



Assessing Donor Anti-Corruption Initiatives in Support of Private Sector Development - A Mapping Study

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- A Mapping Study -

Draft for Comments

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Preface

This study provides a qualitative as well as a quantitative analysis of the first project database ever compiled on private sector anti-corruption interventions by donor agencies. This assessment is based on the professional estimations of practitioners in the field as well as researchers and scholars.

Finding out who is doing what, where, together with whom, is matched with an analysis of what is *not* being done. This is crucial in responding to the second ambition of the study, namely identifying ways for this agenda to be pursued further.

List of Acronyms

AC	Anti-Corruption
DB	Database
DFID	Department for International Development
EU	European Union
GDP	Gross Domestic Product
IFC	International Finance Corporation
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
NFP	Not For Profit
PFM	Public Financial Management
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSR	Public Sector Reform
SADC	Southern African Development Community
SME	Small- and Medium-sized Enterprises
TI	Transparency International
U4RC	U4 Anti-Corruption Resource Center
UK	United Kingdom
UNECE	United Nations Economic Commission for Europe
USAID	United States Agency for International Development
WB	World Bank

1. Introduction

From the 70's onwards, donors have actively engaged in supporting Private Sector Development (PSD) in partner countries. PSD is now recognized by all as a powerful mechanism for economic growth, and ultimately poverty reduction. Due to the nature of private enterprise in developing countries, most efforts by development agencies have been spent on facilitating the development of Small and Medium Sized Enterprises (SMEs), the job growth engine in developing economies. According to UNECE, statistics for emerging market economies indicate that the share of private sector in the total economy is 75.6%. The SME-sector makes up 48.6% of GDP and employs 58.4% of all employees.¹

Interventions in the early 1990's, which focused on macroeconomic stability, trade integration, financial sector reform and privatization, were subject to research and analyses which pointed out that investment climate conditions and especially corruption were important – but previously underemphasized – factors to explain the varied success of these reforms.

In the late 1990's we have subsequently seen the advent of “second-generation” reforms which focus on improving the administrative, legal, and regulatory functions of the state. These reforms include procurement reform amongst others – the largest source of public fund leakages. This agenda also considers the private sector as a partner and an important driver for anti-corruption reform.

The database (DB) which contains 429 projects developed by different types of donors, civil society and the private sector – all with a stated aim of reducing corruption and improving the investment climate – documents the rise of this second generation of reforms. Analyzing the work of the development community that comprises a highly diverse group of organizations – from tiny NGOs with handfuls of employees to the World Bank with a budget approaching US\$ 30bn – is a challenge. Our focus will therefore be exclusively on the anti-corruption components of these interventions. We will try to show:

- Which agencies are involved;
- Types of support they provide;
- The regional foci;
- Explicitness of the AC component (by analyzing the project descriptions);
- The timescales involved;
- Types of partnerships;
- Knowledge management practices and capacities;

In summing up the experiences, we will try to answer whether or not these interventions represent good practice, and if their direction is likely to yield positive outcomes. We will however argue that this second generation of reforms is likely to fail since this approach seems to neglect the inherent political connotations of private sector corruption. Lastly, we suggest areas where more knowledge is needed to successfully implement reforms.

The next section will elaborate on the methodology used in gathering data for the anti-corruption and private sector database (DB) as well as challenges encountered. In addition,

¹ www.unece.org

the value of the data and the scope of the database and database analysis will be examined. The DB can be accessed here: <http://www.u4.no/projects/projects2.cfm>

2. Building the Database

Efforts were taken to gather as much data as possible from the U4 partner agencies but due to resource constraints in those agencies (time and information) this was only successful to a limited extent. The majority of the U4 partner agencies either have a limited project portfolio, or lack a concise overview of anti-corruption (AC) projects in the private sector, - or the resources and means to gather access/gather this information. The 427 database entries were mostly gathered through desk research and through direct communication with various individuals, agencies and organisations. The dialogue with these counterparts proved to be essential for the qualitative assessment which follows the presentation of the data.

It is evident that there is a lack of incentives for staff, and a lack of resources set aside within agencies, for a comprehensive dissemination and communication strategy for AC initiatives. While larger agencies such as DFID, USAID and the World Bank are better at sharing information about their activities and better at facilitating knowledge creation through analysis and research than others, our main finding is that there is a serious knowledge deficit.

While we have aspired to include as many projects as possible, it has been impossible to list all previous and ongoing projects and programs. The DB should thus not be considered complete for any agency, country or region, and we will warn against sweeping generalisations based on findings in this database. Having said this, there are – as far as we know – no other databases of donor-funded AC projects for the private sector.

