

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES  
POLICY DEPARTMENT



**Cost of corruption in  
developing countries –  
how effectively is aid  
being spent?**

DEVE



## STUDY

# Cost of corruption in developing countries – how effectively is aid being spent?

### ABSTRACT

Corruption undermines development and reduces the effectiveness of development aid. Illicit financial flows are a consequence of flourishing corrupt practices, often amongst the rich in society. Such flows, estimated at USD1 trillion a year, drain the resources that should be invested in improving developing countries, thus hurting poor people disproportionately.

The EU has invested much in curbing corruption in member-, candidate, accession- and to some extent neighbouring countries, but has so far had a strategic vacuum and minimal operational investments in anti-corruption initiatives in developing countries in general. Emphasis has been on safeguarding own funds, but as the EU often delegates implementation to other actors this is an inefficient and incomplete approach. The EU needs to strengthen national anti-corruption systems in developing countries, and those of its implementing partners.

This will require a renewed strategy process with a focus on the special characteristics of developing countries, as well as internal change management efforts to ensure that EU policies are aligned and that EU institutions are adequately resourced to implement their tasks.

---

This paper was requested by the European Parliament's Committee on Development.

English-language manuscript was completed on 07 April 2015.

Printed in Belgium.

Author(s): Dr Jesper JOHNSØN, Senior Advisor, U4 ANTI-CORRUPTION RESOURCE CENTRE, CMI, NORWAY

Nils TAXELL, Senior Advisor, U4 ANTI-CORRUPTION RESOURCE CENTRE, CMI, NORWAY

With greatly appreciated contributions from Thor Olav IVERSEN, CMI, Norway

Official Responsible: Manuel MANRIQUE GIL

Editorial Assistant: Simona IACOBLEV

Feedback of all kind is welcome. Please write to the author: [manuel.manrique@europarl.europa.eu](mailto:manuel.manrique@europarl.europa.eu).

To obtain copies, please send a request to: [poldep-expo@europarl.europa.eu](mailto:poldep-expo@europarl.europa.eu)

This paper will be published on the European Parliament's online database, '[Think tank](#)'.

*The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.*

ISBN(online): 978-92-823-7154-1 ISBN(print): 978-92-823-7153-4

DOI(online): 10.2861/02495 DOI(print): 10.2861/23640

## Table of contents

1	Overview of ways corruption hamper development	9
1.1	Impacts on economic development	10
1.2	Impacts on the poor/inequality	10
1.3	Impacts on public service delivery	10
1.4	Impacts on state legitimacy	10
1.5	Impacts on stability/fragility	11
1.6	Impacts on the environment	11
1.7	Summary	11
2	Relevant international conventions and initiatives aiming to fight corruption and illicit financial flows	11
2.1	United Nations Convention against Corruption	12
2.2	OECD Anti-Bribery Convention	13
2.3	G20 Anti-Corruption Working Group and 2015-2016 Action Plan	13
2.4	Extractive Industries Transparency Initiative	14
2.5	Financial Action Task Force	15
2.6	Other relevant initiatives for combatting illicit financial flows	16
2.7	Summary	16
3	Overview of EU measures to prevent aid FROM driving corruption	17
3.1	EU's institutional framework and tools to curb corruption	18
3.2	Prioritising internal safeguards versus building up country systems – a need for an EU course correction	19
3.3	Corruption risks in connection with delegation - difficulties of maintaining procedures in delegated implementation	20
3.4	Summary	23
4	Assessment of EU measures to stop illicit flows and prevent corruption	23

4.1	The evolving nature of EU measures – increasing depth in policy responses but still with an inwards focus	24
4.1.1	The European Commission’s first Communications – influential for accession countries but not developing countries	25
4.1.2	The lessons from the Enlargement process – what relevance for developing countries?	25
4.1.3	The 2011 Communication – developing countries on the side-lines	27
4.1.4	The neighbours and the rest – the EU’s differentiated approach to corruption control	27
4.2	Lack of policy coherence and coordination as an obstacle for anti-corruption measures	29
4.2.1	Weaknesses in translating strategy to practice	31
4.2.2	The EU’s marginal role in the development aid agenda on corruption control, and limited coordination role for member states	32
4.3	EU performance on illicit flows, PFM, and civil society support - and the challenges of budget support and conditionality in developing countries	33
4.3.1	Distribution of aid and aid transparency	34
4.3.2	Illicit financial flows – good steps towards an effective multilateral response	35
4.3.3	Public financial management – a cornerstone of corruption control	36
4.3.4	Civil society – a strategic desire to support but operational blockages	36
4.3.5	Budget support and conditionality – the hardest challenges	37
4.4	Country level programming – an assessment of the extent of anti-corruption mainstreaming efforts	38
4.5	Fighting corruption in fragile states	40
4.6	Summary	43
5	Conclusion and recommendations	43
6	Annex 1 – comparing extent of country strategy mainstreaming efforts	47

## GLOSSARY AND ABBREVIATIONS

ACP	Africa, the Caribbean and the Pacific
ACWG	G20 Anti-Corruption Working Group
AFP	Agence France-Presse
ALAC	Advocacy and Legal Advice Centres
ARTF	Afghanistan Reconstruction Fund
AQIM	al-Qaeda in the Islamic Maghreb
CEE	Central and Eastern European
CSO	Corporate Social Responsibility
CoE	Council of Europe
CSDP	Common Security and Defence Policy
CSP	Country Strategy Paper
DG	Directorate-General
ECA	European Court of Auditors
ECHO	European Commission Directorate-General for Humanitarian Aid
EEAS	European External Action Service
EITI	Extractive Industries Transparency Initiative
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
FATF	The Financial Action Task Force
FPI	Service for Foreign Policy Instruments
GFI	Global Financial Integrity
GIZ	Die Deutsche <i>Gesellschaft für Internationale Zusammenarbeit</i>
GRECO	Group of States Against Corruption
IATI	International Aid Transparency Initiative
IFFs	International Financial Flows
IPA	Instrument for Pre-Accession Assistance
JHA	Justice and Home Affairs
LOTFA	Law and Order Trust Fund Afghanistan
MEDA	Instrument of Economic Cooperation under the Euro-Mediterranean Partnership
MoU	Memorandum of Understanding
NGO	Non-Governmental Organization

NIP	National Indicative Programme
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECD DAC	OECD Development Assistance Committee
OLAF	European Anti-Fraud Office
PA	Palestinian Authority
PFM	Public Financial Management
SIGMA	Support for Improvement in Governance and Management
TACIS	Technical Assistance to the Commonwealth of Independent States
TAIEX	Technical Assistance and Information Exchange
UN	United Nations
UNCAC	The United Nations Convention against Corruption
UNDP	United Nations Development Programme

## EXECUTIVE SUMMARY

This study was commissioned by the European Parliament Development Committee with the aim to

- explore how and to what extent corruption, illicit financial flows (IFFs) and mismanagement of public financial resources damage development opportunities and progress;
- briefly present existing EU and global measures to combat corruption, hinder illicit capital flows and support effective public financial management, and provide an in-depth analysis and evaluation of their implementation; and
- provide concrete recommendations to the European Parliament that can help increase the effectiveness of the fight against corruption, illicit financial flows and mismanagement of public financial resources.

The rationale for this study comes in the context of important global development debates regarding development financing, the effectiveness of development cooperation and the growing emphasis on good governance and concern with the impact of corruption. The report aspires to feed into the new EU multiannual programming period (2014-2020).

Chapter 1 shows that the amounts involved in corruption and IFFs are staggering. It also establishes that there is **solid evidence that corruption and IFFs have a negative impact on economic growth and development**. The impact is not necessarily direct and it is not always possible to quantify in financial terms. In addition, it also negatively impacts on the poor, increases inequality, undermines the quality of service delivery, state legitimacy and stability; and poses a threat to the environment

Chapter 2 provides an overview of the most relevant international conventions and initiatives aiming to fight corruption and illicit financial flows, including the United Nations Convention against Corruption (UNCAC); OECD Anti-Bribery Convention; G20 Anti-Corruption Working Group; the Extractive Industries Transparency Initiative (EITI), and the Financial Action Task Force (FATF). Little evidence exists on whether the instruments and mechanisms mentioned above have had a direct impact on levels of corruption or whether they have contributed towards stemming IFFs. However, they have resulted in a number of positive related developments, including entrenching international norms, including anti-corruption norms, in domestic jurisdictions; galvanizing global efforts around combating corruption and IFFs; recognition that combating corruption and IFFs requires efforts in developed as well as developing countries; and fostering international cooperation. **Developing countries have not yet seen many direct benefits from these international conventions and initiatives**, partly because they lack the capacity to implement and enforce them sufficiently, but also because this has not always been the primary intention of all initiatives.

Chapter 3 analyses existing EU measures designed to prevent development aid from contributing to corruption in recipient countries. **EU project and financial management guidelines are robust, but oriented towards safeguarding own fiduciary risks** as opposed to corruption risks from a societal perspective. Still, problems arise when these guidelines are not implemented. Low absorption capacity in recipient organizations' administrations, disbursement pressures, and inadequate EU staffing can explain many corruption cases. There is a heavy reliance on audits, which is a poor corruption detection method in isolation. In some cases it is not just an implementation problem. In particular, the **EU needs better systems for reducing corruption risks when distributing development funds outside its own channels**. Such holistic corruption risk management systems require smart design and manpower to implement, but are essential to deal with corruption in situations of delegated implementation. The EU could and should do more to ensure that aid is not harmful to development.

Chapter 4 assesses the performance of EU measures to stop illicit financial flows and strengthen national systems for corruption control, both at the technical and political level. Empirical data suitable to evaluate the impact of EU's anti-corruption initiatives is scarce, but the EU's own evaluations and secondary sources do provide a reasonable evidence base. To assess the extent of anti-corruption mainstreaming at country strategy level, new empirical data is presented. EU's performance is influenced by its strategy. Corruption has been given high priority first for the EU Enlargement process and more recently also within member states. However, **EU measures to strengthen the capabilities of developing countries to fight corruption are left in a strategic vacuum**, despite early calls from the European Parliament (1996) and the European Council (1997) to the European Commission to be less inwards looking. There is no explicit strategy for how to reduce levels of corruption or safeguard aid funds in the majority of developing countries. Unfortunately, the EU has also **not yet achieved coherence between its security and anti-corruption policies**. The peace-/state-building and anti-corruption agendas are not aligned, and the strategic question of whether one should prioritise corruption control in the early phase of reconstruction, and how, is left unanswered. Programming therefore in general suffers from a **lack of strategic guidance and prioritisation**, as well as a practical problem of implementation as the EU's traditional implementing partners such as the Council of Europe and the OECD are not present in many developing countries. The EU's lean approach to programming, with few specialised governance and anti-corruption advisors, works reasonably well where there are trusted implementing partners, but this is a challenge in many developing countries.

This all suggests that **EU aid could be spent more effectively if the costs of corruption are reduced**. Based on the limited available evidence, we consider investments in corruption risk management to have the potential to offer a high return for the EU. The recommendations to the European Parliament are, briefly, to

- **initiate a strategy development process clarifying its approach to corruption risk management specifically for developing countries**, recognising the importance of both (a) improving own project and financial management systems as well as (b) measures to strengthen capabilities of partners and implementing agents, as well as national oversight bodies and watchdogs; and **examining further whether current anti-corruption efforts are cost-effective**, whether EU institutions are staffed adequately to reduce corruption risks, and how a 'whole-of-government' approach can be created for the area of anti-corruption that is currently fragmented;
- produce **guidelines for how to address corruption risks in situations of delegated implementation**, to ensure that implementing partners have the required capacity and anti-corruption mechanisms to minimise fraud and waste as much as possible;
- **accompany budget support with clear plans for how corruption risks will be mitigated** and how the effectiveness of these anti-corruption initiatives will be monitored and evaluated;
- provide **better operational guidance on the use of conditionality** to respond to corruption cases and ensure political commitments;
- continue the good progress preventing illicit financial flows at the multilateral level, and launch new initiatives to **build the capacity of developing country administrations** to prevent national and international tax avoidance, evasion and fraud, and allow better international collaboration to prevent transfer pricing manipulation and aggressive tax planning.

## 1 Overview of ways corruption hampers development

This chapter provides an overview of the main ways in which corruption, illicit financial flows and mismanagement of public financial resources hamper development, and presents available estimates of the size and scope of flows, as well as financial and non-financial losses.

A certain level of caution is called for when seeking to determine the impact that corruption and IFFs have on development, given existing measurement challenges (see e.g. Galtung, 2005; Heller, 2009). These include different understandings of the term 'corruption'; differences between perceived and actual levels of corruption; aggregation problems, when data from different corruption surveys are compiled to generate a single figure; and the limited range of methodologies that can adequately demonstrate causal relationships between corruption and growth. In particular, demonstrating the economic or financial costs of corruption is made difficult by the presence of confounding factors that influence both the level of corruption (the presumed cause) and the economic output (the presumed effect).

Despite these caveats, the headline grabbing estimates for the amounts involved in corruption and illicit financial flows (IFFs) globally are staggering – with estimates of the amounts involved in IFFs more readily available than for corruption.

A recent report by the ONE Campaign estimates that US\$1 trillion flows out of developing countries each year through a web of corrupt activity involving illegal tax evasion, money laundering, use of shell companies, and 'shady' natural resource deals (ONE Campaign 2014). In their most recent report, Global Financial Integrity (GFI) find that between 2003 and 2012, the developing world lost US\$6.6 trillion in illicit outflows and that in real terms these flows increased by almost 10% per annum over this period (Kar and Spanjers, 2014).

In 2012, the last year observed by Kar and Spanjers, Official Development Assistance (ODA) to these countries stood at approximately US\$ 90 billion. With IFFs for 2012 estimated at just under US\$ 1 trillion, more than US\$10 came out of developing countries through IFFs for US\$1 of ODA going in. According to Kar and Cartwright-Smith (2010) and Kar and LeBlanc (2013), Africa is estimated to have lost in excess of \$1 trillion in IFFs over the last 50 years, roughly equivalent to all ODA received by Africa during the same timeframe (High Level Panel on Illicit Financial Flows from Africa, 2015 ).

Other frequently quoted global estimates include the cost of corruption equalling more than 5% of global GDP, or approximately US\$ 2.6 trillion, with more than US\$ 1 trillion paid in bribes each year. It is further estimated that US\$20 to US\$40 billion, corresponding to 20% to 40% of official development assistance, is stolen each year through high-level corruption from public budgets in developing countries and hidden overseas (Baker 2005). While the soundness of the methodologies used to arrive at these estimates can be questioned, it remains that regardless of whether they are accurate the amounts involved are significant. More than that, the amounts are significant in developing countries and they pose a significant challenge to development.

In terms of the relationship between corruption and IFFs, there is general consensus that there is a reciprocal causality between illicit financial activities and corruption. IFFs and the intrinsic opacity of such activities create fertile ground for corruption to thrive – without a way to launder and stash ill-gotten gains it would be difficult for crooked officials to benefit from their corrupt dealings. Corruption in turn is an enabling factor for IFFs and other illicit financial activities (see e.g. Reed and Fontana, 2011).

This reciprocal causality – and the fact that these phenomena are often conflated – means that the impact of IFFs and corruption on developing countries and the effectiveness of ODA would be difficult to distinguish from one another. They are therefore considered together and will be explored in relation to impacts on: (1) economic development; (2) the poor/inequality; (3) service delivery; (4) state legitimacy; (5) security/fragility; and (6) the environment.

## 1.1 Impacts on economic development

There is a substantial body of research considering the macroeconomic effects of corruption which indicates that, overall, corruption has a negative effect on economic growth (Ugur and Dasgupta, 2011). The research is however undermined by difficulties of measuring, and comparing measurements of corruption. The estimated size of the effect varies significantly across research studies – making it difficult to identify a definitive figure of this impact in financial terms. In a more long-term perspective there is also some evidence that other variables than corruption – including government effectiveness, the rule of law and regulatory quality – have had a greater impact on levels of economic growth (see e.g. Carothers and de Gramont, 2011; Norris, 2011; Zhung et al., 2010). When looking at firm profitability and the commercial behaviour and choices of individuals and businesses the picture is more straightforward. Corruption has a negative impact on productivity, on investment and, overall, on profitability and growth (Aidt et al., 2009; Anoruro and Braha, 2005; Meon and Sekkat, 2005; Svensson, 2003 & 2005; Pellegrini and Gerlagh, 2004; Rahman et al., 2000). While corruption has a negative impact on FDI (Alemu, 2012; De Jong and Bogmans, 2011), the evidence is less clear on whether this is a direct result of corruption or of other institutional variables.

## 1.2 Impacts on the poor/inequality

There is a correlation between higher levels of corruption and increased inequality, and, in turn, higher levels of poverty (Gupta et al., 2002). Lower-income households and businesses tend to pay a greater proportion of their income in bribes than do middle- or high-income households: As such, corruption acts as a regressive tax, since they must allocate a greater amount of their income than the rich to bribes (Chetwynd et al., 2003; Bhargava and Bolongaita, 2004). The poor are also more often subject to corrupt practices in the course of their routine interactions with public institutions (Razafindrakoto and Roubaud, 2007). Overall, corruption can impact on the nature of a country's economic development and is likely to raise income inequality and affect the poor disproportionately.

## 1.3 Impacts on public service delivery

Corruption negatively affects both the volume and the quality of public service delivery. For a given level of government budget and national income, high-corruption countries achieve lower literacy rates, have higher mortality rates and overall achieve worse human development outcomes (Ndikumana, 2006). Corruption can result in the loss of trust in public services, e.g. corrupt education systems may prompt parents to withdraw their children from school (Kaufmann et al., 2005; UNESCO, 2009). The effects of corruption in public service delivery may also have gender-specific effects. Where women are unable to generate income, they are particularly vulnerable to shortfalls in public service provision (Transparency International, 2010).

## 1.4 Impacts on state legitimacy

There is a correlation between corruption and confidence in public institutions and the political system more broadly. Citizens who lack confidence in public institutions are more likely to accept bribery and less likely to participate in political processes. Corruption can be both a cause and an effect of lack of trust and reduced legitimacy of the state in the eyes of the population, generating a feedback mechanism that further recreates and reinforces this perverse dynamic – one explanation for why corruption is so difficult to come to terms with (Anderson and Tverdova, 2003; Clausen et al., 2011; Seligson, 2002, 2006).

## 1.5 Impacts on stability/fragility

As high levels of corruption are negatively correlated with trust and state legitimacy, it could also be assumed that corruption reinforces fragility and increases likelihood of conflict. Some evidence does suggest corruption can have a particularly harmful impact in fragile and conflict-affected states (Mauro, 1996; Le Billon, 2003; World Bank, 2011). However, while corruption and rent-seeking are a source of (violent) conflict they can also play a role – in the short to medium-term – in stabilizing fragile countries, decreasing the risk of conflict and extend the longevity of weak regimes as it allows for redistribution of resources through patronage networks (Dix et al., 2012; North et al., 2009; Le Billon, 2003; Stedman, 1997). However, in post-conflict situations failure to address corruption in the short term is over time likely to contribute to state fragility (Le Billon, 2003 & 2008; Doig and Tisné, 2009).

