Building Donors' Integrity Systems: Background Study on Development Practice

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Introduction and background

This report presents the initial findings of a project to gather information on the integrity practices of development agencies, conceived as a foundational step toward consideration of an OECD guideline or standard[1] on integrity for development co-operation actors. (See Annex A for the original concept note.) It builds on aid donors' growing recognition of the threats that corruption poses to development results and on the momentum to address these threats more completely, as evidenced by frameworks such as the UN Convention Against Corruption, the 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement, the OECD Recommendation of the Council on Bribery and Officially Supported Export Credits, the 2007 DAC Policy and Principles on Anti-Corruption and other instruments.

None of these initiatives, however, captures the full range of practices that help development agencies maintain integrity in their portfolios. The purpose of a new guideline or standard would be to create a comprehensive statement of principles and recommended good practices for reducing the risk and/or incidence of corruption, tailored to the particular challenges of development work. The eventual status and authority of any resulting OECD product is still to be determined.

Methods

The report is based on 25 responses to a survey distributed to all members and observers of the OECD Development Assistance Committee, along with interviews conducted in person or by telephone with representatives of eight bilateral development agencies (or multiple agencies of one country) and one multi-lateral agency. The survey was structured to map the existing practices and policies of donor agencies, delineated into the following areas:

- Relating to the agency itself and its staff:
  - internal ethics policies, assistance/advisory functions, training/awareness raising
  - reporting mechanisms.
- Relating to the interface with grantees, contractors and partner governments:
  - aid transparency
  - anti-corruption strategy or policy[2]
  - control and enforcement: reporting mechanisms, procurement integrity, auditing, investigations, sanctions and information sharing
  - risk analysis and management approaches
  - joint responses to corruption.

Follow-up interviews explored practice in these areas and also sought to test the premise that a new guideline or standard is needed. The limited resources and scope of this study mean that the survey findings should not be interpreted as a comprehensive or exhaustive catalogue of donor practices, nor can it provide detailed analysis of their content. Rather, it provides a "birds-eye view," with broad outlines of the territory, combined with an initial investigation into some of the patterns that emerged.

Key findings

This section provides a brief summary of key findings and recommendations. It does not attempt to cover every issue in the full report, but rather highlights some of the most interesting patterns and challenging areas, including areas where more effort may be needed to establish good practice for a guideline.

An OECD standard or guideline on integrity in development is generally welcomed by OECD members and observers, but it must allow for flexibility in application. Many respondents cited its potential value in facilitating the work of those responsible for corruption prevention, control and risk management within their agencies, particularly when anti-corruption and integrity considerations conflict with other mandates or priorities of the agency. The normative value of an OECD standard could also lead to its use outside of member country development agencies. To the degree that an OECD guideline might result in harmonisation of practice among donor agencies, it might also reduce the burden of partner governments and recipients of funds. However, the diversity of agency mandates and national legal systems within the OECD means that any guideline must allow for flexibility in implementation, by articulating areas and principles of good practice rather than detailed and specific requirements.

The range of issues covered in the survey was broadly endorsed as an appropriate framework for a comprehensive guideline or standard. These areas are therefore recommended for inclusion in an OECD guideline or standard. In a few areas, such as aid transparency and anti-corruption strategies, the connection to integrity outcomes was hard to establish from the research, though the practices are considered valuable for other reasons.

A number of other frameworks exist, and the value of any new OECD guideline or standard will be determined to a great extent by whether agencies are able to adapt their own policies (and evaluative frameworks). Few respondents could identify an existing framework that, on its own, meets the needs of both flexibility and comprehensiveness, as well as addressing the unique context of development assistance. But several frameworks may come close. Especially if agencies cannot adapt their existing policies and frameworks to align with a new OECD approach, however, then the value of a new product would be diminished.

It is widely recognised that stringent integrity practices may not always be practical in the context of humanitarian emergencies or conflict settings. Any OECD guideline or standard would need to take this into account. It was beyond the scope of this study, however, to explore this aspect of agency practice or policy.

Internal ethics

Internal ethics regimes are widely included in member agencies' integrity systems. The self-regulated behaviour of agency staff is the first line of corruption prevention. Most agencies have codes of conduct, ethics advisory services, training and awareness

raising, and corruption reporting/whistleblowing mechanisms in place to help staff play this role. Indeed, when asked which issues were most important in affecting their agency's ability to assess, manage and mitigate corruption risks, survey respondents chose codes of ethics or other integrity guidance, along with training and awareness raising, most often. While organisational configurations and practices vary, there is much common ground on which to identify principles of good practice for an OECD standard or guideline.

The emerging need is for strengthening communications around these functions, especially to demystify potentially intimidating processes like whistleblowing or seeking advice on questions related to ethics or suspicions of corruption. Corruption touches on a vast range of practical and analytical knowledge areas, it is open to differences of definition, and for agency staff it can carry with it a fear of making mistakes and incurring sanctions. This puts a premium on providing clear guidance and, more importantly, ongoing communication and safe space to discuss dilemmas and seek advice. An OECD integrity guideline should include these communications aspects of an integrity system.

Control functions

Agencies consistently implement controls via procurement rules and auditing. Broadly accepted standards for procurement integrity and auditing already exist, and most responding agencies follow the core principles, though in different institutional configurations. Internal audit, in particular, takes a number of different forms – and even names – across agencies, making identification of patterns and good practices difficult. Most seem to be involved in varying forms of programme-oriented rather than financial audits, but the range of activities and the ways they are performed is broad. Further information gathering on these issues may be necessary as a next step toward an OECD guideline or standard on internal auditing.

Most agencies also implement investigation, sanctioning and information sharing policies, though practice is more diverse and difficult to harmonise, especially regarding sanctions and information sharing. Compared to procurement integrity and auditing systems, a smaller portion of responding agencies have investigation resources. Principles of good practice are still identifiable, including flexibility and proportionality, that should be included in any OECD guideline or standard. As with whistleblowing and seeking ethics advice, communications around the process and outcomes of investigations is emerging as the next challenge – again with the goal of demystifying and building trust. Sanctions, along sharing information about them in order to help other agencies avoid known problems, were widely endorsed as essential elements of an integrity regime. Any degree of harmonisation on the specific types or degrees of sanctions, however, would encounter the well-known difficulties of harmonising differing legal systems, as would information sharing.