There is little definitional consensus among donors as to what an AC intervention is, meaning that some donors will highlight projects on anti-corruption and private sector development in their portfolio, while others will leave them out. Although some will define an initiative as an anti-corruption intervention only if the concept is included in the title or among the primary objectives of the intervention, the projects in the DB are not subjected to such strict definitions.

One will find a number of projects listed that have been classified as anti-corruption projects for the purposes of the DB despite the fact that they do not fit a given agency's own classification. Focusing on integrity in the private sector and applying a broad definition allows the database to capture both interventions with an explicit and an implicit focus. An explicit focus may, for example, be support to an ethics seminar run by the chamber of commerce, while an implicit focus may be found in projects that have the reduction of corruption as a stated secondary or tertiary goal – e.g. initiatives to reduce red tape.

While information on funds does exist for some projects, the information is not enough to identify trends. Furthermore, due to the varying dimension and volumes of projects, quantitative analyses of project funding are meaningless at the current level of investigation. More research is needed.

Despite these words of caution, we do believe that the database contains important information and can serve as a source of learning and inspiration for any agency wanting to engage in this field – not least because most projects and programs have a specific contact person and web link attached.

3. Emerging trends in donor support

This section will provide an overview of some of the trends and directions that are apparent from the data collected. Where appropriate, methodology will also be addressed (e.g. regarding the choice of indicators). In addition, this section will provide more in-depth and qualified analyses as well as the examination of questions that may arise.

Explicit vs. implicit approaches to anti-corruption

There is no unanimous view among aid agencies on how to classify and label initiatives implemented to facilitate private sector growth and anti-corruption. Hallberg² points out that a country's "investment climate" is its environment for private sector activity. The quality of the investment climate is determined by the risks and transaction costs of investing in and operating a business, which in turn are primarily determined by the legal and regulatory framework, barriers to entry and exit, and conditions in markets for labor, finance, information, infrastructure, services, and other productive inputs. Corruption affects most of these parameters in one way or the other.

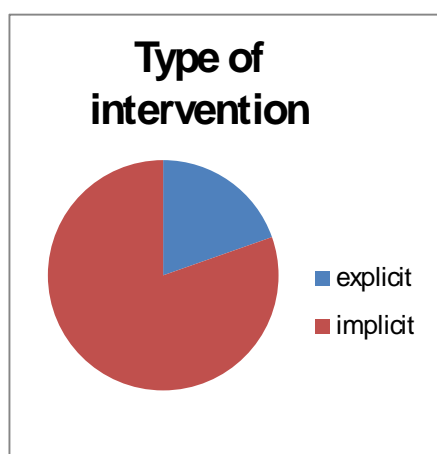


Fig.1

That there is no consensus among donors on what an anti-corruption intervention looks like, makes it impossible to ascertain the amount of resources that have been allocated to this sector. In order to arrive at an estimate of projects that are directly relating to corruption, and to illustrate the proportion of projects in the DB that have an explicit focus, we have chosen the terms 'transparency' and 'corruption' as dummy variables. If these terms are present in either the title or the brief description of the project, the engagement is deemed to be *explicit*. According to the DB, 20% of donor interventions are explicit on corruption (see Fig.1).

The inclusion of projects that have an *implicit* AC focus is based mainly on qualitative impressions and/or verbal indicators. For the purpose of the DB, the view is taken that developing a functioning private sector and improving the business climate is integral to the efforts of improving governance structures and facilitating economic growth in recipient countries. These are therefore included and fall under the category of 'implicit AC'. The fact that most projects are implicit means that there is less 'finger-pointing', more focus on efficacy, and the possibility that good performance is rewarded.

Concerning the willingness to address corruption directly, an analysis of the DB indicates that the 'not for profit' (NFP) sector is the most outspoken (i.e. has the highest ratio of 'explicit' AC projects), followed by the 'for profit' (corporate) group. The least vocal group with regard to AC are the multilateral donors, with bilateral donors not far behind (see Fig.2 and Fig.3). This is to be expected, given that some of the development partners have to take diplomatic considerations into account. Diplomatic considerations may also explain the high proportion of explicit projects for the NFP group. Channeling resources through the NFPs may be a way

² <http://www.businessenvironment.org/dyn/be/docs/84/Session5.1HallbergDoc.pdf>

to avoid antagonizing local partners. This hypothesis gains further currency by the fact that most of the funds for this group originate either from bilateral or multilateral donors.

