and services; this is more pronounced in developing countries where the private sector is less developed.

Misappropriation corruption also occurs at the state and local government level. In May 2007, 36 of Nigeria's state governors retired from their posts, and by March 2008 the country's Economic and Financial Crimes Commission had charged eight of them with corruption. Peter Odili, the former governor of oil-rich Rivers State, was not among them, as he had secured a permanent court injunction that prevented the commission from arresting or detaining him on the basis of his time as governor of Rivers State. The commission branded the court's decision 'unacceptable' and said it would appeal.¹⁸

The 2006 budget of Rivers State was said by Human Rights Watch in its 2007 report on human rights in the area to have 'exemplified' the 'extravagance, waste and corruption' that characterise state government spending in Nigeria. 'Enormous sums have been channelled into the office of [former] governor Peter Odili, often on terms so vague that it is impossible to determine what they are actually meant to be used for,' the report commented. It found that tens of millions of dollars had been allocated to travel, souvenirs for visitors to Government House, new cars, two helicopters and even a new jet.¹⁹ However, corruption cannot be determined unless the commission is able to investigate and try him.

Misallocation of resources is where those with formal power allocate funds to areas that are not priorities and benefit themselves or their group. These actions may not be deemed illegal because they are planned and approved, but they are clearly not for the common good.

For example, MPs in Kenya are some of the best paid in the world, receiving each month a combined salary and allowance of £7,000, most of which is untaxed.²⁰ In June 2008, MPs challenged a government plan to make all their salary taxable, arguing they were 'like Robin Hood' sharing their untaxed allowances with their constituents.²¹

Political corruption is seen particularly in Kenya, Nigeria and Tajikistan, where different methods have been employed

to prevent political opponents from assuming any share of power.²² During the recent election campaign in Kenya, state employees, vehicles and resources were diverted to support President Kibaki's re-election campaign. Just months before the fraudulent Kenyan elections, the world was shocked by the corruption in evidence during the Nigerian elections. In Tajikistan, in the run-up to the 2006 elections, the government prevented effective opposition emerging through its control of the media.

Looting is the most extreme manifestation of state corruption, when the leaders use the above means to strip the state of resources. According to Transparency International, Peru's Alberto Fujimori and Nigeria's Sani Abacha were two of the most corrupt dictators of the 20th century. Fujimori is estimated to have embezzled US\$600 million, or 0.1 per cent of gross domestic product (GDP), between 1990 and 2000, while Abacha walked away with somewhere between US\$2-5 billion, between 2-4 per cent of GDP, during his five-year rule.²³

Private-sector corruption

The private sector is not immune from allegations of corruption. For example, in Nigeria in 2006, hundreds of shareholders in Cadbury Schweppes's Nigerian subsidiary launched a class-action lawsuit over an alleged accounting scandal related to the deliberate overstatement of earnings.²⁴

There is less information about private-sector corruption than state corruption. However, the chairman of Nigeria's Independent Corrupt Practices and Other Related Offences Commission, Justice Emmanuel Ayoola, has recently announced that the private sector will be the next target of the anti-corruption agency.²⁵

The Transparency International Kenya Bribery Index looks at businesses too, and in 2007 private companies ranked 11th out of 41 Kenyan organisations. Lawyers, insurance companies and a number of privatised organisations were also listed.²⁶

'The private sector is heavily embedded in the web of corruption that underpins Kenyan politics,' says Lilian Cherotich, anti-corruption expert and consultant on the Kenyan study in this report. 'Economic opportunities to access credit and permits are dependent on political ties. In other words, control over economic opportunities is a key source of political power. Most major businesses are at least partly owned by senior political leaders.'²⁷

Corruption also extends to the deliberate actions companies take to dodge paying taxes, which, while not technically corrupt,

‘The private sector is heavily embedded in the web of corruption that underpins Kenyan politics. Most major businesses are at least partly owned by senior political leaders.’

Lillian Cherotich, consultant on Christian Aid’s Kenya study

are ethically and often legally questionable (see box ‘The costs of evading tax’).

Distributional corruption

This describes the way in which those in power can affect the distribution and award funds or posts because of favouritism, nepotism, and partisan, ethnic or lingual affiliation. This type of corruption is very damaging in areas that must be based on merit in order to be efficient, such as job allocation.

In Tajikistan, many public and private institutions are controlled by a small group of senior officials, who clearly benefit from this situation. In Kenya, the post-election violence in January 2008 was testimony to the way power and funds were distributed to the benefit of certain ethnic groups, as opposed to others.²⁸ Both government and opposition manipulated identity politics in the violence that ensued.

Distributional corruption is particularly evident in political processes in Kenya. Post-independence, the *harambee* approach was developed to encourage communities to help themselves. They were encouraged to work together to raise funds for all sorts of local projects, with the government pledging that it would provide start-up costs. Under this system, wealthy individuals wishing to get into politics could donate large amounts of money to local *harambee* drives, thereby gaining legitimacy.

However, over time this has become increasingly associated with political corruption. The establishment of the Constituency Development Fund (CDF) was meant to overcome this, but

recent reports into the fund suggest that it is being misspent to favour businesses and areas supportive of incumbent MPs.²⁹

Why does corruption matter?

Quite simply, corruption matters because it tends to hit poor communities hardest, both directly by perpetuating poverty and preventing people getting services, such as medical attention, and indirectly through its impact on the economy, democracy and social cohesion.