Risk management

Appropriately assessing corruption risk, and then translating that assessment into relevant operational mitigation measures, was more consistently identified as a challenge than any other issue. Corruption risk management is a relatively new emphasis for development agencies, sitting at the nexus of internal control and external context. It recognises that development work is almost always done in settings where corruption risks are very high, and that development work relies on – even requires – engaging with this environment rather than ring-fencing development funds somehow

"out of harm's way." External context affects the level of corruption risk at least as much, if not more, than an agency's internal procedures. Yet many integrity frameworks stop at the organisation's door. Corruption risk management should be included in an OECD integrity standard to help bridge that gap.

Corruption risk analysis is practiced by most agencies, but there is often a gap between broad, country-level political economy analysis, on the one hand, and detailed due diligence reviews of potential partners, on the other. There is little practice, and less guidance, on risk analysis at other stages of the project cycle. An OECD guideline or standard should encourage agencies to integrate corruption risk assessment at different points of the programme planning and management cycles. It should also encourage agencies to develop guidance for different levels of analysis, particularly to help activity designers or managers make the links between the broad political economy of corruption and specific risks to the expected results of an activity. One promising tool for this is a rigorous theory of change, including careful examination of assumptions regarding incentives for change.

Agencies are grappling with the complexities of corruption risk management, especially in translating risk analysis into activity design or project management approaches (i.e. specific risk mitigation measures). Corruption risk management begins where risk analysis meets operations. Agencies use corruption risk analysis to inform operational decisions about whether to continue development assistance to a country, whether to launch new activities in a given country, and what partners to work with. But the issue of how risk analysis can be used in more concretely operational ways (e.g. activity design, oversight and mitigation approaches) surfaced as the key challenge in interviews. Emerging good practice is the use of a project management system that builds consideration of corruption risk into several levels of the project approval and monitoring process (such as Sida's Contribution Management System or DFID's Business Case). Ongoing use and review of risk profiles or matrices for activities is also an emerging practice. Both of these approaches help in breaking down the concept of risk into different organisational and operational areas, but these systems put considerable demands on managers to be highly informed on numerous anti-corruption issues and approaches. An OECD standard or guideline should endorse integrating corruption risk analysis and mitigation in activity management frameworks, but at the same time, the practice is in its early days, and little evidence about effectiveness is yet available.

Experience varies significantly regarding the integration of agencies' formal control functions (e.g. inspectors, internal audit) with corruption risk assessment and management at the programmatic level. This kind of integration could greatly enhance risk management by bringing multiple tools and approaches to bear from assessment to mitigation. While some agencies indicate that risk assessment informs audit planning, for instance, staff of other agencies describe a system in which "the two work in parallel," with internal auditors rarely informing or being informed by corruption risk assessments or mitigation options implemented by programme managers. More information is needed, but this is an apparent missed opportunity that may merit inclusion in an OECD standard or guideline.

Joint donor responses

Fewer than half of the responding agencies say they have stated a policy of co-ordinating responses to corruption with other donors, but just over half say they co-ordinate with other donors, at least on a case-by-case basis, anyway. This OECD

priority appears to have some momentum, and the concept is broadly endorsed by agencies, but barriers to co-ordinated responses are many and well known. Principles of good practice in this area have already been developed by the OECD and should be incorporated in any integrity guideline or standard, but expectations about implementation will have to be tempered by realism about the challenges of harmonising donor procedures.

Next steps

This report provides a strong foundation for an OECD integrity guideline, but it is necessarily a first step. The information gathering represented here points clearly toward issues that can be included in a standard, and in some cases suggestions for good practice were found. The overall framework, and particularly the recommended good practices, should be further vetted and confirmed through consultation with DAC members and observers. A key question is whether agencies will be able to adapt their existing policies to an OECD standard or guideline. Equally, if not more, important is the question of whether agencies will be able to change the frameworks they use for assessing other organisations' integrity systems. Additionally, a few areas of practice were raised by respondents that might merit further examination. These include staff rotation policies, declaration of interests/assets and financial and programme monitoring as a tool for risk management.

Background

This report presents the initial findings of a project to gather information on the integrity practices of development agencies, conceived as a foundational step toward consideration of an OECD guideline or standard[3] on integrity for development co-operation actors. The concept for this initiative was discussed and endorsed by the Development Assistance Committee (DAC) in May 2014 and the OECD DAC Anti-Corruption Task Team in November 2014 (see Annex A).

Concept: What is a global integrity standard for development co-operation and why might it be needed?

Aid donors have long recognised the threats that corruption poses to development goals and have developed an array of policies and strategies to assess and manage the associated risks.[4] Further, as outlined in the concept note, a number of international frameworks and standards have also been put in place, including the UN Convention Against Corruption, the 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement, the OECD Recommendation of the Council on Bribery and Officially Supported Export Credits and the 2007 DAC Policy and Principles on Anti-Corruption.

Over the ensuing years, development agencies have come to recognise additional challenges. Perhaps most important is the recognition that corruption risk is not easily "managed," that mitigation of these risks is not a short-term or technical undertaking – indeed, that corruption is for most development activities an ongoing and tenacious operating condition, requiring perhaps comprehensive re-thinking of how development activities are conceived, designed, implemented and monitored. As this knowledge was taking shape, the range of issues involved in assuring integrity in development aid has grown. Procurement integrity, along with avoidance of bribery and efforts to co-ordinate donor responses are now accompanied by ethics regimes, contextual risk analysis, due diligence on potential aid recipients, complaint hotlines, and numerous other initiatives that add up to an integrity regime for a given agency. International standards and guidelines, however, have not yet captured this comprehensive thinking.

A number of opportunities now present themselves: First, to take stock of the practices agencies have developed to respond to these challenges and to assess whether the existing array of policies and practices is serving the needs for which they were developed. Second, to consolidate learning from this experience. Third, to translate some of this knowledge into a set of guidelines that expands on existing frameworks, with the goal of painting a more comprehensive picture of integrity in development co-operation that can be used as a guide and a reference for agencies seeking to strengthen their systems.