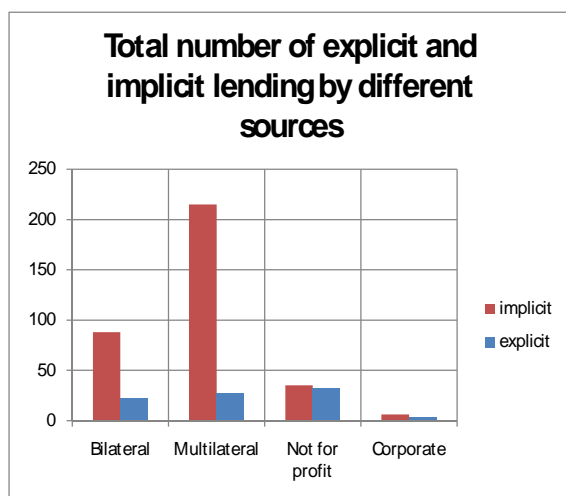


Fig.2

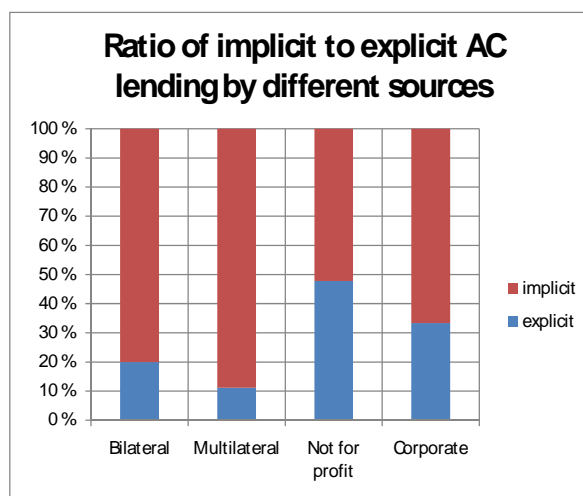


Fig.3

Who is doing what?

Regarding the origins of the project funds, the categories used in the DB are 'bilateral', 'multilateral', 'not for profit', and 'for profit'. According to these criteria, the majority of projects in the DB originate from multilateral agencies (see Fig.4). The highest input in each sector is from IFC in the multilateral group, USAID in the bilateral group and TI in the not for profit group: The IFC is involved in around 30% of all projects in the DB (either as main- or co-funder), and USAID and TI both fund or co-fund close to 20% of all projects in the DB each. It must be pointed out here that these statistics should be treated with caution as the results may at worst indicate little more than the success of the information dissemination strategies of these agencies.

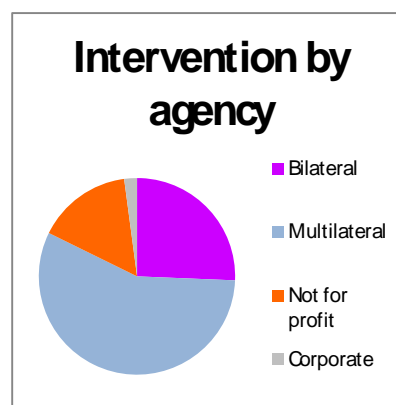


Fig.4

While the 2005 World Development Report holds that 26% of all development assistance is spent on improving the investment climate, this figure also includes infrastructure as the largest component therein. Thus, the picture becomes skewed.

We do not know how much is available for anti-corruption, but from the projects in the database we see that the development banks often collaborate with bilateral donors, which can jointly finance reform activities, some of which are political in nature. As has been shown in regard to SMEs, collaboration between bilateral and multilateral donors is found to promote reforms in the business environment³. White and Chacaltana (2002) hold that many host governments are suspicious of bilateral donors becoming involved in high-level policy reform, and often question the motivations and interests of the bilateral agencies. By comparison, multilateral agencies are seen as being more neutral and transparent.

³ <http://www.gsdrc.org/docs/open/DS43.pdf>

Another finding is that most reforms are directed at the national level. However, we do find programs that address the sub-national level, and the database also lists regional initiatives. For the last category, most support is given to research, surveys and a series of conferences and workshops.

A typical multilateral project:

Title: Administrative Barriers to Investment

Region: worldwide

Description: To revise and update the FIAS manual for the identification and removal of administrative barriers to investment, and to create the first of several solution design modules.

Funding: IFC - Core Funds, Approved 2006

Implementing agency: FIAS (Foreign Investment Advisory Service)

Box 1

The database lists a very wide range of programs and services provided to improve the business environment under the anti-corruption heading. Donor agencies working in this field engage national government ministries, national regulatory and judicial authorities, small enterprise associations, and chambers of commerce. They place advisors at high levels in senior ministries; they draft policies and laws (or advise host governments throughout the drafting process); they help fund research and surveys and promote political debates on business environments and help social partners participate more effectively in these debates; and they advocate for the inclusion of business

climate perspectives in national development plans and poverty reduction strategies. We also see funding going to corporate governance and the international legal framework.

Boxes 1 to 4 contain what we consider typical examples of projects from the multilateral, bilateral, not for profit and corporate categories respectively.

