



## Improving Oversight in the Management of Development Aid

There is a direct correlation between improved governance and the reduction of corruption - which in turn is seen to increase economic gains. This is particularly notable in the case of emerging democracies and countries undergoing transitions. According to the World Bank Institute, there is a potential for countries that improve corruption and support the rule of law to expect, on average, a four-fold increase in income per capita levels in the long run.<sup>1</sup>

International conventions, agreements and standards establish a framework to combat corruption on a global level. To be effective on a national level, however, the sustained participation and engagement of parliamentarians is necessary. This remains true for the general use of public funds as well as for the oversight of donor funded programs and projects, as both the donor and the recipient receive a diminished benefit when aid funds are misused.

The Global Organization of Parliamentarians Against Corruption (GOPAC) urges parliamentarians to exercise their oversight role where donor funded programs and projects are concerned. When parliamentarians engage with donor agencies and the funding process, they can not only increase the effective use of donor aid and loans, but can also deter any dishonest use of these funds.

GOPAC and the Parliamentary Network on the World Bank and the International Monetary Fund, in collaboration with the World Bank and the International Monetary Fund, developed the *Guidelines to Strengthen Oversight through Parliamentarian-Donor Collaboration* to provide critical guidance to parliamentarians regarding the role they play in combating donor fund related corruption.

## Corruption is detrimental to Economic Development

Elected officials are directly confronted by corruption and its devastating political and economic consequences. The United Nations hypothesizes that every year \$1 trillion is paid in bribes while an estimated \$2.6 trillion is stolen annually through corruption – a sum equivalent to more than 5 per cent of global GDP.<sup>2</sup>

While there is broad agreement that the precise impact of corruption is difficult to measure, there are many examples and indicators that demonstrate the financial magnitude of corruption:

- The United Nations Development Program estimates that over 10 times the amount of Official Development Assistance is lost to corruption each year. In 2010 alone that estimate would be over \$1 trillion.
- The 2013 World Bank Integrity Vice-Presidency Report states that they have witnessed a firm willing to pay nearly US\$6.5 million in bribes so that it can guarantee becoming the winning bidder.<sup>3</sup>
- In Pakistan there is an estimated 12 billion PKR lost to corruption every day.<sup>4</sup>
- The World Economic Forum estimates that corruption increases the cost of doing business by an average of up to 10 per cent.<sup>5</sup>

When money is lost to corruption, development is often impeded and government's ability to support their poorest and most vulnerable citizens is negatively affected. It is also apparent that where such corruption becomes substantial, the credibility of the institutions that democracy and good governance are based upon is eroded.

For many developing countries, donor funds are a considerable part of their developmental budget and therefore should be an important focus for those concerned with improving oversight. It is noted that donors have become increasingly insistent that recipient countries exercise stringent oversight in respect of the funds they give.

## International Donor's Stance on Anti-Corruption

As a clear example of donor intolerance towards corruption, World Bank President Jim Jong Kim recently stated: "I want to make it abundantly clear that the World Bank Group has zero tolerance for corruption."<sup>6</sup>

Some civil society groups have advocated for the allocation of aid only to countries with a proven capacity to administer them transparently. Yet, much of the financial support and aid that is provided is to developing and transitioning countries with the expressed purpose of developing such an institutional framework.

Rather than ignoring these challenges concerning good practices, donor agencies have responded to the misuse of resources by cutting funding to ineffective organizations, or to those where corruption is suspected. In cases of corruption, aid organizations have pulled their funding altogether. As examples the governments of Germany,

1. Six Questions on the Cost of Corruption with World Bank Institute and Global Governance Director Daniel Kaufman. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20190295~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607,00.html>
2. Corruption and development. [http://www.actagainstcorruption.org/documents/actagainstcorruption/print/materials2013/corr13\\_fs\\_DEVELOPMENT\\_EN\\_HIRES.pdf](http://www.actagainstcorruption.org/documents/actagainstcorruption/print/materials2013/corr13_fs_DEVELOPMENT_EN_HIRES.pdf)
3. Integrity Vice Presidency FY13 ANNUAL UPDATE. [http://siteresources.worldbank.org/INTDOII/Resources/588889-1381352645465/INT\\_Annual\\_Update\\_FY13\\_WEB.pdf](http://siteresources.worldbank.org/INTDOII/Resources/588889-1381352645465/INT_Annual_Update_FY13_WEB.pdf)
4. Chaudhry, Zubair. The Economic Cost of Corruption. The Express Tribune. <http://tribune.com.pk/story/652319/the-economic-cost-of-corruption/>