Methods

This report is based on information gathered from two key sources. First, a survey was developed, drawing on background research on integrity practices in development agencies and other organisations (see Annex B). The survey was the principle tool for mapping the existing policies and practices of donor agencies, delineated as follows:

- Relating to the agency itself and its staff:
  - internal ethics policies, assistance/advisory functions, training/awareness raising
  - reporting mechanisms.

- Relating to the interface with grantees, contractors and partner governments:
  - aid transparency
  - anti-corruption strategy or policy[5]
  - control and enforcement: reporting mechanisms, procurement integrity, auditing, investigations, sanctions and information sharing
  - risk analysis and management approaches
  - joint responses to corruption.

The survey was distributed by the OECD secretariat to DAC representatives and the representatives of observer organisations, requesting that they in turn assist with distribution to relevant agencies and consolidation of responses. Surveys were distributed to 43 entities; responses were received from 25 (Table 1).

Table 1: **Survey respondents**

Bilateral donors	Multilateral organisations
Australia, Belgium, Denmark, Finland, France, Germany,[1] Iceland, Ireland, Israel, Italy, Japan, Luxembourg, New Zealand, Norway, Poland, Portugal, Slovenia, Sweden, Switzerland, United Kingdom, United States[2]	European Union, Inter-American Development Bank, World Bank

Notes: 1. Surveys were completed by GIZ and KfW. Interview was conducted with BMZ. 2. Partial response.

The second main information source is interviews. Based on the survey responses, nine countries or organisations were selected for follow-up interviews. Visits were made to development authorities in Belgium, Denmark, Germany, Sweden and Switzerland. Telephone interviews were conducted with representatives from Australia, Japan, the United Kingdom and the Inter-American Development Bank. More than forty people participated in interviews.[6] Selection was done in consultation with the OECD secretariat, mainly based on survey responses that indicated a combination of relevant experience, informative comparisons in certain areas of practice and interest in further discussion.

Interviews focused on clarifying survey responses and delving deeper into experience and practice. They were structured around an interview guide, but were conducted as open-ended discussions that adapted to both the experience and expertise of the given interviewee(s) as well as the time available.[7] Some discussion points explored possible conclusions that seemed to emerge from the survey; others explored differences in practice. Special emphasis was given to the cutting-edge issue of risk management, as discussed further below. Finally, a set of questions sought to test the basic premise of this

project: whether an OECD guideline on integrity in development co-operation would be a useful contribution that adds value to existing resources, and if so, what forms and content would be most useful.

A few caveats are in order about the methods used and thus the conclusions that can be drawn. First, this investigation was designed as a first step, with limited resources and thus a necessarily constrained scope. Similarly, in order to encourage responses, the survey, as well as the interview protocol, was a necessary compromise between comprehensiveness and brevity. Thus the report cannot be seen as a comprehensive catalogue of existing policies and practices across development agencies, nor can it provide detailed analysis of their content. Rather, it provides a "birds-eye view," with broad outlines of the territory, combined with an initial investigation into some of the patterns that emerged. The details of any one of the topics covered in the survey and interviews can constitute a complete study on their own; indeed many such studies exist. It is not the purpose or within the scope of this project to re-visit or summarise these bodies of work, but rather to map out areas where donor policy and practice are already harmonised and where they are not, and to provide overall direction to the extent and content of any proposed global guideline. Detailed recommendations on any given subject, should they be desired, would require further investigation.

Second, while the report cites numbers or proportions of responses to survey questions, these "counts" should be understood only as illustrating a general direction, not as statistical "facts." This is so for at least two reasons: First, some of the responses represent the conditions and practices in only one of a country's development agencies, while others represent consolidated responses from more than one agency, so the universe (the denominator in a proportion) is necessarily vague. Second, it became clear in the course of the follow-up interviews that words and phrases mean different things in different agencies. For example, "internal audit" or "controller" covers a wide, and differing, range of functions across agencies. Thus the number of responses confirming an internal audit function, or a reporting mechanism, or a particular type of training regime needs to be taken as a general, rather than a specific, indication of practice.

Third, though one of the objectives of this study was to gain insight on the effectiveness of different approaches to integrity in development co-operation, only limited information could be found. The first step in this effort was to ask survey respondents what, if any, impact has been documented – or that they could cite, without documentation – from their agency's implementation of the various practices examined. Almost no respondent provided documents; a few cited some internal analyses, which are discussed in the following sections where relevant. Overall, however, no systematic information on effectiveness was uncovered.

Structure of the report

After some discussion of parameters and the question of value added, the report is structured around the various topics that could constitute an integrity framework. To avoid repetition, the report does not separate discussions of **good practice** or **effectiveness**, but instead signals them with highlighted text (as here). Likewise, a final section of conclusions and recommendations is not included. Rather, the report is structured to link recommendations specifically to discussions of the related issues and are clearly labeled in each of the sections.

Definitions, scope and status of a standard or guideline

In the course of discussions about a possible OECD guideline or standard, a number of issues and questions arose that will need to be answered. This section provides the parameters and definitions that shape the current inquiry, along with suggestions of remaining issues that may need to be addressed if the process continues toward establishing a guideline or standard.

Definitions

Three terms in the parameters of this project need clarification at the outset: internal integrity, corruption and risk management. For the purposes of this study, "*internal integrity*" *refers to those elements of an agency's ethics, control and risk management regime that relate to corruption risk*. Thus, while personnel issues such as harassment based on gender, religion, or ethnicity,[8] or a commitment to minimising environmental impact may constitute part of an organisation's integrity regime, they do not figure in this analysis. Further, internal integrity covers both the *prevention* and *enforcement* elements of agency policy and practice that address corruption risk.