## 1.6 Impacts on the environment

Corruption has negative consequences on the environment, including through increased pollution, deforestation and depletion of natural resources, as well as trafficking in environmental products like wildlife. The exploitation of natural resources can also have negative social, political and economic impacts, including conflict, reduced social spending and increased inequality (Cole, 2007; Shaxson, 2007; Welsch, 2004). The effect of corruption on the environment can be direct (e.g. on policy-making and implementation, or the stocks of a given environmental resource) or indirect (through its impact on income and economic growth).

## 1.7 Summary

As noted above, the strength of the methodology used to estimate the amounts involved in corruption and IFFs, as well as their cost for developing countries, is often not sufficient to provide any definitive figures. The causes and costs of corruption and IFFs often appear to be interlinked and reinforcing. Therefore determining the causality between corruption and cost and effect/impact is challenging.

That said, it is clear that the amounts involved are staggering and there appears to be relatively solid evidence to say that corruption and IFFs do have a negative impact on economic growth and development. The impact of corruption is however not necessarily direct. Costs in the form of reduced investments and growth are important, as they are interdependent and can intensify the negative effects of corruption in a vicious circle. In most cases, corruption causes costs that have a disproportionate impact on the vulnerable and poor parts of the society. Where corruption is accepted in order to maintain peace and stability it is typically at the price of development and keeping in power weak/authoritarian regimes. Not addressing corruption can eventually unravel a fragile peace.

As such, it is clear that combating corruption should be paramount in supporting developing countries and working towards poverty eradication. Given that IFFs enable corruption, taking action on IFFs is also critical and starts with considering necessary measures in the world's financial centres, most of which are to be found in developed countries.

## 2 Relevant international conventions and initiatives aiming to fight corruption and illicit financial flows

At the same time as there is an increasing awareness of the detrimental impact that corruption and IFFs can have on development as well as international stability and security, there has also been a growing recognition that several of these issues cannot all be dealt with by countries on their own. The cross-border

nature of these phenomena means that combating corruption and stemming IFFs requires international cooperation. This has seen the proliferation of various international instruments and agreements. The most significant instruments include the United Nations Convention against Corruption (UNCAC) and the OECD Anti-Bribery Convention and key venues for cooperation include the G20 Anti-Corruption Working Group, the Financial Action Task Force and the Extractive Industries Transparency Initiative – each of which is covered below. In addition to these there are also a number of related initiatives that will also be addressed briefly.

## 2.1 United Nations Convention against Corruption<sup>1</sup>

The UNCAC was adopted by the UN General Assembly in October 2003. With its 174 States Parties, including all the EU Member States plus the EU itself, it is the only truly international anti-corruption treaty. The UN Office on Drugs and Crime (UNODC) serves as the secretariat for the UNCAC.

The value of UNCAC is its broad coverage of preventive and punitive measures, as well as the cross-border nature of corruption with provisions on international cooperation (mutual legal assistance) and the return of the proceeds of corruption (asset recovery). States Parties are obliged to help each other through technical assistance, including financial and human resources, training, and research. The UNCAC further underlines the importance of civil society participation in accountability processes and citizens' access to information. The Convention has mandatory and optional measures.

Its main areas cover:

**Prevention:** States Parties must adopt coordinated policies to prevent corruption and designate a 'body or bodies' to coordinate and oversee their implementation. Such policies shall entail measures such as transparent procurement systems, a merit-based civil service, access to information, civil society involvement in the fight against corruption, an independent judiciary, public auditing procedures and anti-money laundering measures.

**Criminalization:** States Parties must criminalize bribery (both the giving of an undue advantage to a national, international or foreign public official, and the acceptance of an undue advantage by a national public official), as well as embezzlement of public funds, obstruction of justice, and the concealment, conversion or transfer of criminal proceeds. Acts that states ought to consider for criminalization include the acceptance of an undue advantage by foreign and international public officials, trading in influence, abuse of function, illicit enrichment, bribery and embezzlement within or among private sector entities, money laundering and the concealment of illicit assets.

**International cooperation:** States Parties are obliged to assist each other in cross-border criminal matters. This includes, for example, gathering and transferring evidence of corruption for use in court. The requirement of dual criminality (alleged crime for which mutual legal assistance is sought must be criminal in both the requesting and requested countries), which has traditionally hindered cooperation, is loosened. Cooperation in criminal matters is mandatory; in civil and administrative matters it must be considered.

**Asset recovery:** A main innovation of the Convention is the right to recovery of stolen state assets. The UNCAC provisions lay a framework, in both civil and criminal law, for tracing, freezing, forfeiting, and returning funds obtained through corrupt activities.

While setting a general standard for the fight against corruption, UNCAC has particular relevance for addressing IFFs. At the national level, UNCAC provides a basis for combating IFFs through its extensive

<sup>1</sup> For further information see: <http://www.unodc.org/unodc/en/treaties/CAC/index.html>

preventative measures which are designed to prevent corruption from occurring, in the first place, and illicit flows from being generated. The Convention contains provisions that are more directly relevant to the prevention and sanctioning of illicit financial flows through its anti-money laundering (AML) measures. At a regional level, UNCAC foresees that States Parties will collaborate as appropriate with regional organisations, and that they will continue to work within the framework of various regional initiatives, arrangements and conventions on this topic. At the international level, UNCAC provides a global framework for strengthening international efforts against corruption by allowing the tracing and recovery of stolen assets and imposing more stringent global standards relating to international cooperation and mutual legal assistance.

A review mechanism for the Convention was agreed in 2009, to address the perceived shortcoming that the UNCAC lacked 'teeth'. The Implementation Review Mechanism is a three-step process consisting of: 1) a self-assessment checklist that is completed by the country under review; 2) a country visit by a review team consisting of experts from two reviewing countries; and 3) a written report, which is finalised in agreement with the country under review. There is no obligation for State Parties to make these reports public, although the executive summaries of all country review reports are made public by the Implementation Review Group and published on the Secretariat's website.

## 2.2 OECD Anti-Bribery Convention<sup>2</sup>

The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-Bribery Convention) entered into force in 1999. All EU Member States except Croatia, Cyprus, Lithuania, Malta and Romania have ratified the convention.

The Convention establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions and provides for a host of related measures that make this effective. It is the first and only international anti-corruption instrument that focuses on the supply side of the bribery transaction. While the countries that are parties to the Convention are primarily found in the Global North, it is intended to prevent actors from these countries to bribe public officials in the Global South as well. More than half of the cases of foreign bribery that have resulted in enforcement actions since the entry into force of the convention involved public officials in countries with low and medium human development (OECD 2014).

The Convention itself establishes an open-ended, peer-driven monitoring mechanism to ensure the implementation of the international obligations that State Parties have taken on. Monitoring is carried out by the OECD Working Group on Bribery which is composed of members of all State Parties. The country monitoring reports contain recommendations based on examinations of each country. In 2009, the States Parties to the OECD Anti-Bribery Convention agreed to put in place new measures that will further reinforce efforts to prevent, detect and investigate foreign bribery with the adoption of the OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions.

## 2.3 G20 Anti-Corruption Working Group and 2015-2016 Action Plan

G20 Leaders established the Anti-Corruption Working Group (ACWG) at the Toronto Summit in 2010. Since 2010, the work of the ACWG has been guided by two-year action plans that include, among others, commitments by G20 countries to ratify and implement the UNCAC, combat money laundering, promote

<sup>2</sup> For further information see: <http://www.oecd.org/corruption/oecdantibriberyconvention.htm>

integrity within the G20 governments, and cooperate with other countries to investigate, prosecute and recover the proceeds of corruption.

The current action plan, which covers the period 2015-2016, focuses on:

1. Preventing the abuse of legal persons and arrangements through beneficial ownership transparency (in line with standards set by FATF – see below).
2. Combating bribery, including exploring possible adherence to the OECD Anti-bribery Convention.
3. Taking action to address the risk of corruption in the extractives sector and other high risk sectors such as customs, fisheries and primary forestry, and construction sectors.
4. Promoting public sector transparency and integrity to prevent the misuse or diversion of public funds and conflicts of interest, and foster economic growth and development.
5. Recovering and returning the proceeds of corruption, building on the G20 Asset Recovery Profiles and G20 Guides to Asset Recovery and promoting international cooperation, including mutual legal assistance and extradition consistent with the UNCAC.
6. Continuing to work with the private sector and civil society to combat corruption.

To hold itself accountable for its anti-corruption commitments, the ACWG reports annually to G20 leaders on progress made in meeting the commitments set out in the action plan and making this reports public. While it is still early to assess the real impact of this initiative, the G20 group of countries include influential non-OECD nations that are increasingly engaging with other non-OECD countries. The commitment to explore adherence to the OECD Anti-bribery Convention is of significant importance, as for example Chinese and Indian corporations are increasingly investing in developing countries.<sup>3</sup>

## 2.4 Extractive Industries Transparency Initiative<sup>4</sup>

The Extractive Industries Transparency Initiative (EITI) was launched in 2002 and currently includes 48 implementing countries of which 32 are compliant with EITI requirements. The initiative is a global standard aimed at promoting open and accountable management of natural resources. The initiative seeks to strengthen government and company systems, inform public debate, and enhance trust. In each EITI implementing country it is supported by a coalition of governments, companies and civil society working together. The EITI maintains the EITI Standard. The EITI Standard is intended to ensure full disclosure of taxes and other payments made by oil, gas and mining companies to governments. These payments are disclosed in an annual EITI Report, allowing citizens to see for themselves how much their government is receiving from their country's natural resources. There is however some scepticism towards the impact that EITI can have on corruption, given that the standards do not explicitly focus on how resource revenues are allocated by governments although that is where there typically is the highest risk of abuse. It also does not specify how resources should be allocated, meaning that resources may not necessarily go to sectors critical to a countries development (see e.g. Goldwyn 2004; Hilson and Maconachie 2008; Kolstad and Wiig 2009).

The EITI Standard contains the set of requirements that countries need to meet in order to be recognised as first an EITI Candidate and ultimately an EITI Compliant country. The Standard is overseen by the international EITI Board, with members from governments, companies and civil society. The EU recently adopted EITI recommendations (see section 4.3.1 on distribution of aid and aid transparency for further information). Currently no EU member states are EITI compliant. The United Kingdom, which also led efforts

<sup>3</sup> Argentina, Brazil, Mexico and South Africa are already parties to the Convention.

<sup>4</sup> For further information see: <https://eiti.org/>

to establish EITI, is currently a Candidate country. With EITI established in large part to address the so-called resource curse and misuse of financial resources derived from the exploitation of natural resources, focus has primarily been on developing countries – based on the assumption that most developed countries are already sufficiently transparent in terms of government revenue. While there may be symbolic value in an increasing number of developed countries joining the initiative, this would not have an effect on the actions of extractive industries in developing countries.

## 2.5 Financial Action Task Force<sup>5</sup>

The Financial Action Task Force (FATF) is an inter-governmental body consisting of 34 member jurisdictions and 2 regional organisations, representing most major financial centres in all parts of the globe, was established in 1989. Its objectives are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is a policy-making body that works to generate the necessary political will to bring about national legislative and regulatory reforms in the aforementioned areas. One of the main contributions of the FATF to date is the development of a series of recommendations that are recognised as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. The FATF Recommendations were most recently revised in 2012. The continuous revision of the FATF Recommendations ensures that they remain up to date and relevant. The FATF monitors the progress of its members in implementing necessary measures and promotes the adoption and implementation of appropriate measures globally.

In seeking to achieve the global implementation of the FATF Recommendations, the FATF relies on a global network of FATF-Style Regional Bodies (FSRBs). Currently there are eight FSRBs covering almost all countries. They play a role in promoting the effective implementation of the FATF Recommendations by their members and in provide expertise and input in FATF policy-making. More than 180 jurisdictions have committed to the FATF Recommendations through the global network of FSRBs and FATF memberships. An example of the impact that FATF can have is the recent approval by the Council of the European Union of an agreement with the European Parliament on strengthened rules to prevent money laundering and terrorist financing based on the FATF Recommendations.

Of EU member states Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom are members of FATF. The European Commission is also a FATF member.

Given its broad coverage, FATF plays an important role in setting the global standard for combating IFFs in developed as well as developing countries. Its focus on the global financial centres is an important part of preventing the outflow of ill-gotten gains from developing countries, which in turn should make it more difficult for public officials in these countries to benefit from corruption.

<sup>5</sup> For further information see: <http://www.fatf-gafi.org/>

## 2.6 Other relevant initiatives for combatting illicit financial flows<sup>6</sup>

While issues related to tax evasion may not be directly related to corruption, they certainly form a critical component of IFFs. Tax evasion is also a large component of the funds that developing countries are deprived of as a result of IFFs.

The 2013 G8 Lough Erne Summit resulted with a communiqué containing significant agreements on a number of areas aimed at preventing tax evasion, including automatic exchange of tax information, beneficial ownership, and country-by-country reporting. The Group of 20 nations (including developed and emerging economies) expressed support of automatic exchange in the communiqué following the finance ministers meeting in November 2012. The G8 statement in support of establishing automatic exchange as the global standard followed an earlier endorsement by the G20.

These endorsements support the efforts of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes which was formed in 2001 to produce a model Tax Information Exchange Agreement and the OECD Task Force on Tax and Development launched in 2010, which meets annually to join government, business, and civil society representatives in studying policy solutions addressing the link between illicit flows, tax revenue, and development.

Although not committing to maintaining central registries of beneficial ownership at the Lough Erne Summit, the G8 countries did agree that beneficial ownership is an important policy prerogative and committed to producing action plans for making beneficial ownership information available to law enforcement and tax authorities in their respective countries. This commitment is also reflected in the priorities set out by the G20 ACWG outlines above. In addition to international instruments discussed above, national laws such as the US Foreign Corrupt Practice Act, the UK Bribery Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act also have an impact through the extraterritorial application of their anti-corruption and IFF provisions.

## 2.7 Summary

Little evidence exists on whether the instruments and mechanisms discussed above have had a direct impact on levels of corruption or whether they have contributed towards stemming IFFs (see e.g. Johnson et al., 2012). In part, this can be explained by the fact that several of these instruments and mechanisms are relatively new, but also that these are phenomena that, as noted earlier, are in and of themselves difficult to measure.

While it may not be possible to attribute direct impact as a result of these instruments and mechanisms they have resulted in a number of positive related developments. Multilateral initiatives have the potential to become transmission mechanisms that entrench international norms, including anti-corruption norms, in domestic jurisdictions in developed as well as developing countries. Existing evidence suggests that multilateral agreements can have a substantial impact on the development and codification of anti-corruption norms at the national level. This has for example been the case with the OECD Anti-bribery Convention, the provisions of which have been adopted into the national legislation of State Parties or the adoption of the EU of EITI recommendations. These agreements also serve as a basis for development partners to engage with partner countries to promote global standards on combating corruption and IFFs as well as provide technical support to this end. However, in general the impact of these agreements on compliance with anti-corruption in developing countries appears to be limited.

<sup>6</sup> For further information see: <http://www.gfintegrity.org/wp-content/uploads/2014/05/GFI-Worldwide-IFF-Initiatives-2013.pdf>

These initiatives serve to galvanize global efforts around challenging issues, and the numerous related initiatives aimed at IFFs provide a useful venue for dialogue between countries and also allow developed countries to recognize the critical role that they have to play in this regard (see e.g. the G20 Action Plan). In particular, these initiatives have highlighted that the issue of IFFs cannot be solved by the countries from which the funds are flowing on their own. It has also led to the recognition of the significant obstacle that IFFs pose to development as well as fight against corruption. With this has come the recognition that efforts also have to be made by developed countries, where most of the world's main financial centres are located, to stem IFFs. While there are still relatively few cases of mutual legal assistance and the amounts of recovered assets being repatriated remain low there is also some evidence to suggest that agreements related to IFFs have led to increased international cooperation (see Johnsen et al 2012).

While each of the Conventions, agreements and initiatives discussed above have their strengths and weaknesses, the main issue lies in whether they are fully implemented or not and whether countries can set aside national interests to contribute to global efforts. To this end, the European Parliament should continue to advocate for their full and effective implementation, but also consider how the European Commission actively contributed to strengthening developing countries' public administrations and civil society. This is further discussed in chapter 4.

### 3 Overview of EU measures to prevent aid from driving corruption

Here, a detailed analysis is provided of EU measures to prevent development aid contributing to corruption, and an assessment of how they have been implemented (or not) in practice in different partner countries. The chapter discusses the reasons for and consequences of both implementation/non-implementation, and the lessons learned.

Aid can be a driver of corruption in developing countries in many ways, and there are different but complementary strategies to reduce the risk of aid corruption. Important drivers of corruption in many developing countries are the need for huge investments in reconstruction of infrastructure and the very presence of international aid agencies (Le Billon 2005). Massive inflows of foreign aid money can itself be a driver of corruption. One reason for this is the paradox of the 'Potlatch effect'<sup>7</sup> which suggests that aid assistance should be more aligned to the absorptive capacity of the government and civil society and the country's general development needs to avoid massive waste and corruption of aid resources (Galtung and Tisné, 2009). In short, aid providers need to improve own systems for corruption control, but also work better with developing country governments to align assistance and help build up national capacity to prevent corruption.

This chapter first briefly summarises the main measures that exist within the EU system to prevent corruption in developing countries. It then moves on to discuss weak points within this system, such as the tendency to prioritise own fiduciary risks at the expense of building up good national systems for corruption control, and the related difficulties for the EU in safeguarding funds when implementing programmes in countries via third-party implementing agents.

<sup>7</sup> Potlatch is an elaborate ritual, from the rites of Native American tribes in the Pacific Northwest, wherein lavish gifts of clothes, food, and precious items are given from one tribe or family to another. The gifts bear no relation to the needs of the recipients, or even their ability to consume them. The authors use this concept to describe the early period of post-war reconstruction.

### 3.1 EU's institutional framework and tools to curb corruption

According to the Lisbon Treaty of 2009, the Commission and the European External Action Service (EEAS) are the two organisations mainly responsible for EU development co-operation (EEAS and European Commission 2014a). The Commission is the main implementer of EU aid projects. Within the Commission, DG DEVCO accounts for 75 percent of development aid (PWYP 2014b). Other significant implementing departments are DG Enlargement, ECHO and the Service for Foreign Policy instruments (FPI). The EEAS on the other hand plays a complementary role in ensuring that development aid is effective and consistent with other areas of external action (European External Action Service 2015).

The European Court of Auditors (ECA) and the European Anti-fraud Office (OLAF) are control institutions that scrutinize aid spending. The ECA is tasked with carrying out external audits of EU finances. As a fully independent body, it can conduct investigations inside any EU organisation, member state and in non-EU countries in which EU funding is spent (European Union 2015). EU officials have an obligation to report possible cases of fraud, corruption or professional misconduct and all serious allegations are investigated by OLAF. OLAF was created in the wake of the 1999 announcement by the European Commission announced a zero tolerance policy with regard to fraud and corruption to pursue the fight against fraud on all fronts, including development aid (OLAF 2012). The EU is supporting Transparency International's Advocacy and Legal Advice Centres, located in nearly 50 countries, which advise whistleblowers in making their disclosures and work to make sure that their disclosures are duly addressed by appropriate authorities. This works has, however, been focussed on EU member states and accessions countries so far. It is worth noting that the European Commission has not established a direct reporting mechanism for citizens in EU aid recipient developing countries who want to blow the whistle on irregularities in EU funded aid programmes, unlike many of the bilateral aid agencies (such as DFID, GIZ, Danida, Sida, etc.), and multilaterals such as the World Bank. Whistleblowing is an essential tool to detect corrupt practices, and the EU does not have optimal channels for this at present.

