

Controlling Corruption – A Challenge for Cooperative Development Work

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Corruption in developing countries is one of the main obstacles standing in the way of successful economic and social development. When bribery is widespread, the legal security necessary for economic development is lacking. When public funds are embezzled, public infrastructure suffers. When nepotism takes over public service, the state cannot reach its full potential and top-performing personnel without connections become discouraged. Furthermore, corruption affects the poor; they suffer especially when money for teachers or medication slips away. The fight against corruption is thus not just a fashionable topic in the West – it is borne by many people in developing countries who are committed to improving the living conditions there.

Corruption is a global phenomenon and not limited to the developing world. There are always two sides to bribery. Until 1999, bribery payments to business partners outside of Europe were tax-deductible in Germany. Despite improvements which brought about the implementation of the OECD convention against bribery in international trade, public officials in developing countries continue to be bribed by internationally active companies with the goal of securing a public contract.

Corruption also affects development work. In many countries where aid is provided, corruption is an everyday phenomenon. The institutions are too weak to effectively control corruption. Aid-workers in developing countries cannot avoid taking risks. If one doesn't take risks, one cannot help. This is especially true for humanitarian aid, which is often carried out while the government is in a state of collapse.

Public institutions which support development policy as well as relief organizations continue to struggle to speak openly about the risks. There is widespread concern that openly addressing the problems could harm the reputation of cooperative development work. However, ever since the World Bank has stated that the fight against corruption is one of its primary concerns and shown that it will not shy away from dis-

cussing the risks of corruption in projects which are funded by the World Bank itself, the strict taboo that previously surrounded this problem has faded. This change is absolutely essential for the effective control of corruption risks. By managing to ensure transparency in their area of responsibility, organizations are better able to support the forces in the developing countries who are advocating good governance.

In developing countries, the most widespread form of corruption in public administration is by far embezzlement in the commissioning of public contracts by means of a “kickback”. In a “kickback”, the contractor writes an invoice for an inflated amount which is then entered into the books and paid for out of public funds (including funds from cooperative development work). Part of the inflated amount is unofficially given back to the public officials responsible for the commission. In order to secure a kickback, the commissioning procedure is usually manipulated. Corrupt public officers generally use elaborate methods to secure embezzlement by maintaining the appearance of legality. Administrative checks – though important – cannot detect such manipulation alone. Corruption monitoring must therefore be carried out on a more comprehensive scale. This includes, among other things, realistic project planning, good knowledge of local prices, and a clear definition of the project’s objectives. Given these prerequisites, chances of controlling corruption, or uncovering it, are good.

For a long time, corruption was primarily seen as a problem of the public sector. Corruption is particularly dangerous there, since it mixes with political power. However, decision makers outside of government can also abuse their positions for personal gain, thus becoming corrupt. Methods of safeguarding against corruption, including kickbacks, in non-governmental organizations are similar to those used in the public sector. Relief organizations that cooperate with non-governmental organizations must therefore also practice risk management.

Much has been done in recent years to ensure transparency and control the risks of corruption in relief organizations. Clear regulations that monitor the use of funds are no longer considered a contradiction to the spirit of partnership. Nowadays, a contractual agreement with clear rights and obligations of both collaborators is the norm. More and more projects in the field of non-governmental organizations are also being

subjected to external audits. Caritas International and other churchly relief organizations have the advantage of long-term collaboration with partners who are permanently on-site. In addition to the project grant, they can consult with their partners during the development of their organizational structures in order to ensure transparency. Transparency cannot be enforced from the outside only – it must be a priority for the partners themselves. An integral part of the dialogue with our partners involves how to establish adequate administrative and oversight structures.

Victims of corruption are often people in need who do not receive aid. Successful, outcome-oriented corruption control should also involve the aid organization's target groups. In this way, risks can be detected locally, for example when aid is not received because those responsible for the distribution of supplies sell them to local merchants. Such "social auditing" is possible in cooperation with on-site partner organizations and is only successful in a long-term cooperation. Here, too, collaboration with organizations based on-site in developing countries has a useful advantage that is not to be overlooked.

Controlling the risks of corruption can only be managed when humanitarian aid and cooperative development workers are not left alone with the problem. This was the case during the long taboo period. The education and further training of humanitarian workers must include open discussions about the risks. This is the only way that workers can develop the sensitivity and knowledge they need to assess risks, even in unclear situations. Moreover, those involved in on-site humanitarian aid and cooperative development are constantly faced with situations in which it is difficult to comply with all conduct guidelines. For example, in a country with no legal security, police or customs officials may block an urgently-needed emergency aid delivery to a refugee camp in order to exact an "expedition fee". Here, too, workers must not be left on their own to solve the problem "somehow." Workers also need contact persons whom they can turn to when they encounter suspicious situations.

Institutional obstacles must also be taken into account. Corruption control is hindered when expenditure deadlines determined by the government create pressure to spend funds faster than local conditions allow. "Spending pressure" should thus be avoided. Transparency is only possible when the legitimate institutional interests of our partner

organizations are protected. They can only provide long-term aid when they are able to obtain and maintain qualified personnel. Transparent program support is not possible without the transparent funding of necessary personnel and administrative costs. The long-cultivated demonization of administrative costs, even by relief organizations, was counter-productive to controlling corruption risks, but has luckily been largely overcome.

For successful corruption control, it is also important for the relief organizations and public donors who support their work to be able to talk openly about corruption control. This has not always been the case. On the surface, a case of abuse in a publicly-funded project is by definition a breach of the conditions of approval and may result in a demand for a refund. By now, there have been several cases in which public donors acknowledged that an abuse of project funds, which unfortunately could not be prevented, was due to risky on-site conditions and not a result of negligence on the part of the relief organization; the public donors then waived their reimbursement. Taking into account the conditions of the individual case helps to overcome the taboo of the problems and facilitates corruption control.

Today, it is still risky for relief organizations to talk about the dangers of corruption. Understandably, they are concerned that by doing so, they will play into the hands of scandal-seeking media and scare off private donors. Fortunately, however, donors nowadays want to be better informed where their money is going than they were in the past. By donating, they are documenting their interest in the living conditions in the developing world. It is no secret to them that aid must be provided under inevitably risky conditions. Relief organizations need to communicate openly with the public without omitting the risks. I am convinced that this also strengthens donors' trust.

Controlling corruption is not about waging a war. It is about improving the conditions for transparency in order to provide effective aid. In the end, controlling corruption for humanitarian aid and cooperative development serves the greater goal of improving the living conditions in the developing world. It is one of the trusted insights of cooperative development work that this cannot be done without good governance.