

Written evidence submitted by Mat Tromme to International Development Committee

1. This submission addresses three of the specified questions set out by the UK Parliament's International Development Committee inquiry on 'tackling corruption overseas'. This submission argues that:
 - a. (*Question 1*) Whilst DFID needs to have a zero policy towards corruption, it nevertheless needs to implement a more subtle analysis of the causes, context, power struggles, formal and informal mechanisms, as well as the role of incentives in order to develop a proper understanding of how corruption works at the country level. DFID's existing methodological framework (political economy analyses, drivers of change, etc) are a solid basis to achieve this.
 - b. (*Question 2*) Every context is different, and what seems to work in one case may not in another. Taking Vietnam as an example, this submission explains that DFID played a facilitating role to catalyze collective action and coalitions working on corruption. As such, engaging the private sector was found to be an interesting strategy, both because it had hitherto not been as involved in the political dialogue as it could, but also because multinational corporations operating in Vietnam face compliance challenges that provide them with real incentives to tackle corruption.
 - c. (*Question 2*) The choice of sector and/or stakeholders that are prioritised must follow a careful analysis. However, there also appears to be important demands from governments to work on sectors that relate to their sovereign roles, such as tax collection. Money laundering and corruption are intrinsically connected, and so it is important to tackle them both together.
 - d. (*Question 3*) There is no 'one-size-fits-all' approach to tackling corruption, as numerous anti-corruption project evaluations have shown. A mix of both top-down and bottom-up approaches may be required. Fostering both the demand and supply for anti-corruption may prove effective, though it also presents its own sets of challenges.
2. The evidence is provided by Mat Tromme in his personal capacity. I am a Senior Research Fellow at the Bingham Centre's for the Rule of Law, and am the lead for the Global Rule of Law Exchange (www.ruleoflawexchange.org), a project which has a law and development focus. My area of expertise is in transparency and anti-corruption. This evidence is submitted drawing on my previous experience as *team leader and technical adviser* of a UK Department for International Development (DFID)-funded anti-corruption project in Vietnam (*The Anti-Corruption Strategic Fund*¹).

Question 1: Should DFID have a zero tolerance policy towards

¹ <https://devtracker.dfid.gov.uk/projects/GB-1-202788/>

corruption in the countries where it is working or is a more nuanced approach needed to tackle corruption over the long-term?

3. Distinctions need to be made. DFID can and should have a zero tolerance for corruption as a standard approach towards the projects that it supports and the processes it employs (procurement, accounting, etc). However, even when it adopts a zero-tolerance policy, DFID cannot expect that this will have an immediate and sustainable impact on corruption, particularly since, in many countries, corruption at all levels is an established fact. Naturally, this does not mean that a more 'permissive' approach is better suited, but rather, that it is important to be realistic about what DFID's role in fighting corruption in-country is and what it can legitimately expect to achieve².
4. DFID's current approach – which consists in drawing on such frameworks as 'political economy approaches', 'drivers of change', and 'theories of change' – is vital to understanding where and how DFID can realistically have an impact. (This point will be further expanded upon in the next sections). As such, it is a valuable tool that should continue to be put to good use. These frameworks have been vital to identifying anti-corruption 'champions' and opportunities to facilitate incremental change.

Question 2: In 2013 DFID published anti-corruption strategies for all the countries it works in; how effective have these been? Do they adequately take into account the political and social context of the countries in question? Do certain sectors require particular attention?

5. DFID's anti-corruption strategies seem to be appropriate, and are underpinned by more in-depth analyses of the political and social context of each country. In Vietnam, DFID's role as 'lead donor on anti-corruption' (which was acknowledged in the respective anti-corruption strategy) was well received, both by the international community and the government. In this capacity, DFID was the lead interlocutor between the 'international community', a group of stakeholders involved in the anti-corruption agenda (notably other donors), and the Government of Vietnam. One of its role was to facilitate stakeholder's input into the Government's agenda. Specifically, DFID's approach was to try and facilitate demand and supply for anti-corruption and to try and identify 'champions' or 'drivers of change'. DFID sought to support greater dialogue amongst them, as well as to confront different viewpoints and approaches with the hope of setting off 'catalytic' change. As well, it sought to foster enhanced dialogue between government and non-government actors. This strategy therefore recognised the importance of working with civil society but also acknowledged that stakeholders in