Evaluations can be a tool for both controlling corruption and preventing it through improved practices. The EEAS and the Commission are responsible for development aid evaluation. In the new policy (2014) on evaluation of external development aid, management and staff in EU Delegations and at the headquarters are encouraged to use evaluation findings to improve governance. The policy furthermore promises an 'evaluation first' principle that makes evaluation a central part of development co-operation. At the operational level the geographic and thematic units of DG DEVCO and EU Delegations are responsible for planning and managing project and programme evaluations (EEAS and European Commission 2014a). The EU encourages joint evaluations, undertaken with the involvement of partners and other donors. In addition to carrying out internal evaluation, the Commission also commissions a range of evaluations from external partners such as research institutes and consultancies, including evaluation of governance and anti-corruption programmes (European Commission 2015). In sub-chapter 4.21 we refer to an evaluation of the European Commission's IPA programme for the Western Balkans in the areas of rule of law, judicial reform and fight against organised crime and corruption. Most global or regional evaluations, however, deal with anti-corruption only indirectly under larger topics such as governance. As such, it does not seem that evaluations for most developing countries are designed to deal explicitly with corruption as a topic.

EU staff is also guided through different internal routines and guidelines. Handbooks are one such measure preventing corruption. In a checklist for the formulation stage of development aid projects, a project cycle management handbook for detailing development aid project guidelines furthermore lists 'Effective anti-corruption monitoring tools and audit requirements are proposed/in place' as a prerequisite (European Commission 2004). Enshrinement of anti-corruption routines in project guideline documents is most welcome. This is however the only specific recommendation made in relation to

corruption in the handbook, and provides little in the way of operational guidance. A handbook guiding ECHO humanitarian projects notes that ‘ECHO staff needs a system that allows to analyse the proposals in a coherent and objective way, and to make a transparent funding decision.’ (European Commission 2005, 1). However, again, little guidance is provided to staff in terms of how such systems are best designed and implemented.

Conditionality is another tool frequently used to prevent corruption. The Commission requires any country that receives budget support to put in place a relevant and credible programme to improve public financial management (PFM). In order to ensure that a sector budget support programme achieves its objectives, both in terms of sector development and PFM improvements, the Commission attaches conditions. The European Neighborhood Instrument for instance follows a ‘more for more’ principle where democracy and rule of law reforms are rewarded. It however places less importance on strengthening such systems in developing countries. Serious corruption cases can, however, lead to suspension of aid. Further below in this chapter several evaluations of EU budget support paired with PFM reforms in partner countries are presented, and section 4.3.5 shows how making conditionality work is often challenging in practice.

EU measures to build national systems for corruption control and prevention are addressed in detail in chapter 4. In short, the EU has a defined strategy for preventing corruption in member and candidate states as well as its own immediate neighbourhood, but not for developing countries. The Commission frequently relies on the OECD and the CoE for designing and implementing programmes to strengthen national integrity systems. However, these organisations do not work in most developing countries. The EU therefore has to rely on other external partners, which necessitates a greater degree of involvement and technical competence from the Commission than usual to guarantee successful delivery. Yet, the Commission does not seem to have the necessary capacity.

### 3.2 Prioritising internal safeguards versus building up country systems – a need for an EU course correction

The obvious, first measure to prevent aid contributing to corruption is to install internal safeguard to prevent fraud, theft, leakage and waste of aid funds disbursed by the EU itself, and its implementing agents. Such measures will, however, only work in eliminating corruption if the EU ring-fences its funding, which goes against the principles of local ownership and use of national systems enshrined in the Paris Declaration, Accra Agenda, New Deal Agreement, and other significant multilateral agreements on development objectives. Corruption can easily be displaced from a donor system to a government or NGO system. The damages to the citizens and the country remain the same.

Because of the significant corruption risks in post-conflict and transitions contexts, it is important for the EU to consider the effects of its own presence and actions. The concept of ‘do no harm’ is therefore central. Development should not work as a driver of conflict, and corruption is an important intermediary force. ‘Do no harm’ in relation to anti-corruption programming means:

*avoiding premature or poorly-thought-out reforms that can do more harm than good—notably, steps that overwhelm a society’s capacity to absorb aid and put it to effective use, and that risk pushing fragile situations and societies into particular kinds of corruption that are severely disruptive.*  
(Johnston 2010)

Note that this does not just entail protecting own funds against corruption, but also to ensure that anti-corruption reforms do not have destabilising effect on societies. This is not a call for doing nothing, but a reminder that anti-corruption reforms should be prioritised and sequenced. Unfortunately, the principle has been misinterpreted to focus on own fiduciary risks by many aid practitioners, which lead to the

paradox that aid agencies do wrong for the right reasons (Johnston and Johnsen 2014). The main point to stress is that the increased risk of corruption should be taken seriously, by investing more resources into corruption risk management. The tendency to ring-fence funds and avoid working with national partners is a wrong interpretation of what effective corruption risk management means.

Work on improving EU internal safeguards should not stop, as current systems are not corruption proof. Analysing public procurement spending in Central and Eastern Europe, Fazekas et al (2014, 88) find the following.

*Looking at the driving forces behind corruption risks in EU funding reveals that salient, easily controlled corruption risks are considerably lower, while risks of more subtle procedure characteristics and overall strength of competition considerably increase corruption risks in EU funded public procurement procedures. These findings highlight the importance of monitoring the whole project cycle from initiation to completion as well as the need for a wide indicator set for adequately measure (sic) corruption.*

However, for most developing countries, EU internal safeguards against corruption are not in need of a major overhaul. There is however a need for strategic direction on how national systems can be strengthened.

Regarding the EU's own fiduciary risks, EU institutions have well-developed routines for procurement and financial management in their own projects, but like other donors there is a need for better systems to oversee funds managed by other agents, such as other multilateral aid agencies and national governments. International and national NGOs often receive grants using EU's own grant mechanisms.

More could be done to ensure better due diligence and more proactive corruption risk management for third party implementing agents. The cost-benefit ratio of better corruption controls is bound to be high considering the low level of investment currently in strengthening of partners' anti-corruption systems, and the expected gain in terms of recovered funds and indirect benefits such as better service delivery. The current system has a heavy reliance on regularity audits, which are not designed to detect corruption. More use of spot checks, random specialised audits, whistle-blowing systems and fraud checklists (red flags) would lead to less corruption (Trivunovic, Johnsen and Mathisen 2011). Given the scarcity of data, it is impossible to provide a reliable estimate of the return of investment for such initiatives. The EU should more systematically test the cost-effectiveness of different measures to curb corruption (see Johnsen 2014 for possible approaches).

To prevent aid from contributing to corruption, the EU has to support the establishment of strong national systems for corruption control. This includes central and local government systems on audits, procurement, public financial management, but also social accountability measures to enable watchdogs (parliaments, law enforcement agencies) and citizens to check the state. The next chapter will analyse the EU's measures to strengthen such systems so this analysis will not be repeated here. The main point relevant for this chapter is that the EU has placed great importance to strengthening national institutions in candidate- and accession countries, less in neighbouring countries, and little in so-called third countries, which constitutes the majority of developing countries.

### 3.3 Corruption risks in connection with delegation - difficulties of maintaining procedures in delegated implementation

The EU has a good institutional set-up for countering fraud in own operations. The European Commission has well-designed guidelines for project cycle management, control and audits. The European Court of Auditors (ECA) and The European Anti-fraud Office (OLAF) are well-functioning oversight institutions. Out of 484 OLAF ongoing investigation cases at the end of 2013, 80 were related to external aid. In 2013 OLAF

recommended recovery of EUR 100 million from external aid projects in 2013, following their investigations. This is a significant part of the total sum of EUR 402 million across the EU budget (OLAF 2013, 20). Fraud can never be completely prevented. Nevertheless, there seems to be scope for cost-effective investments in anti-corruption initiatives that go beyond regularity audits and standard financial controls.

A key issue is how the EU can better deal with cooperation programmes where implementation is delegated to a third party. In most cases the EU has to work through other agents to spend its aid funds and implement its programmes. In recent years, a number of cases where implementing actors failed to follow EU standards have surfaced. The rules and procedures of third party actors designed to curb corruption can for instance fall severely short of EU standards.

The European Council of Auditors for instance noted significant shortcomings in public financial management in a direct financial support program provided to the Palestinian Authority (PA) by the European Commission and EEAS. It provided 1 billion euro funding from 2008 to 2012, with aims to provide financial assistance to cover costs such as civil employee salaries and social expenditure (European Court of Auditors 2013a). The ECA claimed that the EEAS and the Commission had not properly addressed the risks of corruption in PA public service delivery. The payroll system was for instance considered informal and thus prone to corruption. Consequently, the audit found indications that in Gaza a considerable number of civil servants were receiving salaries, partly funded by the program, because they were eligible by virtue of being on the PA payroll, but not going to work due to the political situation in Gaza.

In January 2015, the French news agency AFP published leaked documents surrounding an OLAF investigation in 2007, directed towards EU aid distributed to the Tindouf refugee camps in Algeria (The North Africa Post 2015). For years, a large part of the European Union's humanitarian assistance was diverted. The report accused both Algerian authorities and camp administrators of participation in the scheme. Overestimation of the number of refugees as well as embezzlement of food enabled the fraud, as the EU's financial support was dependent on old estimates of the number of camp inhabitants. These could however never be updated as Algeria and camp authorities refused to hold a census. The EU claims to have taken a series of measures to curb the embezzlement in Tindouf. According to the European Budget Commissioner, EU responded by strengthening control instruments used by the ECHO and its local partners, as well as promoting transparency in logistics. The European assistance was furthermore limited to goods with short-term expiry dates. EU did, however, not suspend its aid and continued to earmark € 10 million a year.

Another illustrative case is from Afghanistan. The EU approach in Afghanistan is to provide financial support through multi-donor trust funds, mainly the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF) and the UNDP-administered Law and Order Trust Fund for Afghanistan (LOTFA) (European Commission 2012e, 3). A LOTFA programme corruption case - involving payroll fraud (payments issued to ghost officers), procurement fraud (inflated contracts and collusion) and gross mismanagement by senior UNDP staff members - was not only embarrassing for donors, but undermined the whole anti-corruption agenda. During the course of the investigations, the EU withheld tens of millions of dollars in anticipated donations (Hodge 2013), showing political action. However, having no alternatives, the EU eventually resumed funding to LOTFA.

The three examples above show that corruption risks increase significantly if implementation of programmes is left to third party implementing agents without a clear plan for due diligence, monitoring and evaluation. Further examples are provided in the text box below from the Central Asian Republics, Egypt and the Democratic Republic of Congo.

The examples provided are a combination of cases where (a) existing procedures may have been sufficient, but not followed in practice, or (b) procedures were not adequate. A mismatch between the requirements of EU safeguards and the capacities of implementing organizations is a cause for both types of cases. Inadequate staffing and disbursement constraints (operating with a too high funds-to-staff ratio) can explain many cases of failed implementation ([Svensson 2005a](#)). Procedures may not be adequate when aid agencies have not invested in headquarter strategy and programming guidance, or do not have organizational structures and procedures that enable headquarter strategy to work at the country level (Johnsøn 2014). As shown below, there is little strategic guidance for staff on how to strengthen national integrity systems. The European Commission has taken some first steps for “Supporting Anti-Corruption Reform in Partner Countries: Concepts, Tools and Areas for Action” (Marquette et al. 2011). This is, however, a concept paper and does therefore not constitute operational guidance. See also section 3.1 on the lack of operational guidance for EU staff.

### **Cases – country examples**

#### *The Central Asian Republics*

In a report reviewing EU development assistance to the Central Asian republics in the period 2007–12, the ECA concluded that the Commission should have been more rigorous in managing its budget support programmes in Tajikistan and Kyrgyzstan and tied these to specific anti-corruption measures (European Court of Auditors 2013b). The Commission requires any country which receives budget support to put in place a relevant and credible programme to improve public financial management (PFM). In order to ensure that a sector budget support programme achieves its objectives, both in terms of sector development and PFM improvements, the Commission attaches conditions. Both Tajikistan and Kyrgyzstan had such programs. However, in other respects the Commission’s enforcement of PFM conditions was considered insufficiently rigorous. The Commission assessed that progress had been slow, but justified further disbursements mainly because it considered that the Kyrgyz government remained committed to further reforms. According to the ECA there was no clear evidence for this opinion, which was based on assessment of the partner countries’ commitment to reform rather than on the actual progress achieved. The Commission did on the other hand not attempt to tie its budget support programmes directly to specific anti-corruption measures, for example criminalisation of corruption, corruption prevention measures and strengthening public institutions’ accountability.

#### *Egypt*

Egypt is one of the main beneficiaries of assistance from the European Neighbourhood and Partnership Instrument (ENPI) which the EU uses to support its European Neighbourhood Policy (ENP). An EAC audit addressed the question of whether the European Commission and the EEAS managed effectively the EU support to improve governance (European Court of Auditors 2013c). For the period 2007–13 Egypt received approximately 1 billion euro channeled to human rights and democracy on the one hand, and public finance management and the fight against corruption on the other hand. Budget support is a key instrument used by the Commission for promoting PFM reform in partner countries. However, despite the fact that approximately 60 % of EU assistance is being channeled through budget support, the Commission did not require the Egyptian authorities to establish a plan for reform, or use budget support to directly address corruption although it is common practice in other countries. Similarly, the Commission only briefly addressed the subject of corruption in the relevant progress reports. The Commission and EEAS themselves blame the lack of results on resistance from the Egyptian side when addressing PFM and corruption within the ENP framework.

*Democratic Republic of Congo*

Another audit was provided by the Court to examine the effectiveness of EU support for improving governance in the DRC (European Court of Auditors 2013d). The Court concluded that the effectiveness of EU assistance for governance in the DRC was limited, and that fewer than half of programs delivered. Risks to aid effectiveness was not considered adequately addressed, programme objectives were overly ambitious, conditionality had a weak incentive effects and policy dialogue had not been exploited to its full potential or been properly coordinated. The Court recommended systematic considerations of the need to support the fight against fraud and corruption in all government, as well as strengthened focus on conditionality and policy dialogue.

### 3.4 Summary

The EU has robust project and financial management guidelines and effective oversight institutions to deal with corruption, mainly fraud, in its own systems. Corruption cases still occur, and often as a consequence of existing guidelines not being implemented adequately. Failure of implementation can be due to staffing overload, disbursement pressures, inadequate training or poor communication between headquarters and the country level, or simply inadequacy of implementing organisations to comply with EU guidelines. It is, however, our assessment that the weakest link in the chain is not in EU's procedures for controlling own fiduciary risk, but in its handling of situations where aid funds are implemented via third parties, such as national governments or non-governmental organisations.

From a developing country perspective, it matters little whether funds are stolen when they are handled by the EU, or another organisation. EU may naturally be concerned about its own reputational risk, but in terms of aid effectiveness it does not matter where the "leakage" occurs. This is why the focus needs to extend beyond own programming and strengthen systems of implementing agents and national oversight institutions, such as supreme audit institutions.

The EU, in particular the European Commission, needs better systems for reducing corruption risks when distributing development aid outside its own systems. The EU delegates implementation to third party actors in a large majority of cases yet has no strategy for how to reduce corruption risks in situations of delegated implementation. It is a natural tendency for most aid donors to focus on own fiduciary risks and corruption safeguards. However, this The EU's work on strengthening this broader system – called the national integrity system – needs to be given higher priority to prevent EU funds from contributing to corruption and undermine the very development objectives that the aid funds are meant to serve. The EU could and should do more to ensure that aid is not harmful to development. First, better operational guidance should be provided to staff to improve safeguards as well as programming. Second, as discussed next, the EU needs a strategy for how to build national systems for corruption prevention and control in developing countries.

## 4 Assessment of EU measures to stop illicit flows and prevent corruption

This chapter assesses the performance of existing and envisaged EU measures to stop illicit financial flows and to strengthen partner countries' public financial management capabilities and their ability to fight corruption. Attention is paid to both technical and political interventions. Budget support and the use of conditionality are also addressed. The chapter in particular aims to influence the new EU multiannual programming period (2014-2020), but should also be read more generally within the context of current global development debates regarding development financing, the effectiveness of

development cooperation and the growing emphasis on good governance and concern with the impact of corruption.

The debate on a post-2015 agenda for development aid carries interesting perspectives on corruption. A synthesis report by the UN Secretary General recently charted out possible focus areas for the development framework that will follow the expiration of the Millennium Development Goals. The report identifies corruption as a major challenge, seeing it as a part of a larger framework of development financing, in addition to rule of law and good governance. The report for instance states that *'the public sector can raise significantly more revenues by reforming tax systems, fighting tax evasion, correcting inequities, and combating corruption.'* (United Nations 2014, 9). It also calls for improved implementation of the UN Convention against Corruption in order to effectively address illicit financial flows (United Nations 2014, 32).

In a communication addressing the new development agenda, the European Commission seems to support a development finance narrative on anti-corruption. The communication notes that national governments themselves have the primary responsibility to mobilise and use public resources efficiently. This, in turn, requires reinforcement of sound PFM policies, curbing fraud, and preventing tax evasion. Good governance in partner countries requires transparency and capacity for monitoring of public expenditures (European Commission 2015b). This conclusion is in accordance with our recommendations below on strengthening capabilities for corruption prevention of implementing partners. A recent EU Council report states that the EU and its member states are committed to an ambitious, transformative and inclusive post- 2015 agenda, although the EU is still developing its position. The report furthermore encourages the EEAS and the Commission to focus more, in future annual reports, on the prevention and fight against corruption (Council of the European Union 2014b)

#### 4.1 The evolving nature of EU measures – increasing depth in policy responses but still with an inwards focus

The EU's anti-corruption strategy was developed primarily for the EU accession process, to harmonise criminal law and strengthen judicial and police cooperation. Anti-corruption work in developing countries, were and are still peripheral to its core anti-corruption focus on accession- and neighbouring countries. (Szarek-Mason 2010, 43). The EU's current lack of a strategic approach to corruption control in developing countries can only be explained if one understands the broader anti-corruption drive of the Union over time.