Direct impacts

Poverty

Corruption can mean less money for poor communities. It acts as an unofficial ‘tax’ that most poor people cannot afford to pay – in Peru it was found that poor people spend disproportionately more of their income on bribes than wealthier people.³⁰ And poor people are asked to pay more often.³¹ There is data available on the amount of bribes paid, but unfortunately there is less data about what it represents as a proportion of people’s incomes, as most of the research focuses on costs to business. State officials may not receive their wages because of corruption, although mismanagement is another cause. Corruption can also make it more difficult for people to start and run viable businesses.

Corruption not only reduces income levels, but it is also at the heart of people’s experience of poverty. The World Bank’s seminal study, *Voices of the Poor*, showed that poverty was not only experienced as a lack of food on someone’s plate, but

The costs of evading tax

Christian Aid has shown that just two forms of evading tax have cost poor countries US\$160 billion a year in lost corporation tax. That money, if used according to present spending patterns in the developing world, could have saved the lives of 5.6 million children between 2000 and 2015.

One method of evading tax is ‘transfer mispricing’, where different parts of the same transnational corporation (TNC) sell goods or services to each other at manipulated prices.

This enables the TNC to claim that the goods sold from the developing world fetched very low prices to reduce its tax liability. The ‘buyer’, another part of the same TNC based in a tax

haven, then inflates the price when it sells the produce on, ensuring that the profits accrue offshore where they will not be taxed.

The sums involved in ‘transfer mispricing’ and ‘false invoicing’ – where similar transactions take place between unrelated companies – would be more than enough to meet the extra US\$40-60 billion the World Bank estimates poor

countries will need annually to meet the millennium development goals (MDGs).

It is also more than one-and-a-half times the size of the combined aid budgets of the whole rich world in 2007 (US\$103.7 billion).

Source: Christian Aid’s *Death and Taxes* report³²

also as people's sense of powerlessness – a lack of control over their own lives.³³

Services

Poor communities particularly suffer the effects of corruption when accessing services. This happens in a number of ways:

- unnecessary or higher costs because of petty corruption
- reduced quality of services because of misallocation and misappropriation.

According to Human Rights Watch, US\$961,000 of funds allocated for health centre upgrades in Rivers State, Nigeria, were misappropriated by state officials. In response, residents stopped using state health centres or used *more expensive* private facilities. In Nigeria, many businesses now provide their own electricity (through generators) because they cannot afford the extremely high costs of state-owned electricity in the country.³⁴

Evidence from Peru has shown how the poor are doubly affected. To access services to which they have a right, they have to pay bribes. If they can't afford the bribes, they go without education, water and even effective policing.³⁵ The latter is particularly important to ensure security for the vulnerable, yet in countries such as Nigeria and Peru the police are often avoided by the poorest communities.

Indirect impacts

Economic

There is evidence that corruption undermines economic growth, which in turns means less money for development and poverty reduction. In Kenya, the Goldenberg scandal – an export compensation scam for exports of gold and diamonds, both of which Kenya has in very limited quantity – was estimated to have cost the equivalent of ten per cent of the country's GDP, and Raymond Baker has estimated that corruption and bribery are responsible for US\$20-28 billion leaving the developing world each year.³⁶

Daniel Kaufmann has made a direct causal link between corruption and low growth, arguing countries with less corruption have more growth and that there is a 'development dividend' of approximately 400 per cent on growth in national per capita income.³⁷

Corruption clearly leads to losses in government budgets. Systemic misallocation and misappropriation corruption divert resources from where they are intended, resulting in poor

service delivery (as described above). In Peru, during Fujimori's rule, the overarching cost of corruption was a government budget that deviated by an average of 35 per cent for most of the 1990s.³⁸ Tax evasion, whether by large multinationals or small businesses, deprives governments of revenue for those budgets in the first place.

Corruption is not the only reason government budgets are small. However, it does mean less money is available for education and health, despite evidence that investment in these social services is vital for development.

Governance

The impacts are two-fold. First, it can undermine government efficiency. The people with the required skills are not necessarily in post. Instead, individuals are recruited on the basis of their ability to collect bribes and provide their managers with a cut. They may even have paid money to get a position or a promotion because of the opportunity it provides to access the income from bribery. Budget allocation itself is clearly influenced, with more resources going to areas where elites can siphon funds more easily – such as large infrastructure and defence projects – rather than to services.³⁹ Where corruption is prevalent, governments are more likely to seek personally to benefit from state-run or privately run services, rather than ensure services are well regulated and meet their objectives.

The second major impact is on democracy and trust. People's trust in their government is weakened not only by inefficiency and corruption experienced in public services, but also by a perception that things can only be achieved through corruption. According to donor anti-corruption network U4: 'Corruption encourages the poor to see government as predatory and oppressive rather than enabling, and their sense of powerlessness and exclusion is reinforced.'⁴⁰

Undermining social and political stability

This sense of powerlessness can drive both apathy and social conflict. In Tajikistan, interviews with employed, educated people revealed that this stemmed as much from disillusionment with the political context and worsening corruption in the country as from the economic situation. 'Brain drain' – the exit of qualified public sector workers in particular – is a major problem in Kenya, Nigeria and Tajikistan, driven in part by the difficulties of working in under-resourced public services where corruption is the norm.

‘The government of Nigeria – the elite – know that religion is a ready-made army in this country. They divide and rule. They use the north/south, Christian/Muslim debate to form immediate support, no matter what the subject. This way the politicians are not accountable, they distract the public from holding them to account by inflaming the religious divide.’