Despite this great range of interventions and differences in the political, economic and social features of the countries where they are implemented, we find that the interventions by the various agents are remarkably similar. At a regional level, this may be sensible, given, for example, the commonalities of the Eastern European experience in moving from a socialist command economy to a market economy which has entailed substantial privatization processes and market liberalization reforms. At a general level, however, we are highly skeptical and point out that applying a generic blueprint to different countries does not constitute good practice, and neither is it effective strategy development. The fact that a country may lack, for example, a business association does not mean that inserting one will be effective.

A typical bi-lateral project:

Title: Business Environment Strengthening for Tanzania (BEST)

Region: Tanzania

Description:

- Reducing the burden of doing businesses by achieving better regulation & eliminating procedural & administrative barriers.
- Reducing complexity cost and time taken to process and resolve commercial disputes.
- Changing the culture of Government, aiming at improving service delivery by the Government to the Private Sector.
- Strengthening the advocacy role of the private sector

Funding: Denmark, U.K., Netherlands, Sweden, World Bank - ongoing

Implementing agency: Government of Tanzania

Box 2

A typical ‘not for profit’ project:

Title: International Center for Entrepreneurial Studies

Region: Romania

Description: To help the International Center for Entrepreneurial Studies assist a coalition of business associations, which includes the Strategic Alliance for Business Associations, and the Alliance for Economic Development of Romania, create public-private partnerships with government entities and policymakers; to analyze the causes of and develop strategies for dealing with corruption.

Funding: National Endowment for Democracy (NED)

Implementing agency: Center for International Private Enterprise (CIPE)

Box 3

While it is evident that contextual adaptations seem to be absent from most interventions, the DB does not give us conclusive evidence as to who is driving the reform process at the country level. Case studies from a large number of countries and interventions are needed in this respect to catch the wide range of country and program experiences. If we take evaluations of donor funded SME projects as the yardstick, we do find that there is room for concern when it comes to ownership.⁴

Another issue of concern is the timescale of most of the projects in the database. It seems that internal donor systems are working against long-term interventions and we seldom see programs that go beyond the typical 2 or 4-year program cycle. Neither corruption levels nor institutional deficiencies are effectively addressed on such timelines, and there is a chance that this will (mis-)lead donors to risk adverse strategies and interventions.

A consistent finding among all donors was their focus on programs and larger interventions while the private sector and civil society often put forward individual projects. We also find that initiatives are embedded in some national or regional frameworks, such as PRSPs, MDGs, SADC etc, which is seen as positive by defenders of the harmonization and alignment agenda. Prior knowledge tells us that donors in most countries are working hard to deepen harmonization on private sector development.

A typical ‘corporate’ project:

Title: Business Keeper AG

Region: Germany

Description: Offers organizations and their stakeholders, i.e. those affected by white-collar crime, the ability to report such activities while being protected from physical and emotional harm; aims to help in the development of an ethical, value-based corporate culture.

Box 4

Regional variances and political considerations

From the data gathered we can also extrapolate some regional variances.⁵ Africa has the largest share of interventions, as can be expected, since the continent also receives most aid

⁴ Ibid.

⁵ It is by no means the case that the regional distribution of projects in the DB perfectly reflects actual donor priorities, but there may be some correlation (see **Fig.5**). As is apparent also, the volume of projects in the Australasian region (which also includes Micronesia) is rather meagre. Subsequently, claims and conclusions regarding this region should therefore be substantiated and investigated further than is possible from the information contained in the DB.

(Fig.5). By considering the geographic distribution of explicit and implicit AC projects (Fig.6), it would seem that issues of corruption are most explicitly addressed by donors engaged in eastern and central Europe as well as the Americas.