Article 29 of the Treaty on European Union, the Maastricht Treaty from 1992, highlights the objective of creating and safeguarding a European area of freedom, security and justice through closer judicial, policy and customs cooperation and, if appropriate, harmonisation of criminal law. This expanded the original rationale for the EU, which focused on the creation of a single internal market, and provided a place for the anti-corruption agenda. However, it was not obvious that there was a legal basis for engaging in anti-corruption beyond a narrow focus on safeguarding EC budget funds. This legal mandate evolved as a need to address the pressing problem of corruption within EU institutions, exemplified by the Santer Commission scandal in 1999, and to harmonise criminal law within member states. (Szarek-Mason 2010)

In short, the EU's early focus was introvert, concerned with fiduciary risks to its own budget. However, in the mid-1990s, the European Parliament called on the European Commission and the European Council to take action against corruption, beyond a focus on the EU's own financial interests (European Parliament 1996). In 1997, as part of its Action Plan to combat organised crime, the European Council in article 13 called for a comprehensive anti-corruption policy for the EU, one that went beyond protection of the EU's finances and included policies on external assistance and development cooperation (European Council 1997). The driver for advocating this more comprehensive approach was the larger

accession and membership debate. In the 1990s the EU realised that potential candidate countries from Eastern Europe and the Balkans were plagued by systemic corruption. Anti-corruption work came to be seen as essential for a functioning enlargement of the Union.

#### 4.1.1 The European Commission's first Communications – influential for accession countries but not developing countries

To respond to the concerns from EU institutions, the European Commission therefore produced a Communication on a Union Policy against Corruption (1997 Communication). This early focus on anti-corruption in development cooperation was a cautious one. It is made clear that anti-corruption *'requires a balanced approach'*: any conditionality had to take into account other factors so that the development strategy could be *'coherent'* (European Commission 1997). For example, the concern was raised that anti-corruption measures could undermine competitive advantage in international trade (European Commission 1997). The 1997 Communication also expressed intent to establish a separate, coherent anti-corruption strategy for its development cooperation work. (European Commission 1997) This has, however, never happened. As shown below, subsequent organisational policies and strategies have focused on the needs of accession-, candidate- or member countries.

The aspirations of the 1997 Communication were expressed with more detail as well as ambition in the European Commission's second Communication on anti-corruption in 2003, called *'On a comprehensive EU policy against corruption'* (2003 Communication). The European Commission sought a policy to reduce corruption *'at all levels in a coherent way within the EU institutions, in EU Member States and outside the EU.'* (European Commission 2003a) This was at the height of the Enlargement process.

The 2003 Communication lists *'Ten Principles for Improving the Fight against Corruption in Acceding, Candidate and other Third Countries.'* In short, the European Commission presents an ambitious agenda in its 2003 Communication. However, it also clearly demarcates its own role vis-à-vis other international actors, in particular the UN, the OECD and the CoE. The European Commission should only itself develop initiatives that are not already substantially covered by other organisations (European Commission 2003a).

#### 4.1.2 The lessons from the Enlargement process – what relevance for developing countries?

The EU enlargement process that culminated in 2004 with the accession of Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, and later in 2007 also included Romania and Bulgaria, was significant and historical in many ways. In the area of anti-corruption it constituted a unique experiment of external pressure for anti-corruption reforms. It was unique because the *'substantial benefits combined with the enormous requirements of membership have afforded the EU unprecedented leverage on the domestic policies of candidate countries'* in a way that that most other development agencies could never realistically achieve (Vachudova 2005, 187). The approach to anti-corruption in relation to the EU enlargement process was also unique in that it prioritised actions against grand and political patterns of corruption (Mungiu-Pippidi 2008, 20). This leverage is reduced in most developing countries. However, the EU is still a large provider of aid, and has the potential to work politically and combine the development agenda with its trade and security agendas. This potential has however so far been largely unfulfilled.

In 2002, Romano Prodi, then President of the European Commission, described the levels of corruption in the Central and Eastern European (CEE) countries as an *'extremely serious'* problem that had to be addressed before accession (Prodi 2002). The progress of candidate countries were therefore monitored via the European Commission's Regular Reports and Accession Partnerships and, on top of these bureaucratic means, high-level political pressure was applied. Similar mechanisms do not exist for

developing countries. In fact, as shown below, EU country strategies have very little reference to corruption or anti-corruption.

Generally, the criteria that the candidate countries had to fulfil were the *acquis*, the common legislative framework. However, the formal *acquis* relating to corruption control, under the Justice and Home Affairs (JHA) category, were narrowly focussed on criminalisation of bribery. The Commission took an unprecedented decision to expand the *acquis* under the JHA. In doing so, it came to rely on the CoE and the OECD SIGMA (Support for Improvement in Governance and Management) unit, as monitors and providers of technical assistance. (Szarek-Mason 2010) This worked well for the purposes of the Enlargement process, but also meant that the Commission hasn't built up the necessary capabilities internally to work on anti-corruption activities in developing countries where the CoE and OECD are not present.

### **The use of twinning to strengthen national administrations**

The EU made use of twinning and short-term, flexible technical assistance instruments such as SIGMA from an early stage. Twinning projects began in 1998 as a way for the EU to help candidate countries live up to the *acquis*. Twinning has since developed into a standardised modality, now also provided to non-candidate countries. The twinning process centres on the secondment of a full-time expert from an EU member state who works within the administration of the beneficiary country for a longer period of time, typically more than a year. (European Commission 2012f) Twinning was a favoured instrument in the JHA area. Between 1997 and 2006, 367 twinning projects were conducted under JHA, out of a total of 1674 twinning projects, the highest number of any sector. More than 230 twinning projects were in the pipeline in 2012, several of which designed to support anti-corruption efforts. (European Commission 2006e; Martini 2012a, 4) However, twinning is rarely used by the EU in geographically remote areas.

SIGMA initially focussed on public procurement (European Commission 1997, 13). Later, SIGMA's significance grew to define much of what characterises good European governance and public administration (OECD 1999, 5). In 2006, a new instrument called TAIEX (Technical Assistance and Information Exchange) became operational. TAIEX focuses on short-term, flexible technical assistance. (European Commission 2013b; European Council 2006a). Twinning, TAIEX and SIGMA focusing more in individual mentoring and flexible technical assistance rather than large programmes of capacity building typically found in most developing countries. The 'Joint Evaluation of Support to Anti-Corruption Efforts 2002-2009,' reviewing anti-corruption programmes of six donors in six countries, found twinning to be a useful approach that should be considered good practice (Norad 2011, xvii, 49, 53). Nevertheless, twinning is rare in development cooperation, perhaps because it requires a lot of administration compared to the financial resources that are disbursed.

Even with the sense of urgency and substantial resources present for the Enlargement process, there were problems in achieving results, which should be addressed in any future strategy for developing countries. The final evaluation of the PHARE programme found that '*programming was undertaken without a real strategic vision, based on ad hoc perceptions of immediate needs*' and generally found the programming to be narrow in scope and reactive (European Commission 2006a). Szarek-Mason's (2010) final assessment of EU efforts to translate its strategy into practice is equally harsh:

*The EU policy was characterised by fragmentation and the lack of a strategic vision on how to fight corruption within the candidate countries. Although the Regular Reports delivered a comprehensive set of anti-corruption standards, the EU failed to apply them consistently.*

The 2011 Communication (discussed next) emphasises that the EU enlargement process functioned as a key driver for major anti-corruption reforms in the pre-accession and candidate countries, but also that ‘at the time of accession it was still very difficult to demonstrate a track record of implementation and the irreversibility of anti-corruption reforms.’ (European Commission 2011b, 15) In short, the work was far from done and had to continue even after accession. The lack of strategic guidance, combined with a lack of a lead organisational centre for the area, led to poor prioritisation and sequencing of activities. (European Commission 2006a).

#### 4.1.3 The 2011 Communication – developing countries on the side-lines

A political mandate to develop a comprehensive EU anti-corruption policy package was provided to the European Commission as part of the Stockholm Program.<sup>8</sup> The Commission’s anti-corruption package of June 2011 consists of:

- The Communication on Fighting Corruption in the EU (2011 Communication)
- The EU Anti-Corruption Report, a reporting framework on the efforts to combat corruption in the 27 EU member states
- A definition of steps towards the EU’s accession to GRECO (CoE Group of States against Corruption)
- Implementation report on the European Council Framework Decision on Corruption in the Private Sector. (European Commission 2011d)

The 2011 Communication is the only part of the package of real relevance for the European Commission’s development policy. As suggested by the title, the Communication centres on fighting corruption in, not outside, the EU. Most of the document focuses on the EU Anti-Corruption Report, a new tool for the European Commission to monitor anti-corruption efforts within EU member states. Development policy is mentioned briefly at the very end of the document. In short,

*the Commission will put a stronger focus on anti-corruption issues within the EU enlargement process and – together with the High Representative – in our neighbourhood policy, as well as make greater use of conditionality in cooperation and development policies* (European Commission 2011a).

The EU enlargement process is most important, then comes neighbouring countries. Conditionality is central to the approach, but as discussed below this concept needs better operationalization to be effective. An indication of the current introvert policy focus of the European Commission is that the EU’s new anti-corruption package was developed by Directorate General (DG) HOME, and championed by Cecilia Malmström, European Commissioner for Home Affairs, not her colleagues from DG DevCo or DG Enlargement (European Commission 2011b).

#### 4.1.4 The neighbours and the rest – the EU’s differentiated approach to corruption control

This section analyses the difference in the EU’s strategic approach to anti-corruption between countries that are neighbouring the EU and those that are not. The policy toward neighbouring countries is presented in the European Neighbourhood Policy (ENP) from 2004, revised in 2011. The ENP is highlighted in the 2011 Communication as an area where anti-corruption will be a more important feature of the support package to countries. The ENP aims at strengthening the prosperity, stability, and security of EU’s periphery. The relevant periphery is defined as the sixteen countries to the East and South

<sup>8</sup> The Stockholm Program established objectives for the EU in the JHA area for the period 2010-2015

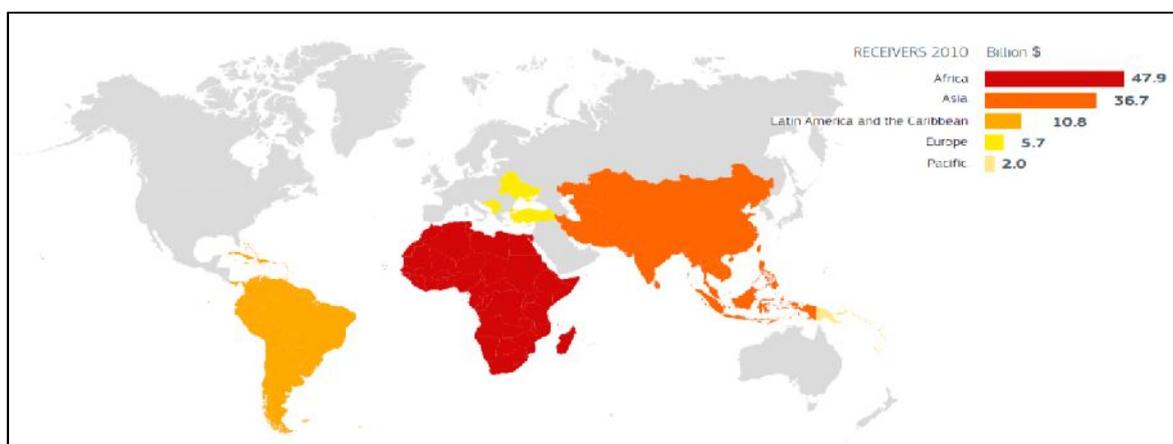
of the EU.<sup>9</sup> The revised ENP approach from 2011 emphasises support to building ‘*deep democracy*,’ which includes a non-corrupt civil service, as well as civil and human rights and the rule of law (European Commission 2011c).

In 2007, the European Neighbourhood and Partnership Instrument (ENPI) was established as a programmatic response to the European Commission’s differentiated strategy (European Parliament and European Council 2006). ENPI’s overall budget is almost €12 billion for the period 2007-2013, an increase of 32 per cent, in real terms compared with the amount available over the period 2000-2006 for its predecessor programmes MEDA and TACIS.<sup>10</sup> (European Commission 2012b) The ENP countries also have the benefit of using the same twinning programming modality and the SIGMA programme as the CEE and Western Balkan countries (Wichmann 2007).

In 2014, the ENPI was replaced by the European Neighbourhood Instrument (ENI) which explicitly adopts a stronger differentiation strategy for ENP countries, following the ‘*more for more*’ principle (good democracy and rule of law reformers are rewarded) and also reduce the complexity and length of the programming process so assistance can be delivered faster and with more flexibility (European Commission 2011d). In a review of past ENPI funding, Wichmann (2007) finds that justice projects feature prominently in the democracy and governance component in all ENP countries and that projects emphasise support to law enforcement authorities, particularly for exchange and networking purposes.

Whereas the ENP is a coherent policy, the EU’s orientation towards non-neighbouring, developing countries has traditionally been a policy patchwork (Holland 2003). Based on colonial ties, the main grouping of countries of interest for the EU has traditionally been those from Africa, the Caribbean and the Pacific (ACP). The main policy framework for EU’s relations with the ACP countries is the Cotonou Agreement from 2000, a policy framework that links politics, trade and aid for the 79 ACP countries (European Commission 2012a). While African countries continue to receive the largest share of EU development assistance, almost US\$50 billion over ten years, Asia is now the second largest regional group, receiving close to US\$37 million over ten years.

**Figure 1 - Recipients of EU Overseas Development Assistance the past 10 years**



Source: European Commission (2012d)

<sup>9</sup> The European Neighbourhood includes Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, the Occupied Palestinian Territories, Syria, Tunisia and Ukraine European Commission (2011c), *A new response to a changing neighbourhood: A review of European Neighbourhood Policy*, COM(2011) 303, 25/5/2011, Brussels.

<sup>10</sup> ENPI replaced the TACIS (Technical Assistance to the Commonwealth of Independent States) and MEDA (financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean partnership) programmes European Commission (2012b), *European neighbourhood and partnership instrument*, Retrieved December, 2012, from <http://ec.europa.eu/europeaid/where/neighbourhood/overview/>.

The Cotonou Agreement itself makes little reference to corruption as a strategic priority of the EU, but corruption figures as part of an overall focus on good governance and the rule of law. Article 33(2) states that serious corruption cases can lead the European Commission to call for consultations, and ultimately result in the suspension of aid. This is a strong signal in terms of zero-tolerance of corruption, but the Cotonou Agreement provides little strategic guidance in regards to building country systems to prevent and control corruption.

Where the Cotonou Agreement has limited emphasis on strengthening country systems for corruption control, the European Consensus on Development is particularly vocal on this issue. This document from 2005 aimed to make the European Commission's development cooperation policy less of a patchwork and provide general strategic guidance. As a starting point the *'Community will promote democracy, human rights, good governance and respect for international law, with special attention given to transparency and anti-corruption.'* (European Council 2006a) Political dialogue, including on the fight against corruption, is necessary to further such development objectives (European Council 2006a).

This emphasis on the importance of anti-corruption is further enhanced in the Agenda for Change (European Commission 2011e). Good governance, the rule of law, and accountable institutions are seen as pivotal to sustainable development. 'Corruption' is highlighted as one of eight action points under the broader priority of 'human rights, democracy and good governance.' but also penetrates other priorities. For example, public sector management should 'include the setting up and reinforcement of audit, control and anti-fraud bodies and measures' and natural resource management and tax systems should be transparent and fair. (European Commission 2011e, 6) The vision for the Agenda for Action is aligned with the core recommendations of the this report to strengthen the anti-corruption efforts of EU programming. What the ENP has which the Agenda for Action currently lacks is an approach that goes beyond general policy statements and actively directs programming and country strategies.

## 4.2 Lack of policy coherence and coordination as an obstacle for anti-corruption measures

Within the EU there are many actors working on curbing corruption, but the wealth of this experience is rarely used to assist developing countries build up strong national integrity systems. For the EU one can distinguish between anti-corruption efforts (a) within the EU institutions, (b) in the EU member states, (c) in candidate and accession countries, (d) in neighbouring countries, and (e) in other countries outside the EU. OLAF is an important actor for the first two categories, and the DG for Home Affairs is responsible for anti-corruption policy in member states. For the purpose of this study, the last three categories are most relevant. The last two categories are where the international development assistance lies. An important split is between pre-accession financial aid, managed by the DG for Enlargement, and so-called external cooperation programmes for non-candidate countries, including neighbouring countries, managed by DG DevCo.

Although anti-corruption policy exists across the above organisational sub-units its application differs according to (a) the funding instrument, (b) the responsible DG, and (c) the country categories outlined above. As explained in the 2003 Communication: *'[T]he boundaries for an EU anti-corruption policy will differ depending on the subject,'* corruption can be addressed in a *'narrower criminal law sense'* as for example according to the EU acquis, or be understood in a broader sense and *'embrace concepts such as integrity, transparency, accountability and good governance.'* (European Commission 2003a) Candidate

countries have to answer to an elaborate legislative framework, the EU *acquis communautaire*<sup>11</sup>, as well as special monitoring and evaluation mechanisms, through GRECO and the OECD Working Group on Bribery, whereas neighbourhood countries operate within a looser framework and with fewer expectations on performance. Anti-corruption in so-called third countries is addressed in the broadest possible sense.

This basic divide between internal and external anti-corruption policies and programming is further emphasised in the 2011 Communication. In short, the issue is that the EU's current policy focus is on the member states and driven by DG Home Affairs, but the lessons learned rest with DG Enlargement, so anti-corruption issues in development policy in general is fairly marginalised within DG DevCo. In fact, in 2013 DG DevCo only has two people tasked with supporting and coordinating anti-corruption issues in development cooperation at headquarter level, and a staff member stressed that the European Commission is *'an organisation of generalists rather than specialists.'* DG Home Affairs reported to have three full-time staff members working on anti-corruption policy. Many people in the Commission are of course working indirectly on issues related to corruption, such as PFM, taxation, etc., but the lack of a well-resourced anti-corruption focal point is clear (Johnsøn 2014).

The European Commission delegates much programming to other organisations such as the CoE and the OECD, but also independently designs and implements direct anti-corruption interventions such as support to anti-corruption agencies, or grants to CSOs for specific anti-corruption purposes. DG DevCo has in particular seen the CoE as an effective implementation vehicle and initiated many joint programmes (European Commission 2012c). The reliance on the CoE and OECD can be a disadvantage in developing countries where these organisations do not work.

A further dimension to the organisational set-up comes when the security and foreign policy agenda is considered. The EEAS has a unit on development policy coordination and DevCo has a small fragility unit, so responsibilities for development and security policy overlap (Furness and Gänzle 2012). This is not conducive for policy coherence between the anti-corruption and security agendas. As shown above, the policy area of security and conflict has become increasingly important in the EU, but observers note that *'the gap between policy and practice means this framework has little impact on the ground.'* (Castillejo 2011) Although this may be a premature overall judgement, Castillejo (2011) identifies an interesting organisational blockage:

*Some EEAS staff suggest that the leadership does not appreciate the value of practical guidance for policy implementation. This implies a failure to understand that the multiple European actors in fragile contexts have different agendas and practices and therefore require clear guidance in order to jointly implement European policy.*

Other organisational blockages identified are risk aversion and burdensome bureaucratic reporting requirements, which contradict the aim of flexible and fast decision-making and programming (Castillejo 2011).