Alh Yusuf Usmann worked with other community leaders to lobby the local government for a school to be built in Lema village, Nigeria

In Peru, the ombudsman monitors both latent and current conflicts within communities and between different social and ethnic groups, publishing a monthly report on them.⁴¹ This data has shown that corruption concerns have been a causal factor in about half of those conflicts, although this seems to have declined in the past few years. The 1996 riots in Owerri, capital of the Nigerian state of Imo, were focused on people alleged not only to be engaging in occult practices, but also to have gained their wealth and power through ‘conning foreigners and wealthy Nigerians in highly elaborate scams’ and to be ‘participating in the highly lucrative international drugs trade’.⁴²

The dominance of identity politics allows leaders to shift money between ethnic groups and manipulate differences to cover up their own corruption. Thus this is responsible for increased inequality both between richest and poorest, and between groups and communities, which in turn can generate conflict. The election violence in Kenya was in part a reaction to distributional corruption.

Conclusion

This section has clearly shown that it is important to get away from the traditional focus of abuse of public office for private gain, to stop focusing on the state in isolation. It has also shown that it is the poorest and most vulnerable people in society who suffer most when corruption is present, as is the case in our focus countries. But what exactly causes it and why it has a greater presence in some countries rather than others will be addressed in the next chapter.

Chapter 2

What causes corruption?

This chapter explores the causes of corruption, which it is essential to understand if its grip on different countries is to be relaxed. There will be some overlap with its consequences because corruption tends to have a circular relationship; poverty contributes to corruption, and in turn corruption contributes to poverty.

Poverty

Poverty helps explain why ordinary men and women succumb to corruption. Low-paid staff in government departments or firms ask for bribes to top up their salaries. They may even have had to pay bribes to obtain their position in the first place. An analysis of corruption in the Tajik health sector by the World Bank found evidence that people were more likely to ask for unofficial payments if they felt they were not receiving a fair salary.⁴³ However, poverty only really offers an explanation for petty corruption; it does not explain corruption by those who already have plenty of money.

Institutions

Many government institutions have limited resources and capacity. Money going astray may be attributed to corruption but may actually stem instead from inadequate management and financial reporting systems. Or those poor systems may provide a screen that disguises corrupt activities. Strengthening those systems is vital, but not sufficient in itself. People working in these institutions need to know they will be held to account, which is in turn only likely to happen if the organisations that hold executive institutions to account are also playing their role. These checks and balances are a cornerstone of UNCAC.

Leaders

A Chinese saying, quoted in particular in Tajikistan, is that ‘the fish rots from the head’. Ordinary people want to see corrupt leaders thrown into jail, or at least out of government, to show that corrupt behaviour will not be tolerated. But because corruption is systemic, at least in three of the four countries examined in this report, it is likely these leaders will simply be replaced by a new elite. This is why the strengthening of government institutions to prevent corruption is often a focus for anti-corruption campaigners.

The excesses of Fujimori, Abacha and Moi are a thing of the past, but the new leaders have not brought about the dramatic changes promised. This is due to a lack of political will. It is important to understand why people lack such will.

Even if a leader is really committed to change, they will face pressure from other elites to leave business as usual. Where corruption is systemic and power is based on connections to one’s ethnic group or a specific partner, truly effective anti-corruption activities could be political suicide. The progress seen can represent leaders doing as much, or as little, as they can realistically get away with.

Culture

Cultural practices play a role in perpetuating corruption, specifically distributive corruption. A Tajik perceptions survey showed that while 91 per cent of respondents were against bribery, only a third of respondents thought it was wrong to use personal connections.⁴⁴ Ordinary Nigerians are far quicker to condemn those who steal money for themselves than those who steal for their group. In fact, someone in a powerful position is frowned on if they do not use it to help friends and family.⁴⁵

Caution is needed, however, when delving into cultural traditions as an explanation for corruption to avoid simply blaming the victims. The UK government Africa All Party Parliamentary Group argued that ‘culture is an excuse used by African governments and the international community not to take a hard line on corruption’ and that petty corruption ‘even where it has become the norm, is caused more by economic, rather than cultural, factors’.⁴⁶

Transition

Changes in cultural values may play a more important role than traditional values. Kinship networks and patronage have altered and adapted as states have modernised to the benefit of elites, many of whom demand payment for helping out kin, but do not provide the returns they would have in the past. In Tajikistan, corruption was more predictable under communism; people knew it was there and did not like it, but recognised that it did not necessarily prevent their access to food and shelter. It is a very different scenario in today’s Tajikistan, where corruption brings with it uncertainty about whether people will be able to access services they need, for example whether they can even afford the very high bribes to get their children into school.⁴⁷

Inequality

Many countries are in an inequality trap. Inequality, rather than weak institutions, leads people to lose faith in state and society, and the result is abuse of power. Corruption in turn generates

greater inequality. In Kenya, the Minority Rights Group (MRG) has stated that inequitable government spending has deepened the problems of minority and indigenous peoples.⁴⁸ Electoral disputes, themselves riddled with corruption, have sharply aggravated discord. In this context, looking beyond the checks and balances on the state to the broader distribution of power within society is important.

International

All the causes thus far could have been written for a completely isolated country that has no engagement with other countries. But this is not the reality in any countries where Christian Aid works, and definitely does not apply for the focus countries, all of which are linked into the modern global economy in different ways, and that plays an important role in perpetuating corruption.