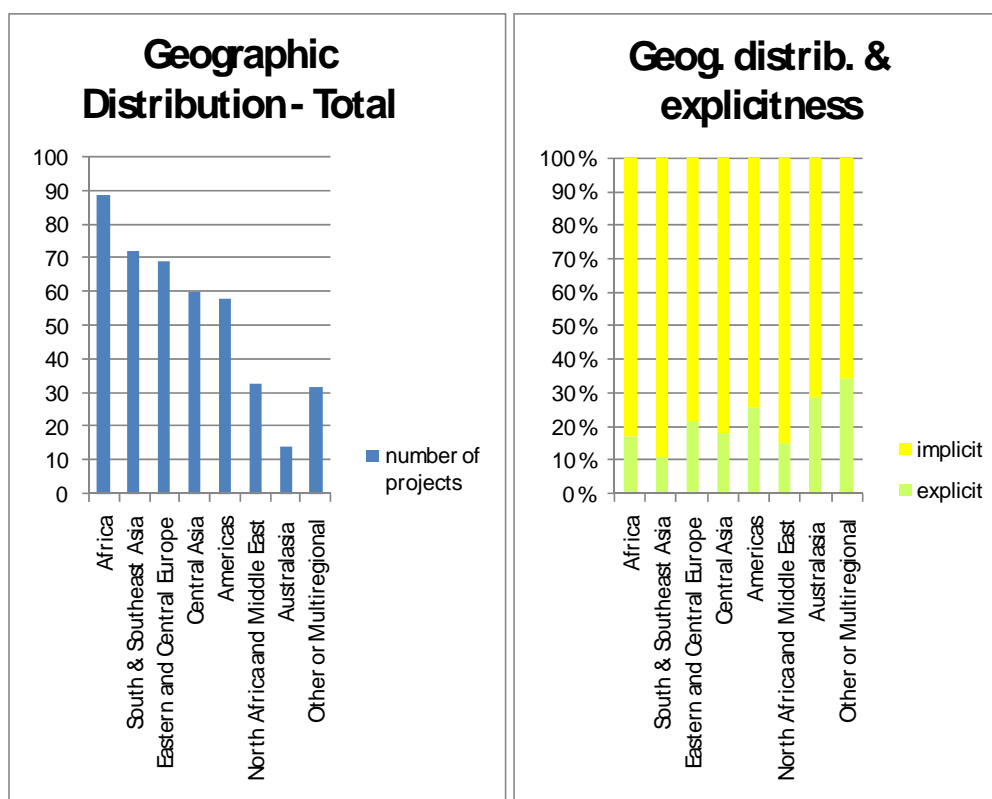


Fig. 5

Fig. 6

Eastern and central Europe would be expected to feature highly here, since the issue of state capture has been most highlighted for this region and the prospect of EU accession as a credible and powerful incentive provides the necessary backdrop which enables openness and frankness on issues of corruption. Africa and South/Southeast Asia seem to be treated with more caution. Also, as one would expect with initiatives lacking a specific political context, multiregional initiatives are more explicit in their treatment of corruption.

In a regional breakdown for the explicitness of bilateral and multilateral donors, the trend from Fig.2 is elucidated further (see Fig.7).

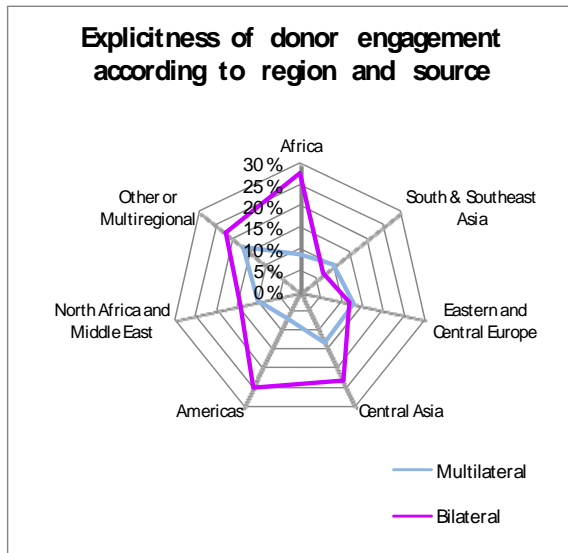


Fig.7

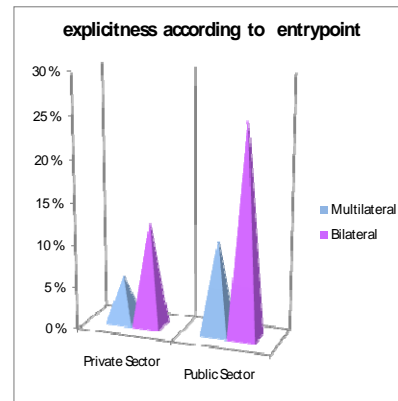


Fig.8

Regarding the geographic variance in entry points and sources of funding, no noteworthy trend patterns emerge. However, when looking at the explicitness of projects regarding specific entry-points, it becomes clear that both, multilateral and bilateral donors are more direct on corruption when their entry-point is the public sector. Corruption is avoided when the entry-point is the private sector (see Fig.8). There are at least two possible explanations for this: bilateral and multilateral donors may assume that the private sector is a ‘victim’ (rather than a ‘culprit’), and that corruption is mainly a problem of the public sector. Another possibility is that, due to the nature of corruption and the fact that it is an illegal offence in many countries, donors have to moderate their approach in order to ensure the participation of local private sector partners. In either case, it seems to be apparent that bilateral and multilateral donors believe ‘support’ to be a more appropriate mode of engagement than confrontation and finger-pointing when the entry-point is the private sector.

Choosing interventions - supply vs. demand side initiatives

Analyzing the use of donor funds for the private sector will tell us what are perceived to be the key drivers for change. With limited funds available, getting the analysis right is paramount in order to mitigate rather than exacerbate the problem. Initiating the wrong reforms may be worse than no reforms at all.