As observed in other fields, the EU will have to develop a better 'whole of government' approach with clear and direct political responsibilities and organisational structures (European Think Tanks Group 2014, xxii). The anti-corruption agenda is currently fragmented between different EU institutions, and anti-corruption focal points for developing countries are marginally staffed and resourced (Johnsøn 2014).

<sup>11</sup> Particularly chapter 24, cooperation in the area of Justice and Home Affairs

## 4.2.1 Weaknesses in translating strategy into practice

A comprehensive evaluation of the EU's support in the area of good governance concludes that the EU generally has problems addressing governance in its programming. One of five main conclusions of the official evaluation report clearly states: 'Major gaps still exist between centrally defined policy frameworks and actual implementation practices in the field.' (European Commission 2006a, 1) Such general strategy-practice disjunctures for governance programming are likely to spill over to anti-corruption programming. An evaluation of the European Commission's IPA programme for the Western Balkans in the areas of rule of law, judicial reform and fight against organised crime and corruption finds that EU funding has supported important improvements in the institutional frameworks for fighting corruption: better laws, establishment of anti-corruption agencies and strategies, action plans for information and prevention activities, addressing conflict of interest issues in the public administration. The big challenge across the region is genuine implementation and results (European Commission 2013c, 44).

Besides implementation challenges, the evaluation notes a discrepancy between the strategic importance attached to rule of law and anti-corruption issues and the actual level of funding provided. The trend is, however, toward increasing, earmarked financial allocations for the fight against corruption and organised crime. (European Commission 2013c, vi) It is noteworthy that the European Commission did not only commission an evaluation of its anti-corruption activities, as these are exceedingly rare, but opted for a thematic evaluation, exploring the interlinkages between reform processes in the above areas.

An evaluation of the collaboration between the European Commission and the CoE in general finds 'strong evidence of weaknesses relating to implementation' of these programmes, due to weak field presence, ad hoc approaches to programming and programme design, and insufficient institutional capacity (European Commission 2012d, 82). Specifically for anti-corruption, the evaluation states that the joint programmes have contributed to greater compliance with conventions and stronger institutional capacity, but acknowledges that the overall picture is mixed and that the assessment is based on a weak data foundation (European Commission 2012d, 52-58).

### Case – EU in Afghanistan

The EU's strategy on anti-corruption in Afghanistan flows from its overall organisational strategy, with an emphasis on stability, the rule of law, law enforcement, and the role of civil society. It uses conditionality and political pressure as tools to promote this strategy. The EC's 2007 Country Strategy Paper (CSP), covering the period 2007-2013, furthermore identifies three focal sectors in Afghanistan: (a) rural development; (b) governance; and (c) health.

In the governance sector, the CSP *"aims to contribute to addressing the fundamental challenges facing Afghanistan in dealing with the narcotics economy and in establishing a proper functioning rule of law"* at the sub-national level (European Commission 2007, 3). The EC's analysis of the corruption situation in Afghanistan also explicitly identifies the risk of state capture of government structures by narco-interests. In such a situation, resources should be put into civil society and local level structures rather than the central level (European Commission 2007, 7).

The EU Foreign Ministers endorsed the action plan for "Strengthening EU Action in Afghanistan and Pakistan" (EU Action Plan) in 2009. The plan is interesting because it takes a regional perspective, and because it aims to pursue a comprehensive approach, aligning the assistance from the EC, the Common Foreign and Security Policy (CFSP), and individual EU member states (Council of the European Union 2009; European Commission 2010, 11). It also explicitly refers to anti-corruption as a key area under the overall rule of law umbrella, and commits to *"supporting the Government of Afghanistan to improve legal and institutional frameworks"* and *"supporting civil society and media*

*endeavours in anti-corruption advocacy.”* (Council of the European Union 2009)

Finally, the EU's strategic emphasis on the use of conditionality and political pressure is put into practice in Afghanistan, at least to some extent. For example, in 2012, the EU Special Representative in Afghanistan postponed US\$25 million of funds to the Afghan justice sector, citing the Government's failure to reform the judiciary (Y. Trofimov and N. Hodge 2012). After corruption in the administered Law and Order Trust Fund for Afghanistan (LOTFA) the EU withheld tens of millions of dollars in anticipated donations (Hodge 2013). However, having no alternatives, the EU eventually resumed funding to LOTFA.

The EC has matched its strategic focus on governance and rule of law with a substantial amount of financial resources. From 2002 to end-2011, the EC disbursed more than €2 billion (European Commission 2012h, 2). However, the EU has no real programming on anti-corruption, besides funding of civil society actors. Moreover, no contact had been made between country level staff and the anti-corruption focal person in Brussels. In fact, some country-level staff members do not acknowledge the relevance of anti-corruption measures for security, beyond the safeguarding of own funds (Johnsøn 2014).

The preferred approach of the EU is to provide financial support through multi-donor trust funds, mainly the WB-administered ARTF and the UNDP-administered Law and Order Trust Fund for Afghanistan (LOTFA) (European Commission 2012). For example, the EU supports the National Justice Programme via Afghanistan Reconstruction Trust Fund, and the Afghan National Police (ANP) via LOTFA. Nevertheless, it has no substantial technical assistance programme with the Ministry of Interior, so marginal efforts are being done to build the national systems that in the near future will have to administer the vast amounts of aid funds for the national police system.

The EU's multi-annual indicative programme 2014-2020 for Afghanistan continues to have a strong emphasis on accountability and corruption control, supporting both a strong PFM system and parliamentary, media and civil society scrutiny. Funds will continue to be delivered mainly via multi-donor trust funds, and the indicative programme outlines no concrete plans for how to safeguard EU funds and build up national systems for corruption control in for example the national police sector (EEAS and European Commission 2014b).

#### 4.2.2 The EU's marginal role in the development aid agenda on corruption control, and limited coordination role for member states

In the European Union, many initiatives have been taken to improve coordination in development cooperation following the 1992 Maastricht Treaty, which set out the Union's development objectives. Actual progress however remained small, while the Union's development assistance portfolio expanded during the following years (ActionAid and ECDPM 2009). The last decade has, however, seen a renewed momentum.

At the global arena, the EU and member states have together pushed the agenda on tax evasion and illicit financial flows. In development aid policy circles, the EU is almost absent as an actor engaging on anti-corruption issues. Individual member states play an important role, such as the UK Department for International Development and Germany's GIZ. These often coordinate in other fora, such as the OECD DAC Anti-Corruption Task Team (ACTT).

The EU Anti-Corruption Report 2014 has been a welcome initiative, which has provided the European Commission with a coordination role for member countries (European Commission 2014a). It is premature to conclude on the results of this exercise, and the Commission's plans for future reports are not yet fully articulated. The report received criticism from civil society for its overly diplomatic language,

but is not considered toothless. As mentioned above, the EU Anti-Corruption Report was part of the 2011 Communication, and has no references to development cooperation. (European Commission 2011a)

Some policy initiatives have been launched. The 2007 Code of Conduct on Division of Labour in Development Policy is intended enhance complementarity and the division of labour amongst all EU donors, and builds on the principles contained in the Paris Declaration (European Commission 2007a). The code of conduct explicitly defines corruption as a reason to strengthen coordination. According to the argument donors concentrating on the same countries and the same sectors reduces transparency and increases the risk of corruption. It furthermore calls on all Member States and the Commission to each find their comparative advantages in development cooperation. Consistent with earlier EU decisions and international declarations, the Code also underlines that the leadership should be taken by the partner country.

According to a report issued by ActionAid and the European Centre for Development Policy Management (ActionAid and ECDPM 2009), the European Commission has however made efforts to facilitate the implementation of the Code of Conduct. It for instance worked with France on a 'compendium of good practices on division of labour' as an effort to promote French compliance. DG Development has also launched a proposal and set of working papers around the central of 'Speeding up progress towards the Millennium Development Goals', with significant attention directed towards division of labour. The Fast Track Initiative was later initiated by the EU Commissioner for Development Aid to speed up the implementation of the Code of Conduct. Progress is, however, considered hard to monitor due to the ambiguity of the commitments. The report also called for the EU to further specify and put into action its mandate for coordination in development at both the country level and for the European Commission to improve cooperation.

The EU has also moved to implement the recommendations of the Third and Fourth High Level Forum on Aid Effectiveness. The Global Partnership for Effective Development Co-operation was established as a direct result of the Busan Partnership agreement (Council of the European Union 2014a), while the Accra Agreement was designed to strengthen and deepen implementation of the Paris Declaration (OECD 2015). Both have been supported and promoted by the EU. All this matters for anti-corruption strategy and programming, but no direct efforts to promote coordination on anti-corruption issues among member states have been found.

In '*Exporting Corruption - Progress Report 2014: Assessing Enforcement of the OECD Convention on Combating Foreign Bribery*,' the OECD states that only 11 countries in the EU (ranging from limited to active enforcements) enforce the OECD Anti-bribery convention on corruption in international business. The ranking of EU countries has on average however been steadily improving. This is an example that EU member states are not highly coordinated on anti-corruption issues. The picture is even bleaker when it comes to development aid.

### 4.3 EU performance on illicit flows, PFM, and civil society support - and the challenges of budget support and conditionality in developing countries

This sub-section provides assessments of three specific, individual areas of work; illicit financial flows, PFM, and civil society support. It also discusses how budget support needs a pro-active anti-corruption response, and how the use of conditionality and political pressure is not a straightforward exercise. First, however, a brief analysis is provided of EU's own aid transparency and its allocation of resources to activities relevant for corruption control.

### 4.3.1 Distribution of aid and aid transparency

Developing countries and their citizens face challenges in accessing information about aid flows and activities. Without information on donors' aid and spending commitments, they cannot know what is being spent where, by whom, and with what results. This could lead to misappropriation of funds and corruption. Of the four European Commission departments assessed in the Aid Transparency Index in 2014, three have made significant improvements in 2014 and are placed in the good category – Service for Foreign Policy Instruments (FPI) ranks 12th, DG DevCo ranks 13th and DG Enlargement ranks 15th, while ECHO ranks 16th overall, and is placed at the top of the fair category. Only in 2012 DG Enlargement was categorized as poor, placed at number 43. These scores thus reflect the continuing progress within the EC towards implementing its broader aid transparency commitments. (PWYP 2014a; 2014b).

In 2011, the EU adopted a transparency guarantee and the Commission started implementing the International Aid Transparency Initiative (IATI, which it joined in 2008) measures, which should increase transparency. The OECD in its peer review of European Union aid recommends EU institutions to be even more transparent in their engagements. Especially ECHO could benefit from greater transparency (OECD 2013).

The EU's adoption of Extractive Industries Transparency Initiative (EITI) recommendations have been made in response to various international developments. One of the key influences on the shaping of the proposals has been Section 1504 of the US Dodd Frank Act. Separately, the proposals are intended to be expressions of support by the European Commission for (EITI 2014). PWYP wants to see this EU directive on disclosure requirements for the extractive industry and loggers extended to all economic sectors (PWYP 2013).

The EU Aid Explorer provides a sectoral distribution of the EU institutions' aid spending.<sup>12</sup> EU's own classification system is far too general for in-depth analysis of sector trends. It uses an overall sector category of 'social infrastructures' that includes education, health, water, government and civil society, and other. There is a further breakdown of this category, but only down to the level of 'Government and Civil Society.' Anti-corruption projects are likely to fall under 'Government and Civil Society'. European Commission programming consists of a mix of regional and thematic funding instruments. A full overview of these various instruments is beyond the scope of this study. This structure makes it even more difficult to obtain an overview of the global programming and spending on anti-corruption activities. (European Commission 2012a, 218-20) The difficulty in obtaining information on such issues is confirmed in general by Marquette and Doig (2004).

The *EU Accountability Report 2013 on Review of progress by the EU and its Member States* reviewing progress in development financing states that:

*The Commission has allocated more than € 93 million on 69 projects dedicated to the fight against corruption in various regions since 2009. Moreover, the Commission is financing a number of Rule of Law and sectoral capacity building projects that address corruption indirectly.* (European Commission 2013a)

A total of EUR 3,4 billion was provided to 'government and civil society' activities just in 2013, so 93 million is not a substantial amount over five years, but probably comparable to other organizations such as the World Bank (Johnsøn 2014).

<sup>12</sup> See <https://tr-aid.jrc.ec.europa.eu/>

### 4.3.2 Illicit financial flows – good steps towards an effective multilateral response

The 'EU Accountability Report 2014 on Review of progress by the EU and its Member States - Financing for Development' provides benchmarks, some of which are interconnected with issues of illicit financial flows, towards fulfilling all commitments of the last decade in improving financing for development. It for instance evaluates EUs contributions to better country-by-country reporting by multi-national corporations, exchange of tax information, transfer pricing and asset recovery. The EU objectives are achieved or on track to be achieved. As remarked in the comments

*The two amended Accounting and Transparency Directives introduce new disclosure requirements for the extractive industry and loggers of primary forests (Country by Country Reporting). The EU and all MS [member states] are members of the Global Forum on Transparency and Exchange of Information for Tax Purposes; The EU and 13 MS provided support to developing countries in adopting and implementing guidelines on transfer pricing. Five MS provided support to the StAR [Stolen Asset Recovery] Initiative.*(European Commission 2014b, 8)

EU and its member states also encouraged participation of developing countries in international tax cooperation through different fora (European Commission 2014b, 8). The European Parliament has called on the Commission to propose common standards for tax treaties between EU member states and developing countries to avoid tax base erosion in the report on fight against tax fraud, tax evasion and tax havens (European Parliament 2013a).

The European Parliament resolution on 'Corruption in the public and private sectors: the impact on human rights in third countries' states that 'the EU can only become a credible and influential leader in the fight against corruption if it addresses the problems of organised crime, corruption and money laundering within its own borders in an adequate manner' and that

*strengthening the regulation of, and transparency as regards, company registries and registers of trusts in all EU Member States is a prerequisite for dealing with corruption, both in the EU and in third countries; believes that EU rules should impose an obligation to register all legal structures and their beneficial ownership data, and to publish this information online, electronically tagged and in a searchable format, so that it can be accessed without charge.* (European Parliament 2013b)

The Commission has also issued an invitation to EU member states to develop or update their plans or lists of priority actions in support of corporate social responsibility (CSR). So far, four member states have done so, and 22 have committed to publish their national action plans on business and human rights (European Commission 2014b, 10). The EU also established a goal of promoting the adoption, by European companies, of internationally agreed principles and standards on CSR, the UN principles on business and human rights and the OECD Guidelines for Multinational Enterprises. Work on this is assessed to be on track (European Commission 2014b, 10).

The EU is finalising negotiations for the 4th Anti-Money Laundering Directive. The European Parliament supported the creation of public registers of beneficial ownership in March 2014. Once the Directive has been agreed, EU Member States will have two years to adapt their national legislation with the new Anti-Money Laundering standards. This has been welcomed by Transparency International, an anti-corruption NGO:

*By outlawing secret company ownership and mandating public registries of the identities of the real, living people (beneficial owners) who ultimately own and control companies and other legal entities it will make it easier to track the origin of corrupt or illicit funds.* (Transparency International 2014)

DG Home Affairs is expected to produce proposals for the harmonisation of criminal sanctions for money laundering offences across EU member states. These are eagerly anticipated by anti-corruption

watchdogs, as they would be a key step to a stronger collective EU response against illicit financial flows (Transparency International 2013).

These initiatives could significantly improve the policy and legislative framework globally. However, if they are to benefit developing countries fully, they need to be accompanied by measures to improve the capabilities of tax and revenue authorities, and financial intelligence units, in developing countries. This has been proposed by the European Parliament but no comprehensive plans have yet emerged for such assistance.

### 4.3.3 Public financial management – a cornerstone of corruption control

Public financial management (PFM) is a broad category, which covers many different areas of policy. For instance, reforms aimed at tax administration, revenue services, audit institutions, and procurement authorities can all fall under the PFM sector. Even though the implementation of some of the PFM interventions referred to in sub-section 3.2 were found lacking, global evidence of the potential of PFM reform to reduce corruption remains solid. In an assessment of available literature on donor-initiated anti-corruption reform, Johnsen et al. (2012) finds strong evidence that budget management reforms and tools such as public expenditure tracking can contribute to curbing corruption.

This conclusion also resonates with evaluations of EU aid programmes. An evaluation of European Commission Aid delivered through NGOs for instance considers including NGOs in PFM issues beneficial, and regards development aid provided to three specific initiatives in Zambia, Uganda and Ethiopia as successful (Particip GmbH et al. 2008). A synthesis of geographical evaluations conducted on Commission aid from 1998 to 2006 furthermore finds PFM interventions to be generally effective, although weak program design can reduce the impact (DRN et al. 2008). An evaluation of the effect of Commission-supported PFM programmes on local governance furthermore found support to be most effective when comprehensive in scope, and addressing issues related to broader institutional aspects, processes of planning and budgeting as well as transparency in fund allocation (Particip GmbH 2012). PFM interventions should by themselves, however, not be seen as sufficient to curb corruption. According to Kolstad et al. (2008), even when governments support PFM reforms, they may be unsupportive of other serious measures against corruption.

In short, PFM reforms do not automatically reduce corruption. They need to be designed and implemented with this purpose in mind. The EU's work on public financial management has surprisingly little documentation for its effects on corruption levels. PFM should remain a cornerstone of EU efforts to support good governance and reduce corruption, but the EU should explore ways in which the anti-corruption results of PFM work can be maximized, for example by including citizens monitoring and promoting open budgets.

### 4.3.4 Civil society – a strategic desire to support but operational blockages

The EU has a strong emphasis on civil society in its governance work, as reflected for example in the European Consensus on Development (European Council 2006b, 14). The media, parliaments, professional associations, and dedicated anti-corruption NGOs are considered key actors for a strong national integrity system. This makes the current scarcity of documentation and evidence of the EU's strategic engagement with civil society on anti-corruption issues striking. The only available global thematic evaluation on the Commission's delivery through civil society organisation found for this report was from 2008, and has no references to 'corruption' or significant reflections on the EU's work on empowering civil society to promote accountability in developing countries. The report does note 'major gaps between EC policy commitments towards civil society and actual implementation practices' in general. (Particip et al. 2008, iv) Carbone (2008) considers civil society engagement to be a general problem for EU development policy. Despite considerable efforts to be genuinely engaging, the role

granted to civil society often does not go beyond simply consultation. He ascribes this marginalisation to the emphasis placed on national government ownership of reforms.

The EU appears to have become comparatively more engaged with civil society in the fight against corruption in recent years. Mechanisms for civil society funding, primarily through grants has been established through regional as well as thematic instruments, such as the 'Non State Actors and Local Authorities' and the 'European Instrument for Democracy and Human Rights' programmes, but support has also been given directly via for example support to Transparency International and its Advocacy and Legal Advice Centres (ALACs) in several countries. (European Commission 2011d, 42).