Bribery by representatives of foreign firms can encourage local businessmen and officials to act unethically or illegally. These examples are particularly pronounced in resource-rich countries. The authorities of several countries are reported to be investigating how bribes of more than US\$180 million were paid to Nigerian officials and ministers in connection with the award of multi-billion dollar contracts to build a natural gas plant in Nigeria.⁴⁹

One of the businessmen involved, US citizen Albert Jackson Stanley, pleaded guilty in September 2008 to charges that

he had conspired to pay US\$182 million in bribes to Nigerian officials.⁵⁰ He had been a top executive of KBR, an engineering company, which between 1998 and 2006 was part of Haliburton oil company. Haliburton cut its links with Stanley in 2004, after he was accused of involvement in the scheme, and has not itself been accused of involvement.

In his extensive study of corruption in Nigeria, Jordan Smith argues that ‘...the widespread prevalence of corruption in Nigeria can only be explained by taking into account Nigeria’s integration in the world economy as an oil-producing country and a developing nation.’⁵¹

In some countries with high levels of corruption, the resultant funds are recycled in country and so can help stimulate the economy. But in countries such as Kenya, Nigeria and Tajikistan, this is rarely the case. Funds are taken outside via a complicated international banking system. It is estimated that London banks hold about US\$6 billion from Kenya and Nigeria alone, and much of Abacha’s loot was deposited in London banks.⁵² The UK has repatriated a small amount of Abacha’s money, but Switzerland has repatriated considerably more – more than US\$500 million.

Action is also being taken to freeze the assets of those suspected of corruption. In 2007, the London Metropolitan Police froze US\$35 million worth of assets of former Nigerian governor James Ibori, including property, a jet and deposits in

Tajikistan: aluminium, tax havens and fraud revealed in UK courts

Talco is Tajikistan’s state-owned aluminium company. It is personally supervised by the Tajik president.

Talco has been involved in two cases in the UK. In 2005, Hydro, Talco’s Norwegian partner and supplier of alumina, filed a contract violation claim against Talco. Hydro won the case, and also a subsequent appeal. In his 2006 ruling on the appeal at the High Court in London,

Justice Morison showed his lack of sympathy for Talco. He claimed that Talco were ‘not the victims of fraud, [but] they have been the perpetrators of it in this litigation’ and ‘[Talco] has been involved in deliberate attempts to mislead the [Arbitration] Tribunal and have committed acts which in this jurisdiction are serious crimes [forgery and attempting to gain a pecuniary advantage by fraud].’⁵³

A second case saw Talco make fraud claims against former trading partners now

located in the UK. This case has become renowned in UK legal circles, becoming one of the most expensive UK legal cases ever, accruing legal costs of US\$137 million. This represents 34.7 per cent of the £395 million claim. It is also equivalent to 4.6 per cent of the country’s GDP.⁵⁴

Although the case has yet to be settled, it has begun to reveal the complex trading relationship between the state-owned Tajik firm, related firms based in the British Virgin Isles, and Hydro. During proceedings in

April 2008, more information about what presiding Judge Tomlinson calls ‘the Hydro scheme’ was revealed by counsel for the defendants. ‘The Hydro settlement agreement meant that Hydro supplied alumina to TadAZ, which then supplied it to CDH, which then supplied it back to [Talco], and then the aluminium did the same thing... this caused an inevitable loss to [Talco] of, I believe, US\$27 per ton because there was a discount one way and a premium the other.’⁵⁵

UK bank accounts. Ibori denies the allegations, which at the time of going to print have yet to come to court.⁵⁶

Conclusion

Corruption has a complex web of causes. It can be tempting simply to focus on those leaders whose actions reveal the extent of human greed, but their ability to abuse positions of power tends to represent more fundamental causes. These are mainly the lack of strong checks and balances, power imbalances, modernised traditions in contemporary society, and integration into the global economy. In their attempts to help countries combat corruption, donors and civil society organisations need to try to respond to this mix of causes. The next chapters will show how far this happens.

Chapter 3

How are donors responding?

This chapter maps out some of the ways that donors in the four countries are responding in their aid programmes. It then goes on to draw out some of the lessons from this research, identifying some key ways for donors to be more effective in this area.

Core interventions

Anti-corruption

Traditional donor anti-corruption activities have focused on the establishment of anti-corruption commissions and the drafting of relevant laws. Anti-corruption commissions are responsible for investigating and prosecuting specific cases, as well as preventing corruption. In Kenya and Nigeria, DFID supports the anti-corruption commissions.

Institutional capacity and accountability

In most countries, donors focus on securing reforms in the way the public sector is managed overall – the workings of the civil service, public finances, tax administration and the legal system. Traditionally, the focus of donors has been on increasing the capacity of these institutions to carry out their functions. However, attention has recently shifted to institutional accountability. There has also been an important shift, in donor policy documents at least, to focus on those parts of the state that act as a check and balance on the executive, such as parliaments, electoral commissions, supreme audit institutions, the judiciary and ombudsmen.

Demand side

A vital companion area for successful anti-corruption interventions is ‘demand-side governance’; a rather dry

description for initiatives that support citizens, faith groups, media, trade unions and businesses to demand better performance and integrity from their leaders.

This is increasingly central to donor policies and strategies on governance and anti-corruption. For example, in the 2007 update for the Kenya Country Assistance Strategy, the World Bank noted that ‘...Kenya cannot fight corruption merely by “fighting corruption” – that is through more and more legal drafting refinements; measures by fiat, anti-corruption campaigns; creation of numerous new commissions and committees; and the like. These activities do not address the more fundamental determinants of corruption. For that, a broader governance framework is required, with broad participation by and support from the Kenyan public’.⁵⁷

Lessons

Implementation

There have been clear actions by the governments concerned to ratify relevant conventions, introduce appropriate legislation and set up the necessary administrative structures. Pledges have been made to the people via elections; to donors via aid agreements; and to the international community via global conventions, such as UNCAC, and regional conventions, such as OECD Combating Bribery of Foreign Public Officials in International Business Transactions and the African Union Convention on Preventing and Combating Corruption. However, there is a substantial gap in delivering on those commitments, particularly the oversight of institutions for which all four governments appear loath to provide sufficient independence and autonomy. This is evident in Table 3.