We have therefore classified the entry points of each project or program according to whether they address supply-side or demand-side issues. Supply-side AC efforts would try to reduce the willingness to pay bribes and typically address the private sector side. Demand-side AC efforts are typically aimed at the public sector and intend to reduce the ability and propensity of bribes to be extracted. As it turns out, the projects are not easily classified into only two entry point categories (public sector and private sector). Because of this, two further categories have been employed (financial management and civil society). These can also be seen as addressing the supply-side (in the case of civil society) and demand-side issues (in the case of financial management). While they can be seen as extensions of the same side, such a disaggregation may serve to show some of the different entry-points according to different sources of funds.

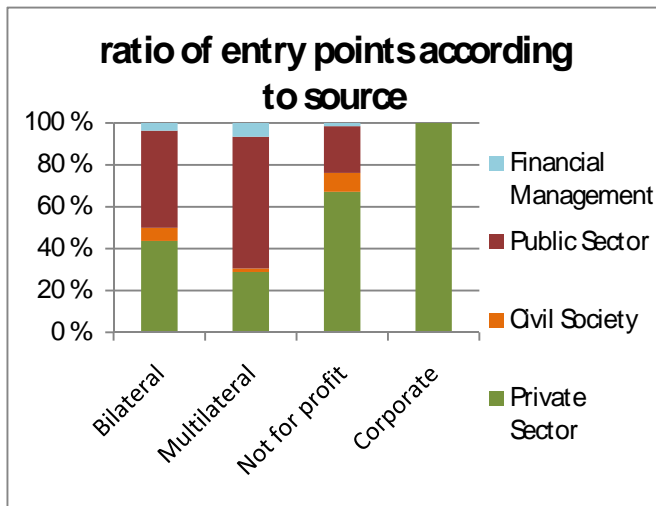


Fig. 9

public institutions and legal frameworks, as they are seen to breed corruption. Rightly so, opportunism originates in overregulation: too many bureaucrats, especially at the local level, have an interest in regulations not being altered, just for reasons of greed. However, focusing on this alone is an incomplete analysis which leads to faulted strategies. Kaufmann holds that too little is used by donors to address the other end of the spectrum – the high level corruption:

*'As suggested, the undue focus until not long ago on "pettier" forms of administrative bribery ought to give way to the need to address explicitly the costly challenges of "grand" forms of corruption, such as the tendency by elite firms and conglomerates to shape illicitly the formation of the state laws, policies, and regulations, which we have referred to as state capture. As a result of the traditional approach to the investment climate, ill-advised policies continue to be put forth. Examples abound: adopting yet another myriad of regulations, or officially decreeing that a firm should be able to register its operation within a certain time frame, or drafting new anticorruption laws, or creating yet another investment promotion agency or anticorruption commission. It is thus warranted to put forth salient unresolved issues at the core of the governance-investment climate nexus.'*⁶

This fundamental critique by Kaufmann needs to be taken seriously – a narrow focus on the investment climate fails to recognize the political dimensions of mis-governance. A major fault lies with the direction of studies like Doing Business⁷, in the sense that they look for constraints to business activity rather than asking the question: *why* is this happening?

Very little is known about the 'black box' i.e. the process of turning business environment assessments and knowledge of the underlying – often political – drivers of corruption into programming options. While the World Bank and other multilateral institutions do not have the mandate to tackle the political aspects of corruption, the bilateral donors seem content to go along with a technocratic reform agenda. Thus, when analysis is done and needs are identified, donor agencies often fall back on specific requests from the host government or other social partners, or they may settle on those fields of reform where they have previous experience or hold some form of comparative advantage.

⁶ See, http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/kaufmann_article.pdf

⁷ <http://www.doingbusiness.org/>

4. Substantive Lessons Learned

This section illustrates some of the conclusions and lessons learned as well as presenting concrete suggestions for donors as far as this is possible. In addition, we consider what measures and steps should be followed in order to substantiate this study further and cement the conclusions made.

Recommendations on direction

There are two sets of recommendations which derive from the DB analysis. One set refers to issues such as dissemination, sharing of information, transparency, and setting aside resources for these issues i.e. donor agencies' outreach activities. These issues ultimately relate to harmonization and coordination. The second set of issues relate to the policy considerations taken, the choice of priorities, entry points as well as levels and magnitudes of commitment i.e. donor agencies' practice.

Donor agencies outreach

Despite having the full support from all U4 partner agencies⁸, gathering project data was more cumbersome for these than for other agencies surveyed. Many agencies lack a complete overview of their own activities, while for others a limited overview is available at a decentralised level (e.g. embassies).