EU's work with civil society during the Enlargement process is better documented. Although formal strategies emphasised the importance of civil society, this had at times been difficult to translate into actual programming for the Commission

*There was no separate EU assistance that aimed at providing financial and technical support to NGOs active in the area of anti-corruption. It was only after the accession of the CEE countries that the EU launched a programme of grants for NGOs from post-2004 Member States. (Szarek-Mason 2010, 202)*

Mungiu-Pippidi (2008, 21) also comments that civil society actors rarely received any support from EU programmes, as programmes 'had no interest in state-civil society designs, but funded only state agencies.' This indicates strategy-practice disjunctures. An evaluation of the European Commission's cooperation with the CoE points to the 'notable lack of NGO involvement in EU-CoE activities,' which is assessed to have had negative effects on relevance and impact of joint programmes (European Commission 2012d, 84). An evaluation of the European Commission's rule of law and anti-corruption support in the Western Balkans also find civil society programming 'ad hoc and seemingly without a longer-term and broad-based strategic perspective.' (European Commission 2013c, x)

Anecdotal evidence suggests that EU delegations are viewed as strong supporters of civil society work to promote government accountability and curb corruption in general in developing countries. Many anti-corruption NGOs receive EU funding. However, there is a need for better documentation of EU measures, and results, in this area.

#### 4.3.5 Budget support and conditionality – the hardest challenges

The EU provides a substantial part of its aid budget as budget support to government financial systems. Such approaches are welcome, as they foster local ownership, but also raise issues when it comes to corruption. It is often assumed that budget support is more vulnerable to corruption than other types of aid as it can be affected by PFM weaknesses in partner countries. Risk mitigation strategies such as combining conditionality with mechanisms for monitoring risks or tracking of expenditures can however be adopted by donors (Chêne 2010).

Donors can also promote broad long term anti-corruption reform through providing incentives via conditionality. Even though there is a consensus that conditionality in itself is not sufficient to induce reform, donor pressure can yield results in cases of significant domestic political support for reform. Effective use furthermore requires a good institutional environment (Kolstad 2005).

As shown above, the 2011 Communication puts conditionality central to its anti-corruption approach. The emphasis on conditionality in development policy, as opposed to the greater level of technical assistance in candidate, pre-accession and neighbourhood countries, is based on the rationale that conditionality is a way to foster the political will that is necessary for outside support to have an effect (European Commission 2011a). There is, however, a significant difference between conditionality and political engagement. Conditionality without engagement has generally been seen to fail (Kolstad, Fritz and O'Neil 2008). There is furthermore reason to be sceptical about whether ex-ante conditionality can effectively promote reform, as donor's often find it in their interest to continue providing aid even when

partner countries do not implement promised reforms. In sub-section 3.2 we for instance detail cases of continued aid despite seeming lack of dedication towards anti-corruption reform.

Giving ex-post conditions and standards can remedy the commitment issue to a certain extent, but does not necessarily overcome it completely, as quality standards could be vulnerable to pressure. Incentive programmes is a relevant example in which the partner country receives funding on condition of achieving specific benchmarks. Incentive programmes targeting corruption reform can however be challenging to develop due to a lack of suitable corruption indicators (Nawaz 2011). Marquette and Rao (2012) recommends clarifying the objectives of the aid and the purpose of including benchmarks of corruption outcomes, before selecting indicators, as well as aligning both the broader programme and the specific benchmarks with national anti-corruption processes. Finally, donor conditionality is more effective in unison. A few cases, such as in Uganda, have been documented where donors have presented joint responses to corruption cases (de Vibe and Taxell 2014). The EU should take a greater lead in facilitating such collective action.

In 2010, the ECA stated that the Commission had 'not yet developed a sound risk management framework' for its general budget support programmes, and that 'insufficient attention has been given to the need to strengthen oversight bodies such as supreme audit institutions, parliaments and civil society...' Besides stronger ex ante fiduciary risk assessments, the report recommends greater use of public expenditure tracking surveys, public expenditure reviews, reports on corruption and other anti-corruption capacity building measures (ECA 2010, 7, 49, 51) In 2012, the Commission responded with a revamped policy to budget support and a comprehensive 175 pages set of guidelines. At the core of this new enhanced approach are the Governance and Development Contracts, the Sector Reform Contracts and State Building Contracts, allowing a better, differentiated response. There is only one paragraph on 'fraud and corruption' risks, which inter alia promises greater collaboration between OLAF and developing country administrations, but other aspects on budget oversight and transparency are comprehensive (European Commission 2012f, 50). It is generally premature to evaluate the effects of this new approach. As noted above, the initial experiences with the State Building Contracts seem positive from an anti-corruption viewpoint. A 2013 DG DevCo pilot report provides an initial assessment of the Risk Management Frameworks used in the new policy. It is disappointing to see that corruption risks are only assessed using one indicator: the Worldwide Governance Indicators' Control of Corruption composite index. No indicators that measure actual fraud or experiences of corruption are used. (European Commission 2013b, 23) Measuring corruption at the country level is difficult, and no one indicator can currently capture this (Johnsøn and Mason 2013) The EU needs more sophistication in its corruption monitoring.

#### 4.4 Country level programming – an assessment of the extent of anti-corruption mainstreaming efforts

The chapters above have provided evidence of the performance of some of the EU's measures to curb corruption and stop illicit financial flows. However, the available evidence base is scarce. A way to assess EU measures at this stage of documentation is to review the content of the country strategy papers (CSPs) for mentioning of "corruption" or "anti-corruption," or associated concepts such as "accountability," "transparency," and "integrity." This should indicate whether the country team has planned to address corruption both at a technical level via programming and at a political level, via diplomatic dialogue. The table from Johnsøn (2014) below therefore works as a crude indicator of how the language of corruption and anti-corruption has been adopted at the country level within the EU delegation. It only captures the design part of implementation, not the actual execution. Nevertheless, it is a good proxy for whether EU strategy is followed in practice in EU country delegations. To provide a

comparison with other relevant organisations the same exercise was conducted for the World Bank and the UNDP. These are provided in annex 1.

The countries chosen for this review are all considered fragile or conflict-affected states. This category of countries pose special challenges for anti-corruption work, and all generally have high levels of corruption. The EU does not have a list of fragile states, so the World Bank definition was used. Country strategies can therefore be expected to deal with corruption issues and include reflections on anti-corruption initiatives.

**Table 1 - European Commission country strategies<sup>13</sup>**

Country	CSP type and year	“Corruption” / “Anti-corruption”	“Accountability” / “Transparency” / “Integrity”
Afghanistan	CSP 2007-13	1/1	2/1/1
Angola	CSP+NIP 2008-2013	1/3	5/4/0
Bosnia and Herzegovina	CSP 2002-06	20/3	1/4/0
Burundi	CSP+NIP 2008-13	3/2	0/0/0
Central African Republic	CSP+NIP 2008-13	3/0	0/3/0
Chad	CSP+NIP 2008-2013	2/0	0/1/0
Comoros	CSP+NIP 2008-13	5/1	0/0/0
D. R. Congo	CSP+NIP 2008-13	2/2	1/3/0
Rep. Congo	No CSP	-	-
Cote d'Ivoire	CSP+NIP 2008-13	4/0	0/3/0
Eritrea	CSP+NIP 2008-2013	0/0	3/0/0
Guinea-Bissau	No CSP	-	-
Haiti	CSP+NIP 2008-13	2/0	0/2/0
Iraq	No CSP	-	-
Kiribati	CSP+NIP 2008-13	0/0	0/0/0
Kosovo	No CSP	-	-
Liberia	CSP+NIP 2008-2013	7/5	6/4/0
Libya	No CSP	-	-
Madagascar	CSP+NIP 2008-2013	7/5	0/3/0
Malawi	CSP+NIP 2008-2013	10/13	16/10/1
Mali	CSP+NIP 2008-2013	4/0	0/1/0
Marshall Islands	CSP+NIP 2008-2013	7/1	5/3/0
Micronesia, FS	CSP+NIP 2008-2013	3/0	1/1/0
Myanmar	CSP 2007-2013	3/0	1/1/0
Nepal	CSP 2007-2013	2/4	5/3/0
Sierra Leone	CSP+NIP 2008-2013	27/18	37/11//0
Solomon Islands	CSP+NIP 2008-2013	5/0	2/2/0
Somalia	Joint Strategy Paper 2008-13	0/0	5/0/0
South Sudan	No CSP	-	-
Sudan	No CSP	-	-
Syria	No CSP	-	-
Timor-Leste	CSP+NIP 2008-2013	4/0	5/4/0
Togo	CSP+NIP 2008-2013	4/0	5/4/0
Tuvalu	CSP+NIP 2008-2013	1/0	1/1/0
Yemen	CSP 2007-2013	11/2	6/4/0
Zimbabwe	No CSP	-	-

Source: Johnson's (2014) compilation of EC country strategy documents

<sup>13</sup> This table is a tabulation of word counts done in EU country strategy papers for countries classified as fragile, see World Bank (2012f) for the list of fragile states. This list of fragile states is based on (a) a harmonised average Country Policy and Institutional Assessment (CPIA) country rating of 3.2 or less, or (b) the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years (World Bank 2012f). Only documents from 2008 and onwards have been included.

For a fair comparison, in cases where the National Indicative Programme (NIP) was included in the strategy this was not included in the analysis. Otherwise the documents would not be of a comparable length. This was not possible for Malawi so the 136 page document has inflated the count. References to anti-corruption were often to the work of other agencies or the government itself, such as in the case of Sierra Leone, which explains why this country is an outlier.

The analysis clearly shows that EU country strategies have not placed much emphasis on corruption or anti-corruption issues. This should, however, not come as a surprise considering the European Commission's lack of strategic focus on anti-corruption programming in third countries. If one compares the EU's numbers to those of UNDP (annex 1) they are at the same level. However, if one compares with the World Bank, who have had a substantial process of organisational strategizing and change management around its anti-corruption strategies, the EU efforts look bleak (World Bank 2012k, 39). Johnsen (2014) provides a full comparison of the anti-corruption strategies and programmes of the European Commission, the World Bank and UNDP.

## 4.5 Fighting corruption in fragile states

The EU was created as a response to the two world wars in Europe, so peace and prosperity are deeply embedded reference points for the Union. Its pursuit of stability was first centred on using the internal market as a way to facilitate the Franco-German rapprochement. Later, it focussed on the stability of its neighbouring countries.<sup>14</sup> Today, with the development of an EU common foreign policy, conflict transformation is a universal policy objective. The European Commission balances the development agenda with for example its trade, security and foreign policy agendas (Longo 2010). Yet, the EU still seems to have difficulties in successfully pursuing peace objective outside its immediate neighbourhood. (Diez and Cooley 2011)

The European Consensus on Development has a separate chapter entitled 'Addressing state fragility,' which asserts that the EU will improve its response to fragile states and '*support the prevention of state fragility through governance reforms, rule of law, anti-corruption measures and the building of viable state institutions.*' (European Council 2006a) Measures to curb corruption are seen as remedies to state fragility. However, anti-corruption dimensions are later brought down the pecking order when specific priorities are discussed:

*In difficult partnerships, fragile or failing states the Community's immediate priorities will be to deliver basic services and address needs, through collaboration with civil society and UN organisations. The long-term vision for Community engagement is to increase ownership and continue to build legitimate, effective and resilient state institutions and an active and organised civil society, in partnership with the country concerned* (European Council 2006a).

The Agenda for Change increases the focus on fragile states in development cooperation, and re-emphasises that addressing the development-security nexus is crucial for results. It is, however, silent on how corruption is to be dealt with in fragile states, beyond the use of conditionality. The Agenda stresses that the Action Plan on security, fragility and development should be finalised and implemented. (European Commission 2011e) Clear, operational guidelines on how to respond to corruption cases and work to prevent corruption in own and national systems should be part of this Action Plan.

<sup>14</sup> As witnessed by the titles of its initiatives both at the policy level, such as the Western Balkans Stabilisation and Association Process, and the programme level, for example the Community Assistance for Reconstruction Development and Stabilisation programme

The policy framework on the development side still has more emphasis on anti-corruption than the corresponding policies on the fragility side. The 2007 'Council Conclusions on an EU Response to Situations of Fragility' and the European Commission's 2007 Communication 'Towards an EU Response to Situations of Fragility' have no reference to corruption or anti-corruption, only broad references to democratic governance (European Council 2007; European Commission 2007b).

In 2011, the European Parliament called on the Commission to '*prioritise the fight against corruption in the context of its security agenda for the years to come, including as regards the human resources allocated to it.*' (European Parliament 2011) Whether this will translate into action is yet fully to be seen. The experience of the EU State Building Contracts appears positive. Many contracts have corruption indicators, and in the case of Mali in particular this instrument appears to have been useful in tackling corruption (Bernardi, Hart and Rabinowitz 2015) EU is also a supporter of the *New Deal for Engagement in Fragile States* (New Deal). While the New Deal has no specific reference to 'corruption' in the main Peace and Statebuilding goals, the common Peace- and Statebuilding Indicators that have been proposed under the New Deal process, do show a concern with corruption as a challenge to moving out of fragility.<sup>15</sup> (Zaum and Johnsen, forthcoming) However, given its broad nature, the New Deal cannot substitute for the lack of a coherent EU policy framework or action plan on anti-corruption in fragile states.

The EU has a unique position to take a so-called comprehensive approach to fragility, combining development, security and political perspectives. By virtue of its global policy influence, the EU can work on more fronts than traditional donors. In theory, this is an enviable position. Most scholars recognise that conventional development assistance is not the best fit for the needs of fragile states. A distinct, comprehensive approach is needed:

*The European Union has a comparative advantage in helping fragile states to develop because, unlike the aid agencies, its array of potential policies extends beyond financial assistance to include trade policy, security policy and governance. Further, the European Union has considerable experience in addressing the problems of fragile states during its own history of expansion* (Collier 2009).

However, ever since the European Security Strategy was launched in 2003, development practitioners have been sceptical about the dangers of an increasing securitisation of development policy (European Council 2003; Hout 2010). Again, geography matters. The security-development nexus is most prominent in the EU's approach to the ENP countries and Africa, in particular the Sahel region and the Horn of Africa (Furness and Gänzle 2012). Beyond the differentiated approach to neighbours and other countries, shown in section 4.5.1.3, the European Commission has even been said to apply different types of state-building strategies, depending on the importance attached to this process. Authoritarian state-building was the strategy for Bosnia and Herzegovina and Kosovo, attempting to foster institutional change by internationally created structures. Traditional capacity-building constitute the conventional development aid approach to promote democratisation and institution-building, as was used in for example Albania. Member-state building, applied only in EU candidate countries, is considered the most sophisticated and comprehensive strategy. (European Stability Initiative 2005) This account of the European Commission's differentiated strategic approach to state-building complements its differentiated approach to anti-corruption, and shows that geopolitics is the main independent variable.

Securitisation of development policy is bad, but policy coherence is laudable, and would potentially enable greater anti-corruption focus in the immediate post-conflict negotiations, for example greater

<sup>15</sup> Countries have so far been unable to agree on the final list of common indicators, and corruption concerns are more explicitly reflected in a draft list of possible indicators in 2012 (*Progress Report on Fragility Assessments and PSG Indicators*, 2012, 11-18) than in a revised list of 2013 (International Dialogue on Peacebuilding and Statebuilding, *Peacebuilding and Statebuilding Indicators – Progress, Interim List, and next steps*, Washington D.C., 19 April 2013, 7-17).

awareness of the importance of anti-corruption clauses in peace agreements. However, none of the European Commission's Communications on anti-corruption addresses the issue of fragile states or the link to the Union's security agenda. They underline the importance of curbing corruption for political and societal stability, but always centre on the specific cases of candidate or neighbouring countries. Interviews with officials from the anti-corruption and fragility units within the European Commission corroborate the analysis of policy documents: there is currently no policy coherence between the state-building and anti-corruption agendas (Johnsøn 2014).

Although policy is not yet aligned at the global level, there are encouraging regional and local initiatives. In 2011 the European External Action Services (EEAS) set up a strategy for security and development in the Sahel. The strategy explicitly identifies corruption as a hinder to the effectiveness in the fight against AQIM and the development of an effective security sector. As in for example Afghanistan (see case below), it thus links corruption explicitly to security policy. (European Union External Action Service 2011).

### **Case - The European Union and the Sahel**

EU launched a civilian CSDP mission EUCAP SAHEL in Niger in July 2012 with the objective to fight terrorism and organised crime. Over its initial two years mandate, the mission aims at among others strengthening the rule of law through the development of the criminal investigation capacities and adequate training programmes.

Under the 10th European Development Fund (2007-2013) alone, more than € 1.5 billion were allocated to these three Mauritania, Niger and Mali to mainly support good governance, rule of law, justice, decentralisation process as well as economic development (European Union External Action Service (2014)

A briefing note written by the European Centre for Development Policy Management recently reviewed this external engagement. The note regards the Sahel strategy as a forward looking document, aiming to address regional challenges by mixing security, development and governance approaches. The outcome the comprehensive approach taken is considered only partly successful. The authors note that long term development concerns such as improving governance in the region may have taken the backseat in the face of serious security threats, as countries such as Niger have become EU allies in the fight against Boko Haram and the Mali insurgency (Helly and Galeazzi 2015).

A 2014 report authored by the European Union Institute for Security Studies emphasizes why corruption issues should still be seen as an integral part of the regional conflict: '*Corruption directly impacts on the capacity of the state to provide security and support development for its population. The dire consequences that may result from such a situation were dramatically illustrated in Mali in 2012, when the Malian state forces proved powerless to protect the North against the Tuareg separatists and jihadist groups.*' (Leboeuf 2014). Another author notes that the only way to solve the conflict in the long run is to restore confidence in and the legitimacy of state institutions by fighting corruption in addition to improving economic conditions (Koepf 2014). These findings effectively highlight the danger for the EU in letting anticorruption measures become marginalized by a narrowed down focus on the very security threats they are supposed to mitigate.

## 4.6 Summary

This analysis finds a lack of strategic guidance on how to strengthen corruption controls in country systems, in particular countries that are not geopolitically central to the EU, which includes most developing countries. Not surprisingly, this translates into EU country strategies for some of the most corrupt countries having very little reference to “corruption” or “anti-corruption.”

The EU needs better policy coherence and ‘whole-of-government’ approach to effectively curb corruption in developing countries. For example, while the EU has unparalleled potential to make a positive impact in fragile states, there is a need to align policies around security and anti-corruption to have a holistic approach to anti-corruption in such contexts.

There are no evaluations conducted on EU’s anti-corruption efforts in developing countries. However, evaluations of its broader governance work, and an evaluation from the Western Balkans, find significant failures of implementation. Given the EU’s comparatively marginal investments in financial and human resources for anti-corruption in third countries, these problems are most likely aggravated in such contexts.

## 5 Conclusion and recommendations

This concluding chapter summarises the main findings of the report and provides concrete recommendations to the European Parliament on how to increase the impact of EU development cooperation in fighting corruption and illicit financial flows. Despite the increasing awareness that corruption hurts development, there are few reliable estimates on how much corruption undermines aid effectiveness. In our view, **aid could be spent more effectively if more was done to curb corruption in developing countries**. Given the considerable funds that the EU spends on development assistance, the high levels of corruption in many developing countries, and the minimal investments that the EU makes in corruption risk management in developing countries, the costs of corruption could be significantly reduced.

Corruption has corrosive effects on societies: investments are reduced, rent-seeking behaviour leads to inefficiencies, and the theft of state resources means fewer funds for service delivery. Non-economic consequences are as important as economic ones: trust between state and society is lost or fragmented; the social contract is broken and has to be renegotiated; elites compete for resources which lead to exclusive rather than inclusive political arrangements.