Table 3: Status of anti-corruption reforms in our focus countries⁵⁸

Country	Overall rating	Implementation gap	Deficiencies in
Kenya	Moderate	Large	Political financing; judicial accountability
Nigeria	Very weak	Large	Access to information; whistleblowers’ protection
Peru	Weak	Very large	Whistleblowers’ protection; independent auditor; anti-corruption agency
Tajikistan	Very weak	Huge	Legislative, executive and judicial accountability; ombudsman

Source: Global Integrity

Aid modalities

In Kenya and Nigeria, DFID appears to have a balanced portfolio focusing on the core interventions described on page 13. Budget support is generally preferred to project aid, because the former is seen to bring about more sustainable reductions in poverty. Project aid is seen as piecemeal and not strategic. However, concerns about corruption in the countries have meant donors have preferred not to put money in the central pot, continuing to use mainly project funding.

In Nigeria, DFID and the World Bank are trying to get some promising states to a standard where they could access budget support. Budget support is also being explored by Tajikistan's main donors. Given the high-level of corruption, this does not seem appropriate. If budget support is used, it must focus entirely on anti-corruption and governance reforms.

Conditionality

In Kenya, aid has been delayed or stopped in response to corruption allegations. The World Bank has received serious criticism for continuing to lend to the government when corruption scandals surfaced in 2004 and again during the recent political violence at the beginning of 2008.⁵⁹ However, there are dangers when donors stop or delay aid: it becomes difficult for countries with weak budgetary systems to plan and deliver their budgetary commitments, which in turn are used to alleviate poverty. The poorest communities are the ones that then suffer the most when aid is withheld. Furthermore, such practices only succeed in reinforcing government accountability to their donors, at the expense of their citizens.

We believe there should be a stronger focus on pre-conditions for budget support, focused on a small number of key reforms, such as making sure audits are independent and functioning. Kenya and Tajikistan both had low scores for external and internal scrutiny under the joint donor Public Expenditure and Financial Accountability (PEFA) assessments.⁶⁰ Governments have also requested greater clarity on what exactly they need to do to access budget support.

Aligning with UNCAC

Governments signed up to UNCAC have made a number of important commitments, such as ensuring greater transparency of government finances. UNCAC also requires rich countries to support poorer countries through technical assistance. The convention is increasingly mentioned in aid agreements, and aid conditions often require countries to sign or ratify the

convention. In the recent Governance Results Framework agreed between the Kenyan government and its donors, the government committed to analyse its compliance with UNCAC.

Many donors promote ratification of UNCAC as an objective of their aid programmes. However, UNCAC also provides donors with a framework through which they can organise their support to recipients. For example, donors can map how far their programmes are helping countries meet their UNCAC obligations – this alignment should be a priority. They can also support civil society groups to conduct shadow reports of their country's compliance with their UNCAC commitments.⁶¹

Dialogue and speaking out

When corruption allegations surfaced in Kenya in 2004, DFID's approach was to increase dialogue with government, while the British Foreign and Commonwealth Office (FCO) was far more critical. The evaluation of the DFID programme noted that though some welcomed the comments of Edward Clay, the then British high commissioner, about the extent of corruption in the Kenyan government at the time, there was a consensus that they were unproductive.⁶² At the same time the World Bank was criticised for not speaking out at all. In Tajikistan we found that while the IMF resident representative was vocal about their criticisms of the government after the misreporting came to light, other donors would not speak on record of their concerns.

This is a difficult conundrum for donors who feel they can best influence government by building a relationship based on partnership with them. When they had a programme in Peru, for example, DFID was perceived to have successfully promoted the rights agenda and critically engaged the government.⁶³ But when things go wrong, donors worry that speaking out could upset the relationships they have developed. This is often perceived as uncritical support for governments. Many Christian Aid partner organisations would prefer to hear their concerns echoed by donors.

Better analysis

Donors are increasingly recognising the need to have a deeper analysis of countries' political and economic systems and how they interrelate. DFID introduced the Drivers of Change analysis in 2004. In Peru, this analysis helped identify electoral processes and political parties as key drivers against corruption.⁶⁴ The Kenyan analysis identified the importance of support to parliament and civil society.⁶⁵

‘Experience suggests that trying to nurture better governance and fight corruption by transferring institutional models from rich to poor countries, or by aid conditionality designed to change the behaviour of political and economic elites, does not work very well.’

Sue Unsworth, Rethinking Governance to Fight Corruption, U4, September 2007

The 2007 evaluation of the Kenya country programme showed that the Drivers of Change analysis influenced the programme. However, the evaluation argued for more work to link the analysis into the programme and to continue to carry out this analysis.⁶⁶ Both the Kenyan and Nigerian studies are now out of date and need to be revised to reflect events of the past two years.