This of course begs the question of *defining corruption*. The broadly recognised definition, "the abuse/misuse of entrusted authority for private gain" is used here. The challenges of operationalising this definition are well known among anti-corruption analysts and practitioners, but using a more specific definition is also problematic in that different agencies may, in accordance with national laws, define corruption in different ways.[9]

The broad definition offered here covers any misuse of authority that directs development funds to purposes that benefit an individual or organisational outcome that is different from the one for which the funds were intended. On this basis, bribery (offering and accepting), embezzlement, misappropriation of funds or property and conflict of interest, as well as other abuses of functions such as favoritism in selection of staff, implementers or suppliers, can all fall under the purview of an integrity regime. This definition also does not leave out corrupt actions committed by individuals in the private sector that involve development funds. Corruption may involve the direct loss of funds, or it may affect the objectives for which funds are used (e.g. favoring a particular region or constituency to receive a service, based on considerations of personal gain or other objectives not related to the goals of the activity).[10]

Finally, because agencies involved in development co-operation cannot control the behaviour of every person who may affect how development funds are used and the objectives to which they are directed, corruption risk will always exist. Agencies should be held responsible for appropriately *assessing and managing the risk of corruption* represented by the *institutional, political, economic and social context* in which its activities are carried out. Corruption risk management, then, sits at the intersection between internal policies and personnel, on the one hand, and external context and actors, on the other. This project expressly includes risk assessment and management on the continuum of integrity in development co-operation. The concept, along with donor

experience in this area, is discussed in the section on corruption risk management (pp. 41-48).

Scope, coverage and authority of a potential guideline or standard

A number of questions involve the scope of a potential OECD guideline on integrity in development co-operation: Which agencies and organisations should be covered? Which issues should be included in a guideline, and how detailed should it be? Should variations for fragile and conflict settings be included?

Regarding coverage of agencies, this report presumes that any resulting OECD guideline would be mainly aimed at public development agencies in OECD member countries, though it may also speak to the broader community of development organisations for which a shared standard may be helpful. This report will use "development agencies" generally to refer to the range of public agencies – both bilateral and multilateral – that make decisions on and manage aid funds.

The great diversity of agencies, however, means that different elements of an integrity guideline or standard will be differently applicable to various organisations, depending on their role in the continuum of decision-making and implementation and on what other laws and regulations apply. A ministry of foreign affairs, for example, may make broad strategic choices about aid allocation but have little role in implementation (e.g. the German Federal Ministry for Economic Co-operation and Development [BMZ]), or it may have an extensive role if it is also home to the government's main aid function (e.g. the Australian Department for Foreign Affairs and Trade). More "free-standing" development agencies (e.g. USAID, DFID, or JICA) may have greater or lesser degrees of policy and budget independence, while others (e.g. Belgian Technical Cooperation or GIZ) are more strictly implementing agencies, some of which operate as semi-private companies competing on the commercial services market. All of these organisations are subject to the laws of their own countries, some of which impinge on their ability to adapt to any OECD standards. Still other agencies (PROPARCO in France and the German KfW Development Bank) are loan-giving institutions that operate under national and international banking regulations.

Two important implications of this diversity are worth noting. First, an extremely detailed standard or guideline will be difficult to apply across national jurisdictions and may impose disproportionate burdens on agencies with small portfolios or limited implementation functions. The second implication follows from the first: flexibility in how the guidelines are to be applied is essential. These issues are discussed further in the section "Questions: Value and feasibility of a standard" (pp.21-24).

At the same time, the scope of application of any OECD guideline or standard is necessarily contingent on the status of the organisation vis-à-vis the OECD. For example, multilateral development banks (the World Bank and the regional development banks), as well as the UN's aid arms (UNDP, others) received the survey as observers to the OECD DAC and as sources of valuable information and learning. The normative role of an agreed OECD standard may shape their policies and practices on a voluntary basis. Likewise, non-public organisations such as NGOs or private companies managing aid funds may find an OECD guideline useful, but may also operate under other regulations (e.g. the US Foreign Corrupt Practices Act or the UK Anti-Bribery Act).

Finally, the question of the status and authority of any standard or guideline remains an open question. The research for this report did not provide a conclusive direction. On one hand, respondents pointed out that a binding standard would face significant

challenges of harmonising with a range of national laws and existing international frameworks. Perhaps the strongest feedback was that *an OECD standard should not be both binding and duplicative of other frameworks*. Views were more mixed on the degree to which lesser forms of authority would be valuable. Some respondents suggested that an OECD integrity guideline should be integrated into the DAC Peer Review process, while others thought a voluntary guideline would be sufficient. While a voluntary guideline might be seen to duplicate other existing frameworks,[11] it would arguably differ by focusing on the issues especially important for implementing and managing aid programmes.

- **Recommendations:**
  - Any OECD integrity guideline or standard would apply primarily to organisations that are part of OECD member governments. Any other organisations would be encouraged to follow the guideline voluntarily.

  - Due to the diversity of development entities within the OECD, any integrity guideline or standard should identify principles and good practices, but must allow for flexibility in application.

  - While agencies cannot directly govern the actions of outside individuals, many non-employees have a role in assuring the integrity of aid funds. To address this challenge, any OECD guideline or standard should include risk management approaches.

  - This report does not take a position on whether an OECD integrity standard or guideline should be binding or voluntary. This decision should be taken by DAC members after reviewing the challenges involved in harmonising a standard against national laws and other international requirements.

Variations: Fragility, conflict and humanitarian relief settings

Fragility, conflict and humanitarian relief present additional challenges for a global integrity guideline. Urgency of need, lack of access to banking systems and concerns about local capacity and accountability are among the conditions that, on the one hand, press for expedited processes and reduced controls, while on the other hand heightening the risks of corruption.

These issues are addressed in a number of analyses and publications (see, for example, Transparency International, 2014; OECD, 2011, 2014b). It was beyond the resources of this project to conduct a further exploration of the variations in donor practice in these settings. Suffice to say that it was broadly recognised by interviewees that adaptations of policies and practices were required, though several interviewees indicated that their agencies are still struggling with how to do this well. One agency representative exemplified the problem, noting that after several years of implementing a new management system that includes a pronounced focus on reducing corruption risks, their humanitarian operations were still struggling with the constraints of the complex analysis and montioring required.

- **Recommendation:** An OECD guideline must allow for adaptations in situations of conflict, fragility and humanitarian response. These issues could not be addressed in this report.