The funds lost to corruption and international financial flows are staggering, with estimates indicating that US\$1 trillion flows out of developing countries each year. There is **solid evidence that corruption and illicit financial flows have a negative impact on economic growth and development**. The impact is not necessarily direct and it is not always possible to quantify in financial terms. In addition, it also negatively impacts on the poor, increases inequality, undermines the quality of service delivery, state legitimacy and stability; and poses a threat to the environment. This clearly demonstrates that combating corruption should be paramount in supporting developing countries and working towards poverty eradication and the **European Parliament should continue to ensure that these issues remain at the forefront of the EU development agenda**.

**The global anti-corruption architecture has evolved fast the past two decades**. Some of the main international conventions and initiatives aiming to fight corruption and illicit financial flows are the UNCAC; OECD Anti-Bribery Convention; G20 Anti-Corruption Working Group; EITI; and FATF. Little evidence exists on whether the instruments and mechanisms discussed above have had a direct impact on levels of corruption or whether they have contributed towards stemming illicit flows. However, they

have resulted in a number of positive related developments, including entrenching international norms, including anti-corruption norms, in domestic jurisdictions; galvanizing global efforts around combating corruption and illicit financial flows; recognition that combating corruption and IFFs requires efforts in developed as well as developing countries; and fostering international cooperation. These mechanisms and instruments have **yet to show significant, tangible results for developing countries, but will continue to be relevant for guiding EU efforts to support the fight against corruption and illicit financial flows**. With a combined economy that is the largest in the world in nominal terms and being home to several of the main international financial centres, the **EU is in a unique position to push for progress on these mechanisms and instruments and foster international development**. The EU should also serve as an example for other countries on the effective implementation of these mechanisms and instruments. **The European Parliament has a critical role to play in advocating for action to be taken at the national level in member states**.

In some cases, aid from the EU itself contributes to corruption in developing countries. Aid should not do harm. Such unintended consequences of well-doing can be reduced if an effective corruption risk management system is designed and implemented. Such a system needs to have effective mitigation measures for corruption risks in EU's own programming as well as when funds go via third **parties, and cannot rely on audits as the main source of corruption control**. Corruption should be mitigated across the project cycle, such as better due diligence when choosing partners, the use of spot checks during implementation and greater use of corruption diagnostics such as public expenditure tracking survey.

The focus is often on safeguards to control own fiduciary risks in EU procurement and grants procedures. The European Commission has guidelines for staff on such issues, and effective oversight institutions focussing on audits. There are still cases where fraud occurs in EU programming, mainly because existing safeguards are not implemented. Failure of implementation can be due to staffing overload, disbursement pressures, inadequate training or poor communication between headquarters and the country level. It is, however, our assessment that the **weakest link in the chain is not in EU's procedures for controlling own fiduciary risk, but in its handling of situations where aid funds are implemented via third parties**, such as national governments or non-governmental organisations. Budget support is one variant of such situations.

The EU delegates' implementation to third party actors in a large majority of cases, yet has no strategy for how to reduce corruption risks in situations of delegated implementation. It is a natural tendency for most aid donors to focus on own fiduciary risks and corruption safeguards. However, this focus needs to extend beyond own programming and **strengthen systems of implementing agents and national oversight institutions**, such as supreme audit institutions. The EU's work on strengthening this broader system – called the national integrity system – needs to be given higher priority to prevent EU funds from contributing to corruption and undermine the very development objectives that the aid funds are meant to serve.

EU measures to strengthen partner countries' public financial management capabilities and their ability to fight corruption are left in a strategic vacuum. Despite calls from the European Parliament and Council, the European Commission's strategy is still developed for Enlargement purposes or oriented towards member countries. **There is no explicit strategy for how to reduce levels of corruption or safeguard aid funds in the majority of developing countries, and unfortunately EU has not yet achieved coherence between its security and anti-corruption policies**. The EU promotes a clear strategic focus on direct anti-corruption interventions (such as anti-corruption authorities and national anti-corruption strategies) in accession-, candidate- and some neighbouring countries, relying on the CoE and the OECD for implementation in the majority of cases. However, when it comes to developing countries, programming suffers from a lack of strategic guidance and prioritisation, and its dependence on pan-European implementing partners. The EU also has a strong emphasis on social accountability measures,

supporting civil society to hold governments to account for the use of public funds. This area of comparative advantage should be further built upon, so a clear theory of change emerges for how civil society funding contributes to less corruption. The EU should also **more rigorously document its successes and failures in this area, as the current evidence base is very low.**

**The EU's work on reducing illicit financial flows has received significant attention in recent years, and gained considerable tracking in a short amount of time,** particularly concerning taxation issues. Progress has been less significant for illicit financial flows where the origins of the flows are from criminal activities. Important anti-money laundering initiatives on harmonising criminal sanctions and beneficial ownership are planned, but results are yet to show.

Based on these findings, **we recommend the Parliament to advocate for the following measures to increase the impact of EU development cooperation in fighting corruption and illicit financial flows:**

- The European Commission should **initiate a strategy development process clarifying its approach to corruption risk management specifically for developing countries**, recognising the importance of both (a) improving own project and financial management systems as well as (b) measures to strengthen capabilities of partners and implementing agents, as well as national oversight bodies and watchdogs. Such capacity building of national anti-corruption institutions should go beyond anti-corruption authorities and law enforcement agencies, and include NGOs, media, parliaments, public financial management institutions, tax authorities, procurement bodies, supreme audit institutions, etc.<sup>16</sup> Special attention should be given to **strategies and clear operational guidelines for fragile states**, for example in any future Action Plan on security, fragility and development.
- There is likely to be a significant return on investments in better anti-corruption tools and staff dedicated to corruption risk management. The European Commission has exceedingly **few staff members that are specialised in anti-corruption measures and work on improving the situation in developing countries, both at headquarter and country level. We expect this to lead to design and implementation failures.** A study should document whether current anti-corruption efforts are cost-effective, whether EU institutions are staffed adequately to reduce corruption risks, and how a 'whole-of-government' approach can be created for the area of anti-corruption that is currently fragmented.
- The EU has successfully combined technical programming with political pressure. However, the use of conditionality should be based on a clear strategy to avoid idiosyncratic decision-making, and ensure that political pressure actually provides the results intended. **Budget support should be accompanied with clear plans for how corruption risks will be mitigated and how the effectiveness of these anti-corruption initiatives will be monitored and evaluated.**
- **Better guidelines are needed for how to address corruption risks in situations of delegated implementation.** The EU should still have oversight and adequate checks on the use of its funds regardless of whether these are implemented by national governments, international NGOs, or other multilateral aid agencies such as the UN or the World Bank.<sup>17</sup> Moreover, the current system has a heavy reliance on regularity audits, which are not designed to detect corruption. **More use of for**

<sup>16</sup> In line with 'Tax and development: cooperating with developing countries on promoting good governance in tax matters, SEC(2010)426

<sup>17</sup> See also the European Parliament's draft report on corruption in the public and private sectors 2013/2074 (INI)

**example spot checks, random specialised audits, whistle-blowing systems and fraud checklists (red flags) would lead to less corruption.**

- Continued, reinforced emphasis on preventing tax havens from contributing to illicit financial flows and extracting much needed resources from developing countries, and a need for **new initiatives to build the capacity of developing country administrations to prevent national and international tax avoidance, evasion and fraud, and allow better international collaboration** to prevent transfer pricing manipulation and aggressive tax planning.<sup>18</sup>

<sup>18</sup> See also the opinion of the committee on development on the report on fight against tax fraud, tax evasion and tax havens (2013/2060(INI))

## 6 Annex 1 – comparing extent of country strategy mainstreaming efforts

**Table 2 - World Bank country strategies**

Country	CAS type and year	“Corruption” / “Anti- corruption”	“Accountability” / “Transparency” / “Integrity”
Afghanistan	ISN 2012-14	37/0	16/17/0
Angola	No CAS	-	-
Bosnia and Herzegovina	CPS 2012-15	7/5	4/5/0
Burundi	CAS 2009-12	20/6	7/9/0
Central African Republic	CPS 2009-12	10/9	8/10/1
Chad	No CAS	-	-
Comoros	ISN 2010-12	7/1	19/6/0
D. R. Congo	CAS 2013-16	11/1	37/52/1
Rep. Congo	CPS 2013-14	9/6	9/39/1
Cote d'Ivoire	CPS 2010-13	9/1	5/31/2
Eritrea	No CAS	-	-
Guinea-Bissau	ISN 2009-10	7/2	13/9/0
Haiti	ISN 2013-14	31/9	25/38/1
Iraq	CPS 2013-16	15/1	11/25/3
Kiribati	CAS 2011-14	1/0	1/0/0
Kosovo	CPS 2012-15	6/10	5/4/2
Liberia	CAS 2009-11	20/17	9/12/4
Libya	No CAS	-	-
Madagascar	No CAS	-	-
Malawi	CAS 2013-16	9/6	61/46/0
Mali	CAS 2008-2011	15/4	11/11/0
Marshall Islands	CPS 2013-16	0/0	1/0/0
Micronesia, FS	No CAS	-	-
Myanmar	ISN 2013-14	6/0	8/4/0
Nepal	ISN 2012-13	8/3	59/4/0
Sierra Leone	CAS 2010-13	20/9	40/36/0
Solomon Islands	CPS 2013-17	1/0	2/7/2
Somalia	ISN 2008-09	1/0	22/11/0
South Sudan	ISN 2013-14	15/7	15/11/2
Sudan	No CAS	-	-
Syria	No CAS	-	-
Timor-Leste	CPS 2013-17	19/7	12/30/2
Togo	ISN 2012-13	2/ 2	6/23/0
Tuvalu	CAS 2012-15	2/ 0	2/0/0
Yemen	ISN 2013-14	22/ 19	42/24/2
Zimbabwe	ISN 2008-09	8/ 5	17/3/0

Source: Johnsn̄on's (2014) compilation of World Bank country strategy documents

**Table 3 - UNDP country strategies**

Country	UNDAF type and year	"Corruption" / "Anti-corruption"	"Accountability" / "Transparency" / "Integrity"
Afghanistan	UNDAF 2010-13	7/2	8/5/0
Angola	UNDAF 2009-13	0/0	8/1/0
Bosnia and Herzegovina	UNDAF 2010-13	0/0	3/2/0
Burundi	UNDAF 2010-14	1/0	0/1/0
Central African Republic	UNDAF 2012-16	3/0	1/1/0
Chad	UNDAF 2012-13	4/0	1/1/0
Comoros	UNDAF 2008-12	5/0	0/1/6
D. R. Congo	UNDAF 2013-17	1/0	2/2/1
Rep. Congo	UNDAF 2009-13	1/0	0/0/0
Cote d'Ivoire	UNDAF 2009-13	3/0	0/2/0
Eritrea	UNDAF 2007-11	0/0	0/0/0
Guinea-Bissau	UNDAF 2013-17	1/0	1/2/0
Haiti	UNDAF 2013-16	1/0	4/0/0
Iraq	No UNDAF	-	-
Kiribati	UNDAF 2003-07	0/0	8/1/0
Kosovo	UNKT 2011-15	6/1	47/4/2
Liberia	UNDAF 2013-17	6/1	21/9/0
Libya	No UNDAF	-	-
Madagascar	UNDAF 2008-11	1/0	1/1/0
Malawi	UNDAF 2012-16	0/0	17/8/0
Mali	UNDAF 2008-12	1/0	1/0/0
Marshall Islands	No UNDAF	-	-
Micronesia, FS	No UNDAF	-	-
Myanmar	UNDAF 2012-15	0/0	2/1/0
Nepal	UNDAF 2002-06	0/0	6/2/0
Sierra Leone	UNDAF 2004-07	1/6	4/2/1
Solomon Islands	UNDAF 2003-07	0/0	4/2/0
Somalia	UNTP 2008-09	0/0	5/4/0
South Sudan	UNDAF 2012-13	2/2	6/1/2
Sudan	UNDAF 2012-16	1/0	2/0/0
Syria	UNDAF 2007-11	1/2	17/7/0
Timor-Leste	UNDAF 2009-13	0/0	3/2/1
Togo	UNDAF 2008-12	0/0	1/1/0
Tuvalu	UNDAF 2003-07	0/0	6/2/0
Yemen	UNDAF 2012-15	4/2	5/3/0
Zimbabwe	UNDAF 2012-15	0/3	18/5/0

Source: Johnson's (2014) compilation of UNDP country strategy documents

## Bibliography

- ActionAid and ECDPM, 'Briefing note: The Code of conduct on Complementarity and Division of Labour', *Whither EC Aid?*, Brussels: ActionAid and European Center for Development Policy Management, 2009.
- Aidt, T., 'Corruption, Institutions, and Economic Development', *Oxford Review of Economic Policy* 25(2), 2009, pp. 271-291.
- Alemu, A.M. , 'Effects of Corruption on FDI Inflow in Asian Economies', *Seoul Journal of Economics* 25(4), 2012, pp. 387-412.
- Anderson, C.J. and Tverdova, Y.V., 'Corruption, Political Allegiances, and Attitudes Toward Government in Contemporary Democracies', *American Journal of Political Science* 47(1), 2003, pp. 91-109.
- Anoruo, E. and Braha, H., 'Corruption and Economic Growth: The African Experience', *Journal of Sustainable Development* 7(1), 2005, pp. 43-55.
- Austrian Federal Ministry of the Interior, *Austrian contribution to the EU's new multi-annual JHA work programme, development of a comprehensive EU policy against corruption*, Vienna: Ministry of the Interior, 2009.
- Baker, J., *Illicit Money: Can It Be Stopped?*, Global Financial Integrity, 2009.
- Bhargava, V. and Bolongaita, E., *Challenging Corruption in Asia: Case Studies and a Framework for Action*, Washington, DC: World Bank, 2004.
- Bernardi, M., Hart T. and G. Rabinowitz, *EU State Building Contracts: Early lessons from the EU's new budget support instrument for fragile states*. London: Overseas Development Institute, 2015.
- Carothers, T. and De Gramont, D., 'Aiding Governance in Developing Countries: Progress amid Uncertainties', *The Carnegie Papers*. Washington, DC: Carnegie Endowment for International Peace, 2011.
- Castillejo, C., 'Improving European policy towards fragile states', *FRIDE Policy Brief*, 2011.
- Chêne, M., *Fiduciary safeguards for minimising corruption risks when using budget support*, U4 Expert Answer: U4 Anti-Corruption Centre, 2010.
- Chetwynd, E., Chetwynd, F. and Spector, B., *Corruption and Poverty: A Review of Recent Literature*, London: Management Systems International, 2003.
- Clausen, B., Kraay, A. and Nyiri, Z., 'Corruption and Confidence in Public Institutions: Evidence from a Global Survey', *The World Bank Economic Review* 25(2), 2011, pp. 212-249.
- Cole, M.A., 'Corruption, Income, and the Environment: An Empirical Analysis', *Ecological Economics* 62, 2007, pp. 637-647.
- Collier, Paul, *The political economy of fragile states and implications for European development policy*, Oxford: Department of Economics, Oxford University, 2009.
- Council of Europe, *Resolution (97) 24 on the twenty guiding principles for the fight against corruption*, 1997.
- Council of Europe, *Recommendation (2000) 10 on codes of conduct for public officials*, 2000.
- Council of Europe, *Recommendation (2003) 4 of the Committee of Ministers to member states on common rules against funding of political parties and electoral campaigns*, 2003.
- Council of the European Union, *Draft Council resolution concerning a comprehensive EU policy against corruption. Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on a comprehensive EU policy against corruption (6902/05)*, Brussels: Council of the European Union, 2005, pp. 1-6.

Council of the European Union, *Strengthening EU Action in Afghanistan and Pakistan: Council conclusions*, Luxembourg: Council of the European Union, 2009.

Council of the European Union, *Council Conclusions on the EU common position for the First High Level Meeting of the Global Partnership for Effective Development Co-operation*, Brussels: Council of the European Union, 2014.

Council of the European Union, *Development issues*, Brussels: Council of the European Union, 2014.

De Jong, E. and Bogmans, C., 'Does Corruption Discourage International Trade?', *European Journal of Political Economy* 27(2), 2011, pp. 385-398.

Diez, T. and L. Cooley, 'The European Union and conflict transformation', *The European Union and global governance: A handbook*, Wunderlich, J.-U. and Bailey D. J., London: Routledge, 2011, pp. 187-195.

Dix, S., Hussmann, K. and Walton, G., *Risks of Corruption to State Legitimacy and Stability in Fragile Situations*, Bergen: CMI, 2012.

Doig, A. and Tisné, M., 'A Candidate for Relegation? Corruption, Governance Approaches and the (Re)construction of Post-War States', *Public Administration and Development* 29(5), 2009, pp. 374-386.

DRN, ADE, ECO, NCG and ECORYS, *Synthesis of the geographical evaluations managed by the Evaluation Unit during the period 1998-2006*, Evaluation for the European Commission: Development Researchers' Network, Aide à la Décision Economique Belgium, ECO-Consulting Group Germany, Nordic Consulting Group Denmark, ECORYS, 2008.

EITI, European Commission: Extractive Industries Transparency Initiative, 2014.

European Commission, *On a union policy against corruption*, COM(97) 192, Brussels, 1997.

European Commission, *On a comprehensive EU policy against corruption*, COM(2003) 317 final, Brussels, 2003.

European Commission, *Governance and development*, COM(2003) 615 final, 20/10/2003, Brussels, 2003.

European Commission, *Aid Delivery Methods - Project Cycle Management Guidelines*, Volume 1, Brussels: European Commission, 2004.

European Commission, *ECHO Manual Project Cycle Management*, Brussels: European Commission, 2005.

European Commission, *Support to the justice and home affairs acquis: Thematic evaluation of the European Union Phare programme*, Brussels: European Commission, 2006.

European Commission, *Governance in the European Consensus on Development – Towards a harmonized approach within the European Union*, COM (2006) 421 final, Brussels, 1 September 2006.

European Commission, *Country Strategy Paper - Islamic Republic of Afghanistan*, Brussels: European Commission, 2007.

European Commission, *Code of Conduct on Division of Labour in Development Policy*, Brussels: European Commission, 2007.

European Commission, *Towards an EU response to situations of fragility - engaging in difficult environments for sustainable development, stability and peace*, COM(2007) 643 final, Brussels, 2007.

European Commission, *Background note on public administration reform and anti-corruption*, Directorate-General Enlargement, twinning and SIGMA co-ordination team, Brussels: European Commission, 2008.

European Commission, *Fighting corruption in the EU*, COM(2011) 308 final, Brussels, 2011.

European Commission, *Commission fights corruption: a stronger commitment for greater results*, press release IP/11/678, Brussels, 2011.

European Commission, *A new response to a changing neighbourhood: A review of European Neighbourhood Policy*, COM(2011) 303, Brussels, 2011.

European Commission, *Proposal for a regulation of the European Parliament and of the Council establishing a European Neighbourhood Instrument*, COM(2011) 839, Brussels, 2011.