1. World Economic Forum. 'Fighting Corruption Makes Good Business Sense'. [http://www3.weforum.org/docs/WEF\\_PACI\\_Overview\\_2011.pdf](http://www3.weforum.org/docs/WEF_PACI_Overview_2011.pdf)
2. Integrity Vice Presidency FY13 ANNUAL UPDATE
3. Economist. Cleaning up. 17 February 2011. [http://www.economist.com/node/18176062?story\\_id=18176062&fsrc=rss](http://www.economist.com/node/18176062?story_id=18176062&fsrc=rss)
4. <http://www.worldbank.org/en/news/press-release/2013/04/17/world-bank-debars-snc-lavalin-inc-and-its-affiliates-for-ten-years>
5. Ibid.
6. OECD. The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. <http://www.oecd.org/dac/effectiveness/34428351.pdf>
7. Busan Fourth High Level Forum On Aid Effectiveness: Proceedings; <http://www.oecd.org/dac/effectiveness/Final%20file.pdf>

Spain and Sweden suspended their support for the Global Fund when allegations surfaced that \$34 million had been lost to fraud.<sup>7</sup>

Additionally, when evidence of misconduct surfaces, as it did in Bangladesh and Zambia, the World Bank debarred the company responsible and its affiliates for periods of 10-years and 3 years respectively.<sup>8</sup> Such action not only prevents those involved in the corrupt use of donor funding, it is also serves as a deterrent to others.

To support its anti-corruption efforts, the World Bank introduced a dedicated telephone line, e-mail address and an integrity app to facilitate the reporting of fraud and corruption.<sup>9</sup> Several multi-lateral lending agencies have introduced cross-debarment agreements to ease collaboration when sanctioning wrongdoers. If a company is de-barred from activities by any one of the lending agencies party to the agreement, it is automatically debarred by the other lending agencies party to the agreement. Such an agreement exists between the World Bank, the Asian Development Bank, the Inter-American Development Bank, the European Bank for Reconstruction and Development, and the African Development Bank. This collaboration helps reduce the international impact of corrupt organizations in the area of donor funding.

### **International Aid Transparency Standards**

Since the first high level meeting on aid effectiveness in 2002, like-minded organizations have been collaborating in order to improve how recipients spend their aid money. Consequently, the 2005 Paris Declaration ushered

in a new-found cooperation between donors and recipients, including the requirement of mutual accountability. Then, the 2008 Accra Agenda for Action resolved to build more effective and inclusive partnerships involving all development actors,<sup>10</sup> though parliamentarians were notably absent from this list.

Lastly, the Busan Process vowed to strengthen the Paris and Accra commitments through realizing democratic ownership in development and cooperation. It also recognized corruption as a plague that undermines development globally.<sup>11</sup> These positions dovetail with other international standards including:

1. The International Monetary Fund's Fiscal Transparency Code and its related Guide on Resource Revenue Transparency;
2. The Public Expenditure and Financial Accountability Performance Measurement Framework developed by the World Bank and other bilateral donors; and
3. The International Aid Transparency Initiative, which helps developing countries get greater access to information so that they can adequately track aid flows and activities.

The above developments have contributed to improved Donor-Recipient relations and to funding agreements which are generally more inclusive than in the past.

## What Can Parliamentarians do?

Parliamentarians are accountable to the electorate and must ensure that the government makes details about donor funding available to the public. As representatives of the people, as legislators, and as leaders in government oversight, parliamentarians must:

- Ensure that governments spend public funds in accordance with the intended agreed purposes and in a way that avoids and deters corruption and misuse of donor funds;
- Increase their engagement with donor agencies;
- Advocate for a transparent and accountable regulatory framework; and
- Seek support to strengthen capacity, including pushing for adequate resources.

## How Can GOPAC Help?

1. GOPAC national chapters can help improve transparency and accountability when governments are considering donor funded projects or reforms. Following the Guidelines to Strengthen Oversight through Parliamentarian-Donor Collaboration, can initiate the process. You can access these guidelines online: <http://gopac.org/guidelines>
2. The GOPAC Global Secretariat, through the Parliamentary Oversight Global Task Force (GTF-PO) can provide additional tools, country specific information and guidance towards improving oversight abilities.

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GOPAC is a worldwide alliance of parliamentarians working together to combat corruption, strengthen good government, and uphold the rule of law. Based in Ottawa, Canada, GOPAC has 53 national chapters on 6 continents. GOPAC supports its members' efforts through original research, global anti corruption capacity building, and international peer support.