The World Bank is a powerhouse in producing cross-country governance statistics, although these have been criticised for their robustness.⁶⁷ It tends to focus on private-sector perceptions about corruption rather than those of ordinary

Private sector

As noted previously, there is a blurred line between the public and private sectors in many of these countries (see box ‘Cotton in Tajikistan’). This dichotomy of ‘private sector good/public sector bad’ is not as crude as in the 1980s and 1990s, but is still often evident in donor analysis. The Drivers of Change analysis for Kenya notes the existence of corruption in the private sector and elite linkages across private and public sectors. Yet it still sees the private sector as a major agent of change that should be free from arbitrary restrictions while promoting reforms to curtail the autonomy of the state.⁶⁹

Cotton in Tajikistan

After the break up of the Soviet Union, the cotton sector in Tajikistan was restructured. According to Donald Bowser of the UNDP Tajikistan, what occurred was not privatisation but rather a ‘re-nationalisation into permanent public-

private partnership, except that there is no divide between the state and the private sector’. In effect it was a ‘move from state managers into private hands, whose only aim was to strip the assets of the sector’.⁷⁰

Cotton investors are now a very powerful political lobby that the government is loath

to challenge. In fact, it was loans for those investors that the Central Bank was, erroneously, underwriting with IMF funds. At the same time, the investors are responsible for the plight of many Tajiks. They have a monopoly on cotton and so pay farmers a very low price for the crop. Yet at the same

time they charge them very high prices for essentials, such as seeds and fertilisers. Many Tajik cotton farmers are trapped in this cycle because they cannot go anywhere else to buy necessities or sell their cotton.⁷¹

people, but data about the latter could help fire up demand for reform. This could be an area where the World Bank could make a really valuable contribution.

Many anti-corruption crusades turn out to be, on closer investigation, focused on small fish. Sometimes they are used to weaken political rivals. Donors need sufficient staff in the country to track both the long-term political dynamics and the robustness of anti-corruption activities.

Culture and inequality

There is very little attention to corruption beyond the state, yet a World Bank analysis of Nigeria recognises that corruption during Abacha’s rule was ‘reinforced by the values and behaviour of those outside government’.⁶⁸ The importance of distributional corruption has been recognised in donor analysis for Kenya and Nigeria; however there did not appear to be clear recommendations to challenge it.

Bar some attention to the issue of corporate governance and transparency, business corruption has not tended to receive the attention of its state sister. This is changing as the links between extractives and corruption are increasingly revealed. In Nigeria, for example, DFID supports the Nigerian Extractive Industries Transparency Initiative, while in Tajikistan the IMF has demanded audits of two key sectors of the economy – aluminium and energy – to understand the links between companies and state.

Conclusion

Donors still tend to promote standard reforms. However, there is an increasing commitment to strengthening the political analysis of the countries in which they work. This commitment should be a top priority, as it could help them understand and respond to the links between the state and the broader society, private sector and international economy.

Chapter 4

Civil society responses

It is widely recognised that a vibrant civil society plays a vigorous role in challenging corruption. This section looks at some of the different types of activities that local organisations undertake in governance and anti-corruption. It also looks at some of the constraints they face.

Activities

Raising people's awareness

One important role for civil society is to enable people to recognise corruption where it occurs and report it where possible. Our research showed that Kenyan organisations have been successful in drawing attention to specific cases

Focused anti-corruption campaigning can be very successful – the establishment of anti-corruption institutions in Kenya has been attributed directly to civil-society campaigning.⁷² At present there is no specific organisation working on anti-corruption in Tajikistan, but Christian Aid partner organisation Bureau on Human Rights describes state progress on anti-corruption activities in its annual report on the human rights situation in the country.

Christian Aid tries to combine rights awareness with getting ordinary people involved in monitoring their governments. In Nigeria, support is given to Muslim/Christian Dialogue Forum (MCDF), which helps establish community groups, which then lobby the government and track government expenditure

Tajikistan: rights awareness helps fight corruption

Ghamkhori is a Christian Aid partner organisation that helps establish self-help groups at village level. It supports members of these groups by providing them with information about their rights. For example, a

member of one of the self-help groups bought some land that was accompanied by the debts of its previous owner. Ghamkhori helped by providing the buyer with legal advice, ensuring she knew her rights and had all the correct documents. Now the former landowner will be prosecuted by the

prosecutor's office for these debts.

People often come to Ghamkhori's health workers with long lists of prescriptions they cannot afford. The prescriptions tend to be long and costly because the doctor has colluded with a local pharmacy. But Ghamkhori has helped educate people

about what they actually need and how much it should cost.

'We don't say "don't do corruption", we instead try to sensitise people,' said one of Ghamkhori's community workers. Knowledge is power, and Ghamkhori helps by giving people the information they need.

of corruption, disseminating information to the public and inculcating the wider society with the belief that corruption is wrong or immoral. In the other countries, activities in this area have not been as noticeable or successful.

In all these countries, many organisations, including many Christian Aid partners, work on the broader areas of rights awareness and citizenship education. Although many would not describe their work as anti-corruption, they believe it plays a role in challenging the roots of corruption.

Institutional accountability and transparency

Many organisations focus on securing new laws, or fully implementing existing laws, to reduce corruption. In Peru, Proética is one of the main anti-corruption organisations working on transparency laws. It uses the media to promote its research, including its annual survey on perceptions of corruption.

and projects. Christian Aid's Nigeria programme also tries to respond to limited government capacity and will. Our partner organisation Women Advocates Research and Documentation Centre (WARDC) works with local and state governments, providing them with technical support to develop budgets and encouraging them to include citizens in their work.

Civil-society organisations should not limit their focus to the state. Citizens' groups play an important role in tracking what the private sector is doing. Global civil-society organisation Publish What You Pay is active in Nigeria, and a core focus of Christian Aid's programme in Peru is supporting partners to monitor the activities of international mining firms.