For harmonization purposes, localized knowledge pools may be sufficient, as long as agency staff who attend donor coordination meetings in the field understand corporate policy and have access to information on the projects of others. Informal conversations do, however, indicate that there is a distinct lack of ongoing learning between agencies as well as within agencies. This point is underlined by the fact that much implementation in this field is outsourced to experts and consultancies. They have little interest in sharing their knowledge and will only make public reference to their activities to underline their success rate.

The U4 study on knowledge management in donor agencies⁹ shows how different agencies have different processes for the design of their interventions. Some are more decentralized than others, some rely more on external consultants than others, and some are better at using local resources. The same can be said for the quality of the needs assessment processes that take place before moving into program planning. The process of assessing needs normally varies from the weak - an internet search or a three day scoping mission – to more solid work – knowledgeable agency staff communicating over a long period of time with national stakeholders.

For donor harmonization to succeed, channels of information need to be improved, but more importantly, domestic stakeholders must be included in all parts of the program cycle from a proper needs assessment onwards. The shift of engagement of second generation donors from a micro and meso to a macro level, i.e. sponsoring new legislation, etc., has gone hand in hand with a reduction of the perceived importance of dissemination activities and strategies. This however is a serious shortcoming: it should be far easier for U4 RC and other outside parties to enquire and learn about ongoing activities.

⁸ GTZ, NORAD, SIDA, CIDA, DfID, Minbuza

⁹ See, http://www.u4.no/pdf/?file=/document/u4-issue/u4_issue2_2006_knowledge_management.pdf

One step in the right direction would be the adoption of the DAC AC project code for this field. While this measure might help, it is not sufficient in and of itself. What is needed is the commitment of resources to improve transparency and the dissemination of information within donor agencies. This may imply reducing internal bureaucratic red tape, making innovative use of ICT without endangering de-centralized capacities and authorities, as well as changing institutional and individual mindsets. Sharing knowledge through end of mission/program briefs, holding seminars, etc., must pay in terms of advancement and status within the organizations.

This current lack of knowledge also has other ramifications. It is for example hard to suggest any new initiatives in this field without drawing on impact and feasibility studies or evaluations of previous experiences. As a result of the particular difficulties associated with corruption and the private sector, it is unreservedly problematic to find any kind of information on how donor agencies can engage with the private sector in developing countries.

What next for donors?

It has become apparent that the willingness by donors to engage further in private sector AC projects has not yet been matched by the volumes of aid that flow into 'traditional' AC projects in the fields of PSR, PFM, or judiciary reform. Currently, however, resources are scarce and there is a need to prioritize on issues which donors think matter and work together with domestic actors that can make a difference.

Donors want to learn more about the experiences of others in the fields of reducing corruption and fostering a good investment climate. The key lesson to be learned here is that reforms needs to be nationally owned, national actors are the key drivers in this reform effort and the donor role is to assist this process.

Moving forward, donor interventions can be based on at least two different assumptions that shape the nature of the engagement with corruption and the private sector:

- One scenario is that the private sector is seen as having the potential of providing checks and balances on government and elite discretion. In this picture, the private sector works against corruption and for good governance – which manifests itself in a level playing field in terms of competition, reduced regulatory and administrative burdens on businesses, and easy access to finance amongst others.
- Another scenario is 'state-capture' or 'business capture', i.e. where business is part of the problem. Some businesses may have the power, capacity and readiness to bind high ranking government officials into their debt, be it through corruption, or other means. In this scenario businesses who are engaged in state capture are in opposition to AC initiatives in the short term since any strengthening of checks and balances, accountability of the state, and demands for good governance would undermine their position and comparative advantage. In the long term however, such firms may want the rules applied to themselves and everybody else, in order to consolidate their position and not be prey to fickle government institutions/changing personalities in the executive/legislature. To that end, they would then be supportive of AC initiatives.

The vast majority of the projects in the DB are projects that would fall under the former bullet point. While these initiatives are important and may have significant impact (at least locally),

if larger issues of political economy, powerful vested interests and ultimately state capture and neo-patrimonial power structures remain unaddressed, progress on reducing corruption is bound to be slow at best.

In his paper entitled *Click Refresh Investment Climate Reconsidered* (2005)¹⁰ Daniel Kaufmann has made an interesting list of suggestions on how such an agenda can be taken forward:

“Policy Implications: Away from traditional public sector management

- Transparency is crucial – with the support of rigorous data gathering and monitoring, and improved disclosure and access for financial and budgetary data, scaling up in the adoption of e-governance tools (such as e-procurement), as well as transparent disclosure of parliamentary votes and public officials’ assets. More transparency is also needed in publicly disclosing the debarred firms from international bidding due to corruption, as the World Bank has done.
- Accounting for the political forces affecting the particular forms of capture and undue influence in a country, which among others imply modernization and competition of party politics, and transparent political and campaign financing.
- Explicit recognition of who are the shapers of the investment climate, pointing also to the importance of corporate responsibility and having a clear set of incentives for enhancing corporate ethics standards by domestic and multinational firms.
- Rethink orthodoxy on legal and judiciary reforms. Where the forces of capture have penetrated the judiciary it is warranted to abandon altogether traditional programs of technical assistance, such as caseload management or superficial study tours. Fundamental reforms focusing inter alia on political and economic independence of the judiciary are instead needed.”