Questions: Value and feasibility of a standard

Before any further work on an OECD guideline goes forward, it is important to assess whether, and in what form, such an effort is welcome and would add value to existing frameworks. There is a short and clear answer to the first question: All interviewees were asked whether an OECD guideline would be welcomed, and the response was unanimously positive.[12] Among the potential benefits cited:

- A broadly agreed guideline or standard would have normative value and allow individual agencies to point to a wider agreement backing up their policies.

- The process of establishing such a guideline would enable learning across agencies.

- Reference to a shared standard would facilitate the work of those responsible for corruption prevention, control and risk management, particularly when anti-corruption and integrity considerations conflict with other mandates or priorities of the agency.

- To the degree that a shared guideline or standard could lead to harmonisation of agencies' policies and practices, it could reduce the burden of partner governments, implementers and multilaterals in responding to multiple integrity requirements from different funders.

To address the question of value added, interviewees were asked if they would suggest any other standard that could play a similar role. Essentially, would the OECD be "re-inventing the wheel"? Interviewees offered few suggestions for alternatives, though agencies' own frameworks for assessing multilateral organisations were mentioned. (Indeed, in some cases, these were mentioned as a practice that could benefit from harmonisation). However, for the purposes of comparison, a few possible alternatives are briefly explored in Box 1.

As Box 1 demonstrates, elements of existing frameworks could be adapted to create a reasonable framework reflecting the priorities and interests of the DAC member states and observers. That said, one challenge for members is the question of whether countries that are already using their own frameworks, for example for evaluating multilateral agencies, would be willing and able to adapt those to an OECD guideline (assuming adaptation would be necessary). The value of a guideline would be significantly reduced if this outcome is unlikely. Further, if other existing requirements are left in place (e.g. the EU Pillar Assessment), then a binding OECD standard would create additional work.

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Box 1: **Possible alternatives to a new OECD guideline on integrity in development co-operation**

European Commission Pillar Assessments

The European Commission (EC) requires that any entity entrusted with budget implementation tasks must demonstrate financial management capacity equivalent to the Commission itself. This evaluation is made through an *ex-ante* pillar assessment. Pillars, the broad areas covered by this assessment, include: (1) internal control, (2) accounting and (3) independent external audit. The assessment must also include at least one of the following: (4) procedures and rules for grants, (5) for procurement, (6) for financial instruments, as well as (7) a specific pillar for sub-delegation. The framework for assessment includes a questionnaire and scoring criteria for each pillar, along with 105 pages of detailed "indicative questions" for establishing the score for each sub-item of the pillars.

The key <u>strength</u> of the EC pillar framework is its comprehensiveness. It includes a range of detailed questions on most aspects of financial accountability and integrity, including ethics and a code of conduct, which are not always considered in similar frameworks. There is a particularly helpful set of questions regarding risk management, which could be adapted specifically to corruption risk:

2 RISK ASSESSMENT – questions/criteria
Key question (level 2): does the Entity identify risks to the achievement of its objectives across the Entity and are risks analysed as a basis for determining how they should be managed?
2.1   Does the Entity specify its objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives?
2.2   Does the Entity have risk assessment procedures in place which allows management to identify, assess and address existing or potential issues that may hamper the achievement of the Entity's objectives?
2.3   Are risks assessed on a project basis or globally?
2.4   Are risk assessment procedures documented?
2.5   Does the Entity have a Risk Register?
2.6   Does the Entity have risk assessment procedures which: – Identify events and risks affecting the achievement of the objectives? – Analyse the significance of risks and the likelihood of their occurrence? – Determine the actions and follow-up mechanisms needed in response to the risks? – Implement and modify controls to respond to changes in identified risks?

Source: European Commission (n.d.).

<u>Weaknesses</u> of the EC framework include the fact that the risk assessment section does not provide any specific insights on the content of corruption risk assessment or management. Additionally, evaluation questions in other areas are often too specific for a broad guideline.

MOPAN Common Approach

The Multilateral Organisation Performance Assessment Network (MOPAN) is a "network of 17 donor countries[1] with a common interest in assessing the organisational effectiveness of and evidence of contribution to development and humanitarian results achieved by the multilateral organisations that they fund." **Invalid source specified.** The Common Approach framework, first used in 2009 and revised in 2014, assesses multilaterals in two areas: 1) organisational effectiveness and 2) development and/or humanitarian results. Most relevant to this project's focus is the Key Performance Indicator on financial accountability, within the performance area of operational management. The KPI includes several micro-indicators, as follows:

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Box 1: **Possible alternatives to a new OECD guideline on integrity in development co-operation** (*cont.*)

KPI 8	The MO has policies and processes for financial accountability (audit, risk management, anti-corruption).
MI 8.1	External financial audits meeting recognised international standards are performed across the organisation (external or UN Board of Auditors).
MI 8.2	External financial audits meeting recognised international standards are performed at the regional, country or project level (as appropriate).
MI 8.3	Internal audit processes are used to provide management/governing bodies with credible information.
MI 8.4	The MO implements its policy on anti-corruption.
MI 8.5	Processes are in place to quickly follow through any irregularities identified in audits at the country (or other) level.
MI 8.6	The MO's procurement procedures provide effective control on purchases of goods and services.
MI 8.7	The MO has strategies in place for risk identification, mitigation, monitoring and reporting.

Source: MOPAN (2014).

Strengths of the MOPAN approach include the fact that it is already a shared approach endorsed by many countries that are members of the OECD DAC. In addition to the indicators above, the framework includes transparency of the organisation's resource allocations and staff management, as well as harmonisation of planning, programming, monitoring and reporting with other donors (this could be relevant to joint responses to corruption). Taken together, these could be considered a nearly sufficient range of issues for an integrity guideline, with less specificity than the EC framework.

Weaknesses of the MOPAN approach, from the perspective of integrity, stem from the lack of details regarding the important area of risk mitigation and management. The framework also does not mention staff ethics (the "strategic management" section includes leadership and values, but these indicators are formulated in terms of results orientation rather than integrity). While the MOPAN framework sketches out a useful framework, the OECD and its members may wish for more specification of the means by which the indicators are achieved.