² The literature abounds with studies and examples about the impact of donors on corruption. Hanna, R., Bishop, S., Nadel, S., Scheffler, G, Durlacher, K. (2011) The effectiveness of anti-corruption policy: what has worked, what hasn't, and what we don't know—a systematic review. Technical report. London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London; Gabriel L. M Stapanhurst, R Thomas M, 2001, The Role of Bilateral Donors in Fighting Corruption, U4; Amundsen, I, Jan 2006, Political corruption and the role of donors (in Uganda), Bergen: CMI

other areas (most notably in the private sector) could be supported to elicit progress.

6. Working with the private sector proved relatively successful because there was a real demand for engagement, motivated by very clear incentives. Specifically, international businesses operating in Vietnam on the one hand need to navigate a highly corrupt environment (in both public administration and business operations), and on the other face high compliance constraints that are dictated by international anti-bribery instruments and conventions, such as the UK Bribery Act, the FCPA, and the Australian or German anti-bribery laws. This shows the importance (and potential force-multiplier effect) of acting on corruption 'at home' by developing extra-territorial tools that aim to foster a better business environment (e.g. the UK Bribery Act) or by promoting transparency at the sector level (e.g. through EITI) that help change government practices (i.e. disclosure of contracts)³.
7. However, while there was a real rationale for working with the private sector in this case, anti-corruption strategies that consider other sectors and actors may be just as relevant and impactful depending on the context. Corruption in health, education, or natural resources has its own idiosyncratic specificities calling for tailored solutions. This choice largely depends on an analysis of the power structures and of how social and political relationships as well as formal and informal structures matter to understand the incentives and networks that underlie the system of corruption. This analysis also needs to be supplemented by an understanding of who the champions or drivers of change can be at the sector level (both in and outside government), and therefore whether demand or supply-driven approaches seem more appropriate.

³ Initiatives like the EITI can have a very clear *indirect* contributions by facilitating the conditions for enhanced participation or accountability, though they may not have *direct* effects such as improved governance outcomes. (See Rainbow Insight. 2009. *Evaluating the EITI's Impact on the Transparency of Natural Resource Revenues*) Etter suggests that whilst the EITI had a net effect on reducing corruption in Peru but not in Mali, initiatives like the EITI tend to rely heavily on a vibrant civil society, though the voluntary nature of the initiative also reflects the importance of 'political will' in fighting corruption (see Etter, L, Jan 2014, Can transparency Reduce Corruption? Evidence from Firms in Peru and Mali on the Impact of the Extractive Industries Transparency Initiative (EITI) on Corruption, Paper presented at the Doing Business Conference, Georgetown University, Washington D.C, available at <<https://goo.gl/UqQqYz>>)

8. Experience suggests that anti-corruption policies which are supported or initiated by government have a good opportunity of success⁴. There appears to be strong demand from various governments to work in areas that touch on their sovereign role, such as tax-collection and money laundering, security and law enforcement. Recent scandals (e.g. involving HSBC or Walmart) have only amplified the sense of urgency. Thus, addressing the institutional weaknesses (financial, human and technical) within the money-laundering sector should be an important priority. This, in turn, involves addressing the whole money laundering ecosystem, by ensuring that investigators have the right skills and knowledge to detect money laundering and collaborate with other international and national entities, and that action is taken by law enforcement and judges to punish the crimes⁵. Doing so increases countries' legitimacy and potentially their ability to impart justice in fairer ways. DFID has a role to play in this, though this requires a 'whole of government' approach, that is, one which involves the different specialised agencies such as the NCA, the Crown Prosecution Service, the Foreign and Commonwealth Office and DFID. Moreover, money laundering and corruption are intimately related, since very often, the proceeds of corruption need to be concealed, transferred, converted or disguised. It is to be welcomed that the Financial Action Task Force (FATF) has recognised this connection in its current round of country review, and has proposed to include an in-depth analysis of the corruption causes at the country level. Similar approaches should certainly be encouraged by the UK.
9. With regards to the effectiveness and impact of DFID input on anti-corruption, it is crucial for bodies like DFID to 'learn by doing', to draw lessons, and remain flexible. Adaptability is key to operate effectively and with political sensitivity. For example, DFID in Vietnam was able to recognise where a particular area did not benefit from any 'government ownership' and decided to deprioritise it.