Kaufmann’s last point however could be challenged as he somehow seems to imply that donors don’t run those types of projects, – which isn’t the case. It is not either private sector projects, or judicial integrity projects. Very often, donors fund both, in parallel.

One could add to Kaufmann’s higher level recommendations that there is scope for innovative approaches which complement the current set of reform programmes:

- Part of the problem of corruption in the private sector in developing countries is the reluctance to discuss the political linkages that exist. Donors can play an important role in fostering debate and discussion on this issue involving private sector bodies and actors but also other stakeholders and parties (civil society, media, religious bodies, etc.).
- Donors could also facilitate a national dialogue on the costs of corruption for the economy as a whole and for businesses individually. This added awareness should also be extended into business schools, law schools, and the like. However, before any

¹⁰ http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/kaufmann_article.pdf

such attempt is made, research is required to ascertain what the attitudes and knowledge levels of citizens and businesspeople with regard to corruption are; what would make reforms more or less credible; and whether a greater understanding of corruption would be a meaningful deterrent.

- Donors should do more work with large companies on AC measures. This is a way to address collective action problems, and offers the possibility to create ‘islands of integrity’ within the private sector. Large companies may have a higher propensity to participate in such efforts due to PR considerations and higher public exposure especially when foreign partners are involved as well.
- Work within sectors is important. The ‘island of integrity’ approach (for instance the construction industry in a major city) could be helped by donors to expand into ‘sectors of integrity’. Again, PR considerations may affect the whole of the industry which generates enough impetus to overcome collective action problems (see EITI). In addition, businesses in the same sectors may face similar circumstances which results in windows of opportunities to address the whole sector at once (e.g. financial sector in SA, or again EITI). A valuable tool in this regard is the commitment to use agents whose integrity is assured (by a business association or another oversight body).
- It has become clear that – as a result of the relative lack of attention private sector corruption has been receiving – measuring the impact of initiatives is still in its infancy and should be developed further. There are, as of yet, no specified recommendations on measuring private sector corruption either from the OECD, the Global Compact, or other international actors, and business associations or chambers of commerce are, for example, not evaluated in terms of their impact on corruption.
- On the donor side this is an issue too: donors should consider new and innovative ways on how their own projects can be assessed for impact.
- The above two points imply that an increase of research commitments on the issue of corruption and the private sector in general, on measuring and evaluation of corruption in this sector, and on the impact of donor projects is called for.
- Research should also be targeted at SMEs and which donor approaches, strategies and types of engagements are most appropriate and have the highest and most sustainable anti-corruption impact. This may be coupled with continuous analyses of the prevalence of the corruption problem in order to make program evaluations possible.

What needs to be done next to substantiate and validate this study further

As mentioned, this study should only be seen as a snapshot of donor efforts in the realm of private sector AC. Nevertheless, some indications and conclusions have been drawn from this mapping exercise. Furthermore, in order to address the remaining set of questions, more qualitative case-based assessment and research has to be conducted which will require substantial resources. The following set of research questions could be explored in this respect:

- Finding out how much has been spent on corruption as a proportion of total PSD assistance for a selection of countries.
- As part of these case studies the dimension of funding for each type of intervention and donor agency needs to be explored.
- Then, analysing in what relation the particular private sector AC engagements stand in regard to the rest of the country assistance program.
- Furthermore, to explore where the initial impetus for the engagement is located. This will have implications on ownership and ultimately the success rate of programs.
- Moreover, to explore whether the engagements were based on prior analysis/research/lessons learned from other interventions (by the same or another donor).
- Then, to investigate to what degree donors have developed integrated or joint initiatives and share responsibilities and tasks.
- Furthermore, to examine if independent M&Es were conducted, and if so what the results were. In addition, to find out whether the results were disseminated within agencies, between agencies and to all relevant national stakeholders.
- Next, to evaluate the level of specialization and competence of the various donors to ascertain and map who possesses strategic or comparative advantages on which future efforts can be built.

U4 is a web-based resource centre for donor practitioners who wish to effectively address corruption challenges in their work. We offer focused research products, online and in-country training, a helpdesk service and a rich array of online resources. Our aim is to facilitate coordination among donor agencies and promote context-appropriate programming choices.

The centre is operated by the Chr. Michelsen Institute (CMI – www.cmi.no), in association with Transparency International. CMI is a private social science research foundation working on issues of development and human rights, located in Bergen, Norway.

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