OECD EvalNet

The Evaluation Network (EvalNet) of the OECD DAC has also responded to a perceived information gap on institutional performance and development effectiveness of multilateral organisations by developing a joint approach. The approach was accepted by EvalNet at its June 2011 meeting.[2] Relying mainly on a "meta-analysis" of the multilaterals' own evaluations, the framework focuses mainly on development effectiveness rather than specific organisational characteristics. It includes the following indicators on "efficiency" that are relevant to integrity in aid:

Efficiency	
5.1	Programme activities are evaluated as cost/resource efficient.
5.2	Implementation and objectives achieved on time (given the context, in the case of humanitarian programming).
5.3	Systems and procedures for project/programme implementation and follow up are efficient (including systems for engaging staff, procuring project inputs, disbursing payment, logistical arrangements, etc.).

Source: OECD (2014d).

Strengths of the OECD EvalNet joint approach, for the purposes of this study, are limited. Its focus on development outcomes is an essential perspective for any standard, but the weakness of the framework is that it does not provide sufficient detail on the structures of internal integrity.

Notes: 1. MOPAN members in 2014: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, the Netherlands, Norway, Republic of Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States. 2. See: www.oecd.org/dac/evaluation/evaluatingmultilateraleffectiveness.htm.

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Some important caveats and questions were raised during discussions of the potential value of an OECD guideline or standard. At the conceptual level, some wondered if the normative value of an OECD standard could be compromised if it only reflects the viewpoints of OECD member governments and agencies. The *feasibility* of implementing a standard was also a topic of concern, with some agencies expecting they would not be able to change their own policies and practices significantly to adhere to an OECD standard, but also expecting they would already be mostly aligned with OECD recommendations. Others noted the resource constraints of even large agencies, let alone small agencies managing limited portfolios. A frequently expressed view was that while a minimum level of control and risk management was necessary, any OECD guideline would need to be flexible enough to allow for cost-benefit assessments by member states. Finally, interviewees pointed out that sovereign nations have foreign policy agendas that could constrain their ability or willingness to align integrity practices, particularly *vis-à-vis* sanctions or other decisions affecting relationships with other states.

The feasibility of implementing a standard is affected by its level of specificity. While interviewees recognised the value of articulating specific good practices, most realised that turning these into specific guidelines would limit the applicability of a standard by reducing its flexibility. Most advocated a balance between enough specificity to be meaningful and enough flexibility to be implementable across a range of legal systems, agency sizes and mandates and aid portfolios. Examples of too much specificity suggested by interviewees included specific timelines for given actions (e.g. consideration of audit findings by management, responding to complaints of corruption), detailed expectations on the configuration of functions across offices or departments, and attempts to specify acceptable levels of risk.

- **Recommendations** on the value and feasibility of an OECD guideline or standard:

  – The OECD should go ahead with an effort to develop a shared standard or guideline on integrity in aid. This is considered a welcome effort by member states, and no existing framework appears to meet the needs and interests of members as articulated in the research for this report.

  – At the same time, existing frameworks provide useful starting points. A promising direction that would not require "reinventing the wheel" may be to start with the breadth of the EC pillar assessment and work backwards to a level of generality that would be acceptable to OECD members, incorporating the findings from this study as good practices or in some cases recommended minimums. Other frameworks may also need to be considered.

  – Any resulting standard or guideline should allow flexibility in implementation across countries and agencies by articulating areas and principles of good practice rather than detailed and specific requirements.

  – DAC members should consider whether the value of a standard or guideline would be sufficient if they are not able to adapt existing frameworks, such as those used to evaluate multilateral organisations.

  – Members should consider whether a standard would have the expected normative influence beyond the membership of the OECD if it does not reflect the input of those other actors.

Mapping policies and practices:
What are agencies implementing and what have they learned?

This section maps out the policies and practices of agencies that responded to the survey, with further insight from the interviews. The topics covered in the survey are discussed in terms of the overall response, any lessons or assessments of effectiveness that can be drawn from the information provided, and resulting recommendations about how the topic might be treated in any resulting OECD guideline.

Before moving to individual topics, a note about the preferences and practices of agencies regarding the overall framework is warranted. In addition to the feedback from interviewees that an OECD guideline would be welcome, most also endorsed a comprehensive approach, stating that all of the issues covered in the survey should be included in a guideline or standard. Though a survey question asking which of the elements in the survey should be included in a guideline received relatively few responses, the issue of comprehensiveness was answered indirectly in the survey in another way: For nearly every question asking whether a given practice or policy was in place, a significant majority of respondents answered yes.[13] While there were differences in the specific content and application, the existence of these policies and practices in most of the agencies indirectly endorses a comprehensive approach. As a result of these considerations, the following sections will not include separate recommendations on including a specific topic in an OECD standard; all can be presumed recommended unless there is a recommendation *against* it.

- **Recommendation:** An OECD guideline should be comprehensive, including each of the elements discussed here, unless it is expressly not recommended.

Internal ethics: Codes of ethics, ethics advisory services and training

Codes of conduct/ethics

The self-regulated behaviour of agency staff is the first line of corruption prevention, and the vast majority of responding agencies have a code of ethics for their staff that expressly includes avoidance of corruption. There is some difference practice regarding whether the code is specific to the international affairs or development agency, and how it is made available (Table 2).

Table 2: **Survey responses on code of conduct/ethics**

1a. Does your agency have a code of ethics or integrity for staff?
(25 responses)

Option	Count	Percent
Yes	23	92
No	2	8
Total	25	100.0

1b. Is the code specific to your agency, or does it apply more broadly?
(23 responses)

Option	Count	Percent
a. It is specific to my agency	13	56.5
b. It applies to a broader range of government agencies	10	43.5
Total	23	100.0

1c. How is the agency's code of ethics/integrity made available to staff? (select all that apply)
(23 responses)

Option	Count
a. Provided in writing to all staff at hiring	13
b. Provided in writing, with follow-up interactive training	6
c. Available on a web site	20
Other (please describe briefly)	8
Total	47

1d. Is avoidance of corruption clearly included in the code?
(23 responses)

Option	Count	Percent
a. Avoidance of corruption is specifically included	22	95.7
b. Avoidance of corruption is not specifically included	1	4.3
Total	23	100.00

Interviews and responses to narrative survey questions suggest the following **good practices**:

- Codes should be clear and brief so that they are easily understood. "Legalese" should be avoided. On the other hand, general and abstract statements of principle may not be specific enough about behaviours to be avoided, particularly in different social or cultural settings. Backup materials and education efforts (see below) should include concrete examples and cases.

