



# **MITIGATING CORRUPTION IN DEVELOPMENT ASSISTANCE**

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**Policy Brief**

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## Background

Corruption has a profound impact on a country's ability to achieve sustainable socio-economic development. It diverts public funds away from productive use, undermines accountability, impedes inclusive economic growth, and amplifies inequalities. In the health sector alone, an estimated 7% of global spending – close to \$600bn a year – is lost to corruption and fraud, resulting in fewer resources for essential health services and equipment. Such an enormous sum is nearly double the money needed to close the finance gap to achieve Universal Health Coverage globally.

The international COVID-19 response highlighted the vulnerabilities in global weaknesses in the financing and delivery of international development cooperation at global, regional and national levels. In many ways, the corruption seen during COVID-19 was nothing new, emergencies provide opportunity for corruption, and when large sums of money are disbursed, opportunities to exploit system weaknesses increased.

In the health sector, there is an increasing emphasis on constructing stronger and more resilient systems that can effectively respond to emergencies. However, the absence of embedded anti-corruption, transparency, and accountability (ACTA) measures will undermine this objective. Accordingly, there is a need to identify measures and instruments that both the funders international actors such as EU Member States, recipient governments, as well as the private sector can use to promote ACTA measures. Given the European Union's (EU) status as the world's largest international development donor, it is essential that the EU ensures funds are not misused. With the current Swedish EU presidency placing a focus on both developing and strengthening the EU's role in global health, as well as combatting development obstacles, such as corruption, this policy brief sets out to provide evidence-based recommendations to how to embed ACTA safeguards as part of the EU's broader development cooperation assistance<sup>1</sup>.

This policy brief draws on the Transparency International Global Health Programme's experiences in promoting transparency and combating corruption during the COVID-19 pandemic. We provide a range of recommendations that build on these lessons to mitigate corruption risks and vulnerabilities across all sectors, not just health care. If adopted, they will contribute to strengthening the resilience of national systems against corruption and increase the effectiveness of the EU and partners development approaches.

## LESSONS FROM COVID-19

During the pandemic, urgently needed public goods were needed for all, however global, regional, and national systems failed to provide populations with equitable and transparent access to medicines, protective equipment, and vaccines. TIGH's work has also witnessed a

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<sup>1</sup> [European Union, Swedish Presidency programme](#)

concerning lack of transparency in the research and development, procurement<sup>2</sup>, and service delivery<sup>3</sup> of urgently needed public goods which has created corruption risks that need to be addressed and prevented in future health emergencies and health financing mechanisms.

With COVID-19 having demonstrated the inherent weaknesses within systems that international and national actors were unprepared and unable to suitably respond to the pandemic due to key factors such as historic underfunding, policy fragmentation, and programme duplication. Even before the Covid-19 pandemic, global health financing and international development financing has often failed to achieve its goals due to systemic issues prevalent across the development sector such as corruption and misaligned aid allocation, fragmentation of the financing landscape, insufficient and overly complex ACTA mechanisms, lack of country ownership, donor fragmentation, and a lack of multistakeholder representation.<sup>4</sup>

## POLICY RECOMMENDATIONS

TIGH recommends the following to ensure that corruption does not derail development efforts. Our recommendations are addressed to international development and private institutions.

### International development actors

*(Particularly: EU Member States, EU development bodies, delegations in partner countries)*

#### Systemic anti-corruption safeguards

- Mainstream anti-corruption into decision-making within health systems and programmes to reduce incentives and opportunities for corruption from the outset. This is likely to be far more effective than trying to implement stand-alone anti-corruption measures that work against the grain in structurally flawed systems. Anti-corruption experts should be fully involved in the assessment and design of funding and programmes from the outset.
- Prioritise curbing the most damaging forms of corruption and use risk-based approaches and corruption cost estimates, for identifying these forms. Anti-corruption resources are limited, and thus should be directed at those forms of corruption that are most damaging to health outcomes and where anti-corruption efforts have a realistic probability of success.

To improve the **effectiveness** of development measures, a rigorous and systematic consultation process that includes a range of engagement activities must be at the core of the EU development governance structure. This should include:

- Rigorous consultation processes including a range of engagement activities where funding priorities are decided collectively by both EU Member States and implementing countries.

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<sup>2</sup> TI Global Health & TI Mexico (2022). [Secret Contracts: Preventing vaccine inequity.](#)

<sup>3</sup> TI Global Health (2022). [The Hidden Barriers to Equitable Access: Tackling corruption in the Covid-19 vaccine roll out.](#)

<sup>4</sup> TI Global Health & University of Leeds (2022). [Overcoming Governance Challenges in International Health Financing.](#)

- The inclusion of Non-governmental, Civil Society and Academic Groups within these consultation processes so that they can systematically provide input and evidence.

To ensure **country ownership and prevent further donor fragmentation or programme duplication**, the EU and its Member States should:

- In line with the Paris declaration, avoid creating new in-country governance, funding and reporting structures and instead provide resources to expand existing structures.
- Collect evidence and monitoring data to determine how well developmental programmes are progressing against national targets and/or the SDGs is paramount. The focus should be on impact – improvement of development outcomes, rather than output-based compliance measures.
- Ensure meaningful multistakeholder voice in programme design and implementation: design programmes to allow for participation by a cross-section of stakeholders (including national CSOs). Publish selection processes, and make resources and capacity building available to facilitate effective participation within programmes.

