Aid, Donors and Corruption: Emerging Issues

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Anti-Corruption in development: Evolution of practice

1st generation: the principal-agent problem

Corruption = Monopoly + Discretion – Accountability

“Technical” responses—laws and institutional reforms
  – bureaucratic reform – PFM, civil service reform
  – horizontal accountability—ACAs, audit authorities

Problem #1: institutional weakness, lack of knowledge/capacity
Problem #2: political will
Second generation: the "demand side" and transparency

--civil society: advocacy and awareness raising
--access to information: FOI laws, transparency initiatives (budget transparency)
--social accountability

Problem #1: Political will
Problem #2: Power asymmetry & impunity
Third generation: Now what?—facing the political logic of corruption

- Internationalizing the effort
  - International standards: UNCAC & regional conventions
  - Targeting the “supply side”: Natural resource revenue transparency/governance initiatives (EITI, Kimberly, timber)
  - Targeting impunity: Asset recovery, cross-national prosecutions (UK, USA, EU), illicit financial flows

- Can we really deal with political finance?
- Sectoral approaches: defusing the politics?
What we “know” now

• Maybe not so much; standard of “evidence” is low
• Technical approaches are rarely successful
  – PFM *might* have a positive impact on corruption levels; SAIs
  – ACAs, AC strategies & AC laws have produced few meaningful changes & consumed a lot of time/money/attention
• Corruption is a political phenomenon, and solutions are political
• Donors have a hard time taking this on board
Fragile situations

• Peacebuilding: tradeoff between buying the peace and building legitimacy?
  – Definition and measurement: what do people see as “corruption,” “legitimate”?
    • most surveys only capture petty corruption

• Is aid part of the problem?
  – Inverse relationship between aid resources and local capacity
  – Dynamics of inclusion/exclusion in aid programmes
  – Managing expectations

• Social accountability

• “Mainstreaming”