- Codes of conduct or ethics need to be disseminated actively. Several respondents noted a lack of communication about what the code of ethics means "in real life" as a weakness of their agencies' practices. The distribution of answers to question 1c in Table 2 indicates a potential weakness in OECD DAC member practice in this regard.

- Some agencies developed separate codes of conduct for their staff working abroad, to address the specific conditions and needs of development work more thoroughly. Most often cited is cultural diversity and the resulting need to be very specific about what is considered corruption and what actions are expected in response to suspicions of corruption. Conflict of interest was most frequently cited as the issue requiring the most clarification.

Effectiveness: Interestingly, when asked which three elements of an integrity system covered in the survey they considered to "have had the most impact on your agency's question ability to assess, manage and mitigate corruption risks in its aid portfolio," respondents voted for codes of ethics, along with training and awareness raising, most frequently (see Table 3). However, in interviews, it was clear that codes of conduct were viewed as insufficient in themselves. Rather, while an ethics code provides a foundation for integrity in development co-operation, it had to be combined with promotional efforts. (Further, the "close seconds" in the voting – auditing and investigations – indicate the view that knowledge of appropriate conduct has to be backed up with enforcement.)

Table 3: **Elements of integrity system with the most impact**

10a. Overall, which elements of your agency's approach to integrity would you say have had the most impact
on your agency's ability to assess, manage and mitigate corruption risks in its aid portfolio?
(25 responses)

Option	Count
a. Codes of ethics or integrity guidance for employees	11
b. Integrity/ethics advisors or management assistance	4
c. Internal and external reporting/whistleblowing	6
d. Training and awareness raising	11
e. Disclosure/Aid transparency	3
f. Explicit anti-corruption policies, strategies (externally-oriented)	2
g. Corruption risk assessment	4
h. Procurement integrity	8
i. Auditing	9
j. Investigation/response to audit findings, whistleblowing	8
k. Sanctions	3
l. Corruption risk management strategies	2
m. Donor co-ordination/joint responses	0
n. Other (please specify)	2
Total	67

Ethics or anti-corruption assistance/advisory service

Corruption touches on a vast range of practical and analytical knowledge areas, and for agency staff it can carry with it a fear of making mistakes and incurring sanctions. At the same time, the definition of what constitutes corrupt behaviour is subject to extensive differences in understanding across social, political and cultural settings. This combination raises the premium on providing clear guidance on ethics standards and anti-corruption rules, but also on providing a means for staff to get additional advice or clarification. Thus it is an increasingly common practice for agencies to provide assistance to staff in interpreting ethics codes and their responsibilities under them. (Table 4)

Table 4: **Survey responses on ethics advisory services**

2a. Does your agency have an ethics advisory or assistance structure for staff?
(25 responses)

Option	Count	Percent
Yes	20	80.0
No	5	20.0
Total	25	100.0

2b. At what level of the organisation is this assistance available? (select all that apply)
(20 responses)

Option	Count
a. Centralised advisor(s)/resources in headquarters	19
b. Advisors/resources available at lower levels (e.g. department) in headquarters	6
c. Advisors/resources based in some (e.g. regional) field offices	3
d. Advisors based in all field offices	1
Total	29

While most responding agencies provide some sort of ethics or anti-corruption assistance, the configuration varies widely. Some have dedicated ethics offices or ombudspersons whose main function is to promote awareness of ethics guidelines through training and other efforts, and to field inquiries from staff around the world and provide guidance about specific concerns or cases. Other agencies provide this sort of service through their human resources or legal departments. Where advisory services are provided in field offices, this is rarely a dedicated, full-time role, but rather the function of a designated "focal point" who has other responsibilities.[14]

Further, it was not always clear whether the advisory services outlined in survey responses were mainly concerned with internal ethics or with integrity risks in projects or programmes, or both. At least one agency appeared to have different starting points for inquiries depending on whether the issue was a staff member's own integrity dilemma, something pertaining to integrity risks in programme /project, a specific suspicion of a corrupt action, or a concern about corruption in procurement. Unsurprisingly, a representative of this agency also identified a weakness in the agency's approach to integrity assistance: it is not fully clear to staff where they should turn for assistance.

While this example might be the most complex, most agencies do have a mix of offices providing anti-corruption and integrity guidance depending on the type of issue involved. Additionally, in some cases it became clear in interviews that "advisory" and "reporting" mechanisms were one and the same.[15] Finally, the question of the availability of an alternative to normal line management arose for both advisory and reporting functions. In most cases, alternatives were provided even if the normal line of management was the recommended or "usual" path for reporting concerns or seeking clarifications of policy.

While the survey and interviews did not produce clear-cut **good practices**, especially in terms of the organisational structure for providing advisory services in ethics and anti-corruption, a few principles can be proposed based on the experience shared in surveys and interviews:

- Due to the complex nature of corruption and its susceptibility to differences in interpretation, opportunities for staff to consult in a safe and non-threatening environment are an essential part of corruption prevention.[16]

- Where different elements of internal ethics or anti-corruption advice need to be sought from different sources within the organisation, it is important to communicate this clearly to staff. Multiple reporting lines for multiple purposes are often confusing and may result in reduced use of the advisory services that do exist.

- Building trust is both necessary and a challenge. While a few ethics advisors are expressly independent and mandated to maintain confidentiality, agencies face the need to balance between facilitating honest inquiries and a desire to prevent corruption before it happens, on the one hand, and avoiding a situation in which, as one interviewee put it, "someone can make an inquiry and [by virtue of doing so] get away with anything." Thus many advisors have primary responsibility to the agency rather than to individual staff members.