### **Specific recommendations for EU development financing processes**

To effectively build on the learnings from the pandemic, a standardised procedure for emergency procurement needs to be developed. This can include incorporating corruption risk assessments and mitigation strategies into procurement practices for emergency responses. Generally, mechanisms which support transparent procurement and data sharing must be built into funding frameworks.

The EU and Member States should uphold the following levels of **transparency** within contracts and agreements made with recipient governments and support the development of beneficial ownership registers, and open contracting systems This includes::

- The publication of contracts for works, goods, and services funded by the EU within 90 days of their signature on the implementing government's websites.
- The use of International Aid Transparency Initiative standard as a framework for the publication of budgeting and funding allocations, in an open data format, where possible showing how funds are spent in the recipient country.
- A commitment to a viable level of open contracting principles- including publication of open tenders, notices, metadata, and contracts in an accessible format.
- Support the development and usage of electronic procurement systems and beneficial ownership registers in recipient states which adhere to the principals of open-contracting.

To ensure **accountability**, the EU and Members States should require clear upward reporting policies that provide necessary oversight but do not over-burden partner countries. This means in practice:

- Support recipient governments to develop and implement formal whistleblower mechanisms.

- In situations where the capacity of implementing governments means accountability is threatened (measurable by comparing indices of capacity, integrity, etc.), EU bodies and Member States should consider the funding of national CSOs to cover the gap in terms of monitoring and reporting.
- The publication of a full audit at the end of the agreement on one of the implementing governments.
- Strengthen and continue the support of the autonomy and independence of supreme audit institutions (SAI) within recipient countries.
  - Publicly championing, and raising the issue of SAI independence through formal channels with recipient states where autonomy is under threat
  - Following up on recommendations contained within audit reports, and pushing for full publication of audit reports.
  - Support greater linkages between SAIs and CSOs within recipient countries to facilitate the sharing of intelligence and information, and to increase utilisation of findings by CSOs.

## Private Sector

The role of the private sector as both a development partner, and as a potential enabler of corruption is often overlooked. The below are recommendations to promote effective anti-corruption efforts for private actors such as firms and investors working in donor recipient countries.

- Conduct a thorough **risk assessment**. Preventing and countering bribery cannot be carried out effectively without knowing the range of bribery risks facing the company and deciding which are the most significant to address. The risk assessment process is a systematic way of assessing bribery risks and so that anti-corruption programme is focussed on the highest risks.
- Develop and implement a comprehensive **anti-corruption compliance programme**. This should cover high risk areas including: managing third parties, facilitation payments, gifts and hospitality, sponsorship and donations, conflicts of interest and political engagement.: This
- The programme should include regular **training and communication** for employees on anti-corruption laws and regulations, as well as policies which prohibit bribery and procedures to detect and prevent corruption, such as a **whistle-blower programmes**.
- Place a strong emphasis on developing an organisational **culture of compliance**, and ensuring that employees, and business partners feel comfortable, and able to report suspected cases of wrong doing. Ensure that the board and senior management are actively committed to anti-corruption through their support, statements, and behaviour. Anti-corruption compliance programmes will be effective only if they are adapted to the country's specific context, including the political and legal system, the level of corruption, the cultural and social norms.
- Put in place comprehensive **financial controls**. Corporate bribery incidents often involve lax or inadequate financial controls, most commonly in relation to how transactions are

recorded in the books and records of the company. Well-designed anti-bribery financial controls act as checks and balances to deter improper behaviour by raising the risk of detection and capturing information to enable investigation.

- Conduct **due diligence**: Conducting thorough risk-based due diligence on partners and suppliers, including background checks and risk assessments, can help to identify potential corruption risks and ensure that partners and suppliers have strong anti-corruption controls in place. **Ongoing monitoring** of third parties will allow early identification of any new corruption risks or incidents occurring.
- Foster **transparency and accountability**: Private actors can help to promote transparency and accountability by publicly disclosing information on their activities, beneficial owners as well as their efforts to detect and prevent corruption. This can be done through the company's website, annual reports, or through industry-specific initiatives. Companies should also disclose their corporate structures, payments to government and details of political engagement activities. This can be done through the company's website, annual reports, or through industry-specific initiatives.
- Conduct **monitoring and reviews** of the anti-corruption programme. This contributes to the continuous improvement of the anti-bribery programme. It checks that the design is sound, implementation is effective and identifies areas for improvement. In addition, through early detection of 'red-flags' and potential incidents of bribery, such monitoring can act as a deterrent to bribery.
- Engage, and embed corporate **anti-corruption benchmarking exercises** into business practice. Benchmarking exercises assess practices against other companies and best practices, allowing for areas for improvement to be identified.
- Align with **global standards**: Adopting and aligning with global standards, such as the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, Transparency International's Corporate Anti-Corruption Benchmark, and the ISO 37001 Anti-bribery management systems, can help private actors to ensure that their anti-corruption efforts are effective. Transparency International's Business Principles for Countering Bribery also provides a useful starting point for businesses across the globe.



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