Question 3: What should the balance be between seeking to tackle corruption top down at institutional level and bottom up at the grass roots? What works and what is not working as well and why?

10. This depends and needs to be tailored on a country by country basis. In politically hermetic countries like Vietnam or Zimbabwe, the prospects for top-down change are very meagre unless there are clear signs⁶ that political leaders clearly act to tackle corruption (i.e. demonstrate 'political will') and are keen to engage in the process relevant actors like DFID, international and domestic actors. Where this is not the case, then 'bottom-up' strategies may be better suited. However, DFID would need to proceed with caution, as it is easy for political leaders to either co-opt this process (e.g. when

⁴ See for example *Combating corruption in the public sector; success stories*, available at <http://sna.gov.it/fileadmin/files/workshop_seminari/Selection-of-case-studies.pdf>

⁵ Statistics suggest that Africa loses around 33 billion GBP per year in illicit financial outflows, though anti-money laundering efforts recover a very small fraction of that. See for example M. Anderson, 2 Feb 2015, *Africa losing billions from fraud and tax avoidance*, The Guardian, available at <<http://goo.gl/06l5nM>> Similarly, the Global Financial Integrity (GFI) estimates that illicit outflows of capital from poor and emerging markets surpasses USD 1 trillion (see Kar, D, Spanjers, J, Dec 2015, *Illicit Financial Flows from Developing Countries: 2004-2013*, available at <http://www.gfintegrity.org/wp-content/uploads/2015/12/IFF-Update_2015-Final.pdf>)

⁶ By this, we mean clear indications that corruption at the 'grand' level (e.g. within Government) will not be tolerated.

grassroots initiatives are set-up by and/or ultimately benefit politicians and/or their relatives) and/or stall it entirely.

11. A suitable compromise in these conditions may be to tackle corruption transversely, by identifying suitable 'champions' or change agents at the sector level (e.g. in the business sector, within civil society, etc). Research also suggests that anti-corruption policies that are part of a larger body of institutional reforms tend to be better⁷. Under these conditions, DFID's role is best seen as one of 'facilitator' between international and national knowledge and experience and between government and non-government actors. It seems to be more appropriate for DFID to focus on galvanising (and eventually legitimising) the involvement of key stakeholders, particularly of those not previously involved in the political debate. In other words, this involves strengthening the demand-side, identifying common areas of interest between different state and non-state actors, and providing these different stakeholders with incentives to act against corruption. This generally proves to be less 'politically risky' as well.
12. At the same time, key institutions such as the Judiciary, the Legislature, the Prosecution, law enforcement and investigative agencies have a role to play in poverty-reduction (achieving the SDGs) and imparting justice. Some of these institutions may lack evidence, knowledge and/or skills of how to tackle corruption within their own sector, and at the country-level as a whole. Because of this, some anti-corruption strategies will inevitably require working with Government.
13. It is therefore apparent that both supply and demand-side approaches are important. That said, what works and what does not is highly context-specific. In Vietnam, working to open civil society space proved particularly challenging (in part because there is strong state-control). On the other hand, where champions could be identified within the private sector, this provided a possibility to make some advances with raising awareness about the issues and engaging government on corruption.

⁷ Rocha Menocal, Taxel, N, Stennberg Johnson, J, Schmaljohann, M, Guillan Montero, A, De Simone, F, Dupuy K, Tobias, J, January 2015, *Why corruption matters: understanding causes, effects and how to address them. Evidence paper on corruption*, accessed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/406346/corruption-evidence-paper-why-corruption-matters.pdf