Social accountability

An important role of civil-society groups is to challenge the social roots of corruption, particularly distributional corruption.

‘I can see a change in people. Before the training I thought everything belonged to the government and we had nothing to say. We had no voice. But now, if I see something is misused I feel that it belongs to me and I need to do something about it. It was a mistake that I was making before with my attitude.’

Usman Othman was trained by Christian Aid partner MCDF to lobby the government for change

In Nigeria, there is pressure on people with power to divert funds and benefits to their family, community and ethnic group. Some local government officers have applauded Christian Aid’s accountable governance work in Nigeria because it has stopped people approaching them in this way. Work on institutional accountability can help strengthen broader social accountability.

Except for Kenya, there does not seem to be much activity, including programmes supported by Christian Aid, directly aiming to change the attitudes of ordinary people about corruption. This is clearly an area where civil-society groups could play a major role. There is, however, considerable activity that aims to address the inequality that drives distributive corruption. In Nigeria, Christian Aid aims to promote greater cohesion between Muslim and Christian communities by encouraging them collectively to monitor local government resources, which prevents government officials from manipulating those divisions by allocating resources to one group at the expense of the other.

Constraints

Anti-corruption work can be high risk. In Tajikistan, for example, Christian Aid partners prefer to focus on issues that are less controversial (while not less important), such as children’s rights. The International Anti-Corruption Conference in November 2008 raised serious concerns about protection for anti-corruption organisations and activists, referring in particular to Nigeria.

Engagement with the state and the private sector can be difficult. First, it is difficult to get access to vital information that enables civil-society groups to monitor state and private sector activities more comprehensively. Second, it can be tricky to get the right balance between a confrontational and conciliatory approach. The latter gets groups access, but there is always the risk that being tied up in endless consultations will prove ineffective.

Then there are problems within the organisations themselves. Coordination among local civil-society organisations can be as much of a struggle as encouraging coordination among donors. The division not only stems from competition for resources, which plays an important role, but also from strongly held differences of opinions over what reforms they seek and how to get them.

Just as there is corruption in the public and private sector, in societies where corruption has become widespread it is often seen in civil-society organisations too. Christian Aid vets all its partner organisations and responds quickly to evidence

of corruption, as well as working with partners to reduce the causes of corruption by strengthening partner abilities in financial management and accountability.

Christian Aid research in all four countries points to a clear divide between groups working in the capital city and the rest of the country. It is important for those capital-city groups campaigning on anti-corruption to reach out to organisations working in other regions. In Kenya, for example, most of the population has been left out of the discourse, which could account for the lack of positive change about corruption within broader society.⁷³

Few organisations that work on accountable governance, particularly at the community level, are making links to the broader fight against corruption and the pledges governments have made via UNCAC, or via regional mechanisms such as the Africa Peer Review Mechanism. Yet conventions and processes such as these often enshrine the importance of civil-society participation.

Conclusion

Civil-society organisations in all four countries have played an important role in supporting people to challenge both governments and businesses. But more could be done. Helping local groups overcome their constraints is vital, and it is important to strengthen the connections between groups working on governance and anti-corruption at local, national and international levels.

Conclusion

The scale of greed and manipulation seen in different corruption cases can make it easy to become disillusioned about this issue, but there is evidence of some positive changes. For example, key regional and international conventions have now been ratified by many countries, including the UK, Ireland and many countries where Christian Aid works.

In the four countries featured in this report, anti-corruption institutions have been established and some public officials investigated. This has been in response to the demands of both citizens and donors for greater action in this area. Donors, anti-corruption groups and other civil-society organisations all agree that greater demand from citizens for good government is essential. Some institutions have become both more efficient and accountable: the Kenya Revenue Authority has seen both a reduction in bribery and an increase in tax collections.

There is also a growing recognition that corruption is global in nature, countries are not islands, and challenging corruption needs to include what happens between countries as well as within them. This means it is important to look beyond aid programmes. There have been a number of high-profile investigations of major multinationals for alleged bribery overseas, although very few prosecutions. Some of the assets of Abacha and Fujimori have been returned retrospectively and,

more recently, assets of Nigerian officials alleged to have been acquired corruptly or illegally have been frozen.

Lessons

Aid

This report indicates some key lessons that are important for donors to bear in mind when considering how to address the problem of corruption.

1. While strengthening institutions is important, it needs to be complemented with increasing institutional accountability. This can be done via reforms with a specific institution, and also by looking at ways to increase government accountability through investing in key checks and balances, such as parliamentary committees and the audit processes.
2. It is not just about the public sector, but still underpinning donor analysis is a normative belief that the state is bad and business is good. Reforms that restrict state flexibility and discretion are prioritised on the one hand, while reforms that free the private sector from restrictions are prioritised on the other. Yet many countries are signatories to UNCAC, which

What is UNCAC and why is it important?

Adopted in Merida, Mexico in 2003, UNCAC was negotiated by 129 states, so it has a far greater legitimacy than traditional donor interventions. While developed country diplomats emphasised preventive measures, developing countries pushed for international cooperation in asset recovery. The convention addresses all these concerns and 140 countries have signed it.

The convention includes commitments in the

following areas:

- prevention of corruption, including merit-based civil service, access to information laws and an independent judiciary
- criminalisation of specific acts, such as actively bribing national, international or foreign public officials and embezzlement of public funds
- international cooperation in cross-border criminal matters
- asset recovery, which was the main selling point of the convention for many developing countries

- technical assistance and information exchange in areas such as investigative methods, anti-corruption policies and public financial management.