European Commission, *Increasing the impact of EU Development Policy: an Agenda for Change*, COM(2011) 637, Brussels, 2011.

European Commission, *State of play July 2012*, Kabul: European Commission, 2012.

European Commission, *The Cotonou agreement*, Retrieved December, 2012, from [http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index\\_en.htm](http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index_en.htm).

European Commission, *European neighbourhood and partnership instrument*, Retrieved December, 2012, from <http://ec.europa.eu/europeaid/where/neighbourhood/overview/>.

European Commission, *Evaluation of Commission's cooperation with the Council of Europe: An assessment focussed on EU funding of joint programmes*, Brussels: European Commission.

European Commission, *Global trends*, Retrieved December, 2012, from <http://development.donoratlas.eu/infographics/Global%20Trends%20-%20Infographic%20-%202012.pdf>.

European Commission, *State of play July 2012*, Kabul: European Commission, 2012.

European Commission, *Budget Support Guidelines: Programming, Design and Management - A modern approach to Budget Support*, Brussels: European Commission, 2012.

European Commission, *EU Accountability Report 2013 on Financing for Development*: European Commission, 2013.

European Commission, *Budget Support: Financial implementation, risk assessment and selected macroeconomic and fiscal country results, pilot report*, Brussels: European Commission, 2013.

European Commission, *Thematic evaluation of rule of law, judicial reform and fight against corruption and organised crime in the Western Balkans*. Brussels: European Commission, 2013.

European Commission, *Anti-Corruption Report*, Brussels: European Commission, 2014.

European Commission, *EU Accountability Report 2014 on Financing for Development Review of progress by the EU and its Member States* Commission Staff Working Document, Brussels: European Commission, 2014.

European Commission, *Evaluation Website of the European Union External Relations*, Brussels: European Commission, 2015, from [http://ec.europa.eu/europeaid/how/evaluation/index\\_en.htm#content](http://ec.europa.eu/europeaid/how/evaluation/index_en.htm#content).

European Commission, *A Global Partnership for Poverty Eradication and Sustainable Development after 2015*, Communication from the commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels: European Commission, 2015.

European Council, *Action plan to combat organized crime*, OJ C 251, 1997.

European Council, *A secure Europe in a better world: European security strategy*, Brussels, European Council, 2003.

European Council, *The European Consensus on Development*, OJ C 46/1, 2006.

European Council, *Regulation of 15 November 2006 establishing an Instrument for Stability*, OJ L327, 2006

European Council , *Council conclusions on a EU response to situations of fragility, 2831st external relations Council meeting, November 19-20*, Brussels, 2007.

European Court of Auditors , *Commission's management of general budget support in ACP, Latin America and Asian countries, special report no. 10*, Luxembourg: European Court of Auditors, 2010.

European Court of Auditors, *EU direct financial support to the Palestinian Authority*, Luxembourg: European Court of Auditors, 2013.

European Court of Auditors (2013b), *EU development assistance to Central Asia*, Luxembourg: European Court of Auditors, 2013.

European Court of Auditors, *EU cooperation with Egypt in the field of governance*, Luxembourg: European Court of Auditors, 2013.

European Court of Auditors, *EU support for governance in the Democratic Republic of Congo*, Luxembourg: European Court of Auditors, 2013.

European External Action Service and European Commission, *Evaluation matters: The Evaluation Policy for European Union Development Co-operation*, Brussels: European External Action Service and the European Commission, 2014.

European External Action Service and European Commission, *Multi-Annual Indicative Programme 2014-2020 – Government of the Islamic Republic of Afghanistan. Brussels: European External Action Service and the European Commission*, 2014.

European External Action Service, *Strategy for Security and Development in Sahel*, Brussels: European Union External Action Service, 2011.

European External Action Service, *The European Union and Sahel, Fact sheet*, Brussels: European Union External Action Service, 2014.

European External Action Service, *European Neighbourhood Policy (ENP)*, Brussels: European External Action Service, 2015, from [http://eeas.europa.eu/enp/index\\_en.htm](http://eeas.europa.eu/enp/index_en.htm).

European Parliament, *Resolution on combating corruption in Europe*, OJ C 017, 1996.

European Parliament, *Closing the gap between anti-corruption law and reality: European Parliament resolution of 15 September 2011 on the EU's efforts to combat corruption*, OJ C51 E/121, 2013.

European Parliament, *Fight against tax fraud, tax evasion and tax havens: European Parliament resolution of 21 May on fight against tax fraud, tax evasion and tax havens*, 2013.

European Parliament, *Corruption in the public and private sectors: the impact on human rights in third countries: European Parliament resolution of 8 October 2013 on corruption in the public and private sectors: the impact on human rights in third countries*, 2013.

European Parliament and European Council, *Regulation (EC) No 1638/2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument*, OJ L310/1, 2006.

European Stability Initiative, *The Helsinki moment: European member-state building in the Balkans*, Berlin/Brussels/Istanbul: European Stability Initiative, 2005.

European Union, The European Anti-Fraud Office, *Protecting the EU budget against corruption and fraud*, Brussels: Europa.eu, 2015, from <http://europa.eu/workingforyou/en/content/european-anti-fraud-office-protecting-eu-budget-against-corruption-and-fraud>

Furness, M. and Gänzle, S., *The European Union's development policy: a balancing act between 'a more comprehensive approach' and creeping securitisation*, Kristiansand/Grimstad: University of Agder, 2012.

- Galtung, F., 'Measuring the Immeasurable: Boundaries and Functions of (Macro) Corruption Indices', In Sampford, C.; Shacklock, A.; Connors, C.; Galtung, F. (eds), *Measuring Corruption*, Aldershot: Ashgate, 2005.
- Galtung, F. and Tisné, M., 'A New Approach to Postwar Reconstruction', *Journal of Democracy* 20, 2009, pp. 93-107.
- Gupta, S., Davoodi, H. and Alonso-Terme, R., 'Does Corruption Affect Income Inequality and Poverty?', *Economic of Governance* 3, 2002, pp. 23-45.
- Goldwyn, D. L., 'Extracting Transparency', *Georgetown Journal of International Affairs* 5, 2004, pp. 5-16.
- Heller, N., 'Defining and Measuring Corruption: Where Have We Come from, Where Are We Now, and What Matters for the Future?', In Rotberg, R. (ed.) *Corruption, Global Security, and World Order*. Washington, DC: Brookings Institution Press, 2009.
- Helly, D. and Galeazzi, G., *Avant la lettre? The EU's comprehensive approach (to crises) in the Sahel*, Brussels: European Centre for Development Policy Management, 2015.
- High Level Panel on Illicit Financial Flows from Africa, *Illicit Financial Flows: Report of the High Level Panel on Illicit Financial Flows from Africa*, 2015.
- Hilson, G. and Maconachie, R., 'Good Governance and the Extractive Industries in Sub-Saharan Africa', *Mineral Processing & Extractive Metallurgy Review* 30, 2009, pp. 52-100.
- Hodge, N., *U.N. report flags Afghanistan fraud*, Wall Street Journal, 2013.
- Holland, M., '20/20 Vision? The EU's Cotonou Partnership Agreement', *The Brown Journal on World Affairs* 9, 2003, pp. 161-175.
- Hout, W., 'Between development and security: The European Union, governance and fragile states', *Third World Quarterly* 31, 2010, pp. 141-157.
- Johnston, M., *First, do no harm – Then, build trust: Anti-corruption strategies in fragile situations, background paper for the WDR 2011*, Washington D.C.: World Bank, 2010.
- Johnston, M. and Johnsen J., *Doing the wrong things for the right reasons? "Do no harm" as a principle of reform*, U4 Brief, 2014, p.13.
- Johnsen, J. and Mason, P., 'The Proxy Challenge: Why bespoke proxy indicators can help solve the anti-corruption measurement problem', U4 Brief , 2013, p. 6.
- Johnsen, J., Taxell, N. and Zaum, D., 'Mapping Evidence Gaps in Anti-Corruption: Assessing the State of the Operationally Relevant Evidence on Donors' Actions and Approaches to Reducing Corruption', U4 Issue, 2012, p. 7.
- Johnsen, J., *Corruption and Stabilisation - Aid Agencies' Anti-corruption Strategies in Fragile States*: University of Cambridge, Doctoral, 2014.
- Johnsen, J., 'Cost-effectiveness and cost-benefit analysis of governance and anti-corruption activities'. U4 Issue, 2014, p. 10.
- Johnsen, J., N. Taxell and D. Zaum , *Mapping evidence gaps in anti-corruption Assessing the state of the operationally relevant evidence on donors' actions and approaches to reducing corruption*, U4 Issue, 2012, p. 7.
- Kar, D. and CartwrightSmith, D., 'Illicit Financial Flows from Developing Countries: 2002-2006', *Global Financial Integrity*, 2010.
- Kar, D. and LeBlanc, B., 'Illicit Financial Flows from Developing Countries: 2002-2011', *Global Financial Integrity*, 2013.

Kar, D. and Spanjer, K., 'Illicit Financial Flows from Developing Countries: 2003-2012', Global Financial Integrity, 2014.

Kaufmann, D., Montoriol-Garriga, J. and Reccanatini, F., *How Does Bribery Affect Public Service Delivery? Micro-Evidence from Service Users and Public Officials in Peru*, Washington, DC: World Bank, 2005.

Koepf, T., *The 'new' Sahelian terrorist landscape – actors and challenges*, Re-mapping the Sahel: transnational security challenges and international responses, Barrios, C. and T. Koepf, Paris: European Union Institute for Security Studies, 2014.

Kolstad, I. and Wiig, A., 'Is Transparency the Key to Reducing Corruption in Resource-Rich Countries?' *World Development* 37(3), 2009, pp. 521-532.

Kolstad, I., *Direct budget support and corruption*, U4 Issue 1: 2005, Bergem: U4 Anti-Corruption Resource Centre, 2005.

Kolstad, I., Fritz V. and O'Neil T., *Corruption, anti-corruption efforts and aid: Do donors have the right approach?*, London: Overseas Development Institute, 2008.

Leboeuf, A., *The Sahel States - part of the problem, part of the solution*, Re-mapping the Sahel: transnational security challenges and international responses, Barrios, C. and T. Koepf, Paris: European Union Institute for Security Studies, 2014.

Le Billon, P., 'Buying Peace or Fuelling War: The Role of Corruption in Armed Conflicts', *Journal of International Development* 15, 2003, pp. 413-426.

Le Billon, P., 'Overcoming corruption in the wake of conflict', *Global Corruption Report 2005*, Berlin: Transparency International, 2005.

Le Billon, P., 'Corrupting Peace Peacebuilding and Post-Conflict Corruption', *International Peacekeeping* 15(3), 2008, pp. 344-361.

Longo, F., 'Justice and Home Affairs as a new yool of European Foreign Policy', *The foreign policy of the European Union: Assessing Europe's role in the world*, Bindi, F., Washington D.C.: Brookings Institution Press, 2010.

Mauro, P., 'The Effects of Corruption on Growth, Investment, and Government Expenditure', Working Paper No. 96/98. Washington, DC: IMF, 1996.

Méon, P.-G. and Sekkat, K., 'Does Corruption Grease or Sand the Wheels of Growth?' *Public Choice* 122(1/2), 2005, pp. 69-97.

Mungiu-Pippidi, A., *The EU as a transformation agent: Lessons learned from governance reforms in East Central Europe*, Berlin: Hertie School of Governance, 2008.

Nawaz, F., *Use of governance and corruption indicators in incentive programmes*: U4 Anti-Corruption Resource Centre, Transparency International and CMI, 2011.

Ndikumana, L., *Corruption and Pro-Poor Growth Outcomes: Evidence and Lessons for African Countries*. Working Paper No. 120, Amherst, MA: Political Economy Research Institute, 2006.

Nilsson, Hans G., *The development of a European Union policy against corruption*, 8th International Anti-Corruption Conference, Lima, 1997.

Norris, P., 'Making Democratic-Governance Work: The Consequences for Prosperity', HKS Faculty Research Working Paper Series No. RWP11-035, Cambridge, MA: John F. Kennedy School of Government, Harvard University, 2011.

North, D., Wallis, J. and Weingast, B., *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, New York: CUP, 2009.

OECD, *OECD Development Assistance Peer Reviews: European Union 2012*, Washington: OECD, 2013.

OECD, *OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials*. Paris: OECD, 2014.

OECD, *Paris Declaration and Accra Agenda for Action*, Paris: OECD, 2015.

OLAF, 'Successful court ruling of OLAF corruption case', Brussels: European Anti-Fraud Office Press Release No 3/2012, 2012, from [http://ec.europa.eu/anti\\_fraud/media-corner/press-releases/press-releases/2012/20120628\\_01\\_en.htm](http://ec.europa.eu/anti_fraud/media-corner/press-releases/press-releases/2012/20120628_01_en.htm)

OLAF, *The OLAF report 2013*, Brussels: European Anti-Fraud Office, 2013.

Particip GmbH, *Thematic global evaluation of the Commission support to decentralisation processes*, Evaluation for the European Commission, 2012.

Particip GmbH, Cideal, Channel Research and South Research, *Service Contract for the Evaluation (sectoral and thematic) of European Commission Pro-grammes and Policies in Third Countries, relating to Social and Human Development issues*, Evaluation for the European Commission, 2008.

Pellegrini, L. and Gerlagh, R., Corruption's Effect on Growth and its Transmission Channels. *Kyklos* 57(3), 2004, pp. 429-456.

Prodi, R., *Speech at European Parliament, speech/02/463, October 9, 2002*.

PWYP, *Publish What You Pay calls for conclusive EU transparency vote and action on all sectors*: Publish What You Pay, from <http://www.publishwhatyoupay.org/resources/publish-what-you-pay-calls-conclusive-eu-transparency-vote-and-action-all-sectors>, 2013.

PWYP, *Aid Transparency Index 2014*: Publish What You Pay, 2014.

PWYP, *European Commission Donor Scores: Publish What You Pay*, from <http://ati.publishwhatyoufund.org/major-donor/european-commission/>, 2014.

Rahman, A., Kisunko, G. and Kapoor, K., 'Estimating the Effects of Corruption: Implications for Bangladesh', Policy Research Working Paper No. 2479. Washington, DC: World Bank, 2000.

Rao, S.. and Marquette H., *Corruption indicators in Performance Assessment Frameworks for budget support*, U4 Issue, Bergen: U4 Anti-Corruption Resource Centre, 2012.

Razafindrakoto, M. and Roubaud, F., 'Corruption, Institutional Discredit, and Exclusion of the Poor: A Poverty Trap', Afrobarometer Working Paper No. 86, 2007.

Reed, Q., 'Corruption and the EU accession process: Who is better prepared?', *Global Corruption Report 2004*, Berlin: Transparency International, 2004.

Rose-Ackerman, S., *From elections to democracy: Building accountable government in Hungary and Poland*, Cambridge: Cambridge University Press, 2005.

Seligson, M.A., 'The Impact of Corruption on Regime Legitimacy: A Comparative Study of Four Latin American Countries', *The Journal of Politics* 64(2), 2002, pp. 408-433.

Seligson, M.A., 'The Measurement and Impact of Corruption Victimization: Survey Evidence from Latin America', *World Development* 34(2), 2006, pp. 381-404.

Stedman, S.J., 'Spoiler Problems in Peace Processes', *International Security* 22(2), 1997, pp. 5-53.

Svensson, J., 'Who Must Pay Bribes and How Much? Evidence from a Cross Section of Firms', *Quarterly Journal of Economics* 118(1), 2003, pp. 207-230.

Svensson, J., 'Eight Questions About Corruption', *Journal of Economic Perspectives* 19(3), 2005, pp. 19-42.

Svensson, J., *Absorption capacity and disbursement constraints*, Financing development: what are the challenges in expanding aid flows? 3rd AFD-EUDN [Agence Française de Développement- European Development Research Network] Conference, Paris: Agence Française de Développement, 2005.

Szarek-Mason, P., *The European Union's fight against corruption: The evolving policy towards member states and candidate countries*, Cambridge: Cambridge University Press, 2010.

The North Africa Post, OLAF Report Makes Stunning Revelations on Misuse of EU aid to Tindouf camps, 2015, from <http://northafricapost.com/6846-olaf-report-makes-stunning-revelations-on-misuse-of-eu-aid-to-tindouf-camps.html>.

Transparency International, *Preventing illicit funds from entering the EU: Lessons from the Arab spring*: Transparency International, 2013.

Transparency International, *Corruption Perceptions Index 2014: EU's role in facilitating global corruption*: Transparency International, 2014.

Trivunovic, M., Johnsen, J. and Mathisen H., 'Developing an NGO corruption risk management system: Considerations for donors', *U4 Issue*, 2011 p.9.

Trofimov, Y. and N. Hodge, *EU withholds some aid, citing lack of reform*, Wall Street Journal, 2012.

Ugur, M. and Dasgupta, N., *Evidence on the Economic Growth Impacts of Corruption in Low-Income Countries and Beyond: A Systematic Review*, London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London, 2011.

UNESCO, *Education for All Global Monitoring Report 2009*, Paris: UNESCO, 2009.

United Nations, *The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet*. New York: United Nations, 2014.

Vermeulen, G., 'The fight against international corruption' in the European Union, *Corruption: The enemy within*, Rider, B. A. K., The Hague: Kluwer, 1997.

Webb, P., 'The United Nations convention against corruption: Global achievement or missed opportunity?', *Journal of International Economic Law* 8, 2005, pp. 191-229.

Welsch, H., 'Corruption, Growth, and the Environment: A Cross-Country Analysis', *Environment and Development Economics* 9, 2004, pp. 663-693.

Wichmann, N., *The intersection between Justice and Home Affairs and the European Neighbourhood Policy: Taking stock of the logic, objectives and practices*, Brussels: CEPS, 2007.

World Bank, *World Development Report 2011: Conflict, Security and Development*, Washington, DC: World Bank, 2011.

World Bank, Harmonised list of fragile situations FY13, Washington D.C.: World Bank, Retrieved December 2012, from <http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FCSHarmonizedListFY13.pdf>.

World Bank, *Strengthening governance: Tackling corruption – The World Bank Group's updated strategy and implementation plan*, Washington D.C.: World Bank, 2012.

Zaum, D. and Johnsen, J., (forthcoming) 'The New Deal as an Anti-Corruption Tool? A case of misplaced expectations and unfulfilled potential', *U4 Brief* 2015.

Zhuang, J., De Dios, E. and Lagman-Martin, A., 'Governance and Institutional Quality and the Links with Economic Growth and Income Inequality: With Special Reference to Developing Asia', Economics Working Paper No. 193. Manila: ADB, 2010.

**DIRECTORATE-GENERAL FOR EXTERNAL POLICIES**

## POLICY DEPARTMENT

### Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

### Policy Areas

Foreign Affairs  
Human Rights  
Security and Defence  
Development  
International Trade

### Documents

Visit the European Parliament website: <http://www.europarl.europa.eu/studies>



ISBN 978-92-823-7153-4(print)  
ISBN 978-92-823-7154-1 (online)  
doi: 10.2861/23640 (print)  
doi: 10.2861/02495(online)