There are, however, some areas where the convention is weak. While it recognises the issue of private-sector corruption, it is only optional for signatories to criminalise bribery and embezzlement in the private sector.

Donors can use UNCAC to promote public integrity by:

- advocating for effective implementation of UNCAC at home, in particular through prosecuting

cross-border bribery cases and tightening up rules to prevent money laundering

- using UNCAC as an organising framework for development assistance. This could include mapping how existing aid programmes are assisting UNCAC implementation
- helping support the UNCAC process, including calling for a strong mechanism to monitor countries' performance against their commitments.

Source: U4 Donor anti-corruption network

‘If fully enforced, [the UN Convention against Corruption] can make a real difference to the quality of life of millions of people around the world. And by removing one of the biggest obstacles to development, it can help us achieve the millennium development goals.’

Kofi Annan, former United Nations secretary general

recognises the existence of corruption within and between the public and private sectors.

3. The focus on state corruption means that there is very little focus on corruption beyond the state, but we have shown that it is important to look at the thorny question of culture without resorting to simple victim blaming. It is about understanding the rules and norms guiding ever-changing countries that are being increasingly integrated into the world economically, socially and politically.
4. Civil society demand for less corruption and better governance is vital. This is clearly acknowledged in relevant donor policies, but needs to be more evident in donor practice. In Kenya and Nigeria, DFID’s strategies attempt to balance its support to the state with those that aim to increase demand for good governance.
5. Donors need to practise what they preach. If they believe recipients should be more transparent then they need to do likewise, both in their home countries and in programme countries. The Accra Agenda for Action on aid effectiveness, agreed in September 2008, requires donors to start making public their aid conditions, as well as information both about how much money they pledge and what they actually deliver. The UK and the Netherlands also agreed an Aid Transparency Initiative that it is hoped will ensure much better performance from donors in this area.

Beyond aid

Corruption is a global phenomenon that cannot be combated through aid programmes alone. The way countries are linked into the global economy can help development, but it can also exacerbate corruption. Greater transparency in business dealings and banking transactions, and greater commitment to investigate and prosecute people accused of bribery overseas are urgently needed. A useful instrument to challenge the international dynamics of corruption is UNCAC (see box ‘What is UNCAC and why is it important?’ on page 18).

Civil society

This report has highlighted that many governments are not implementing the commitments they have made during elections, in aid negotiations and through signing relevant conventions. Donors can play an important role in helping

to overcome the weak capacity of developing country governments to fight corruption, but only a strong civil society can overcome a lack of political will. In the long term, an active civil society working with and holding accountable both the public and private sectors is essential.

This research shows there is often a divide between anti-corruption campaigning in urban centres, which tends to focus on legal reforms, and organisations working on governance-focused rights awareness at a local and community level. Greater coordination between formal anti-corruption organisations and the governance groups is needed. It also demonstrates the importance of balancing work on awareness raising and monitoring governments and companies with activities that aim to address the societal roots and symptoms of corruption. This is clearly an area that civil-society organisations are well placed to address.

Recommendations

Based on this analysis we make the following recommendations:

Actions for the governments of the UK, Ireland and European Union

In their aid programmes:

- ensure aid programmes are fully transparent and champion transparency with recipients, for example by calling for independent audits
- invest in thorough, ongoing analysis of a country's political culture and institutions as part of a robust engagement with developing countries
- balance investment in strengthening government skills and abilities with strengthening government accountability
- support essential checks and balances, such as parliaments, auditor-general departments, the independent media and civil society
- look beyond corruption in state institutions to the private sector and the society as a whole
- align aid programmes with UNCAC and other relevant regional and international anti-corruption conventions.

Beyond aid:

- prioritise efforts to secure a stronger monitoring process for UNCAC
- fully implement UNCAC provisions at home and streamline the activities of anti-corruption agencies
- fully comply with the OECD Anti-Bribery Convention, and increase resources to investigate and prosecute domestic firms accused of bribery overseas
- use the assets-recovery provisions of UNCAC as a framework to prioritise returning stolen foreign assets and freezing assets of people, including foreigners, under investigation for corruption
- strengthen anti-money-laundering rules, including restrictions on banking secrecy, to make it harder to keep stolen assets in domestic banks.

Actions for civil society organisations

- prioritise activities that increase ordinary people's awareness of their rights and challenge the cultural roots of corruption
- augment these with activities that aim to increase government and private-sector accountability
- work to strengthen the links between local and national governance activities and specific anti-corruption campaigns
- work in coalition with organisations around the world to secure a stronger UNCAC.

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Acronyms

CDF	Constituency Development Fund
DFID	Department for International Development
EFCC	Economic and Financial Crimes Commission
FCO	British Foreign and Commonwealth Office
GDP	gross domestic product
GNI	gross national income
IMF	International Monetary Fund
MCDF	Muslim/Christian Dialogue Forum
MDGs	millennium development goals
MRG	Minority Rights Group
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
TNC	transnational corporation
UNCAC	United Nations Convention against Corruption
WARDC	Women Advocates and Research Documentation Centre
UNDP	United Nations Development Programme

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‘The only way to stop corruption in all its forms is for civil society to fight it wherever it is found. We should fight corruption in all we do: in political movements, in civil-society organisations, in unions and federations, in schools and in the state bodies. Social programmes should be run in a transparent way and civil-society monitoring should be a deterrent for corruption in any area of society. That’s the only way we will make our country a just, true democracy, with full respect for human rights.’

Sofia Macher Batanero, Christian Aid partner Instituto de Defensa Legal, Peru

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