Training and awareness raising

As shown in Table 3, respondents viewed training and awareness-raising about ethics and corruption issues as equally important to a code of ethics in terms of impact on an agency's ability to assess and manage corruption risk. Accordingly, this element is widely implemented across responding agencies (Table 5). Interactive approaches were most prevalent, though interviews suggested that follow-up or refresher training was more likely to be passive (typically, web-based).

Table 5: **Survey responses on training and awareness raising**

4a. Does your agency provide training for staff on its internal integrity regime with respect to corruption?
(25 responses)

Option	Count	Percent
Yes	23	92.0
No	2	8.0
Total	25	100.0

4b. To whom is the training provided, and with what frequency? (select all that apply)
(23 responses)

Option	Count
a. To new staff when they are hired	15
b. To all staff on an intermittent basis (e.g. every few years or when a problem arises)	15
c. To all staff on a regular basis (at least once a year)	6
d. Specialised training to staff working in high-risk functions (e.g. programme/project managers in high-corruption countries, staff working in procurement)	14
Total	50

4c. Is the training mainly interactive (e.g. in-person, involving discussion, scenario analysis, etc.) or passive (e.g. reading a policy or statement, taking an on-line refresher course, etc.)
(23 responses)

Option	Count	Percent
a. Interactive	16	69.6
b. Passive	7	30.4
Total	23	100.0

Interviews indicated some variations, however. Most importantly, a few agencies that stated they provided frequent training for staff then indicated in interviews that this applied to home-country staff (whether based in headquarters or in the field) and not to locally hired staff in embassies or field offices. In these cases local staff might receive some anti-corruption information at hiring, but little ongoing training. Some agencies also try to implement proportionality between the level of responsibility or the type of duties of a staff person and the amount of training received. This may be in response to resource constraints, as several respondents and interviewees noted that resources were rarely sufficient to meet all the perceived ethics and anti-corruption training needs. Box 2 recounts a few innovative practices described in the survey responses.

Overall, interviews suggested that there was more training on ethics and integrity – oriented toward the behaviour of the agency's own staff – than on identifying and responding to corruption risks in project/programme management. This may make sense from a sheerly numerical perspective – some agencies, especially Ministries of Foreign Affairs – have large numbers of staff who are *not* involved in designing, managing or implementing foreign aid and thus do not require more detailed training.

Box 2: **Innovative practices in ethics training – Quotes from survey respondents**

Interactive approaches in mandatory ethics training: In addition to the core training on the [organisation's] expectations and responsibilities around business ethics, employees were introduced to and invited to practice a technique designed to enable them to take direct and timely action in instances where they experience an ethical dilemma or other workplace problem and want to take action. This aspect of the ethics training recognises that employees themselves, rather than any particular office, are the cornerstones of workplace ethics and helping them to find a way to do the right thing is the key to creating and maintaining a culture of integrity. This approach puts the emphasis on behaviours and building skills that can be honed through practice to act in accordance with the [organisation's] Core Values, recognising that true ethical leadership goes beyond simple knowledge and analysis of the rules. The programme also described the other resources and policies that are available to assist … employees. …. [The ethics office] advocates this broader, more holistic approach in the design of … ethics training because it has become apparent over time that many issues that are ultimately raised to [the ethics office] could have been prevented or better managed outside of the formal ethics system, and that employees themselves must build their own awareness and competencies to have an ethical, respectful and ultimately more pleasant and productive workplace.

Learning to see corruption issues from different perspectives: [The internal integrity office implements] a clinic provided to operational staff every year, where operational staff and [the internal integrity office] staff switch roles and look at issues from the other's perspective.

For agencies broadly involved in development co-operation, however, **good practice** should reflect an astute observation by an interviewee: "Due to the nature of [a development agency's] work, training on internal integrity often involves an external focus." In other words, managing projects and partners is part of the continuum of internal integrity, and an agency that wants its staff to be a robust first line of defence against corruption needs to invest not only in basic ethics training, but also training on other aspects of anti-corruption, such as assessing and monitoring risk, spotting corruption "red flags", and responding appropriately to suspicions of corruption.

Though respondents did not cite specific studies or data, the **effectiveness** of training and awareness raising was generally viewed to be high, as suggested by its ranking in Table 3. The most commonly cited evidence was an increase in inquiries to advisory services or reports of corruption concerns after training is delivered. Other respondents asserted a general increase in awareness of corruption risks and broader understanding of the resources available to address them.[17]

Corruption reporting/whistleblowing

Like seeking advice on ethics or corruption questions, reporting corruption is a function of staff ethics, but reporting or whistleblowing channels are also a mechanism of an agency's external accountability and control operations.[18] Table 6 indicates broad endorsement of reporting mechanisms. Similar to advice services, **good practice** in reporting requires clarity about where and how to report, as well as the establishment of trust between the agency's staff and the receiving offices. Particularly important here is a demonstrated commitment to protecting whistleblowers from harassment or other undue consequences from their actions. As one interviewee pointed out, penalties should apply to those who do not report corruption concerns, not to those who do.

Table 6: **Survey responses on corruption reporting/whistleblowing**

3a. Does your agency have a mechanism for staff to report concerns or suspicions of fraud or corruption?
(25 responses)

Option	Count	Percent
Yes	24	96.0
No	1	4.0
Total	25	100.0

3b. How is the mechanism managed?
(24 responses)

Option	Count	Percent
a. Managed internally	20	83.3
b. Managed externally by an independent third party	2	8.3
c. Managed externally by another government agency	2	8.3
Total	24	100.0

3c. Who can use the mechanism described above? (select all that apply)
(24 responses)

Option	Count
a. Agency staff	24
b. Partners (grantees, contractors, host government officials)	19
c. The general public in the headquarters country	18
d. The general public in the host country	17
Total	78

3d. Can reports be made anonymously?
(24 responses)

Option	Count	Percent
Yes	16	66.7
No	3	12.5
Optional	5	20.8
Total	24	100.0

3e. Are all reports investigated?
(24 responses)

Option	Count	Percent
Yes	20	83.3
No	4	16.7
Total	22	100.0

The option to report anonymously is available in most responding agencies and was broadly endorsed in interviews as a **good practice**. Despite the fact that most interviewees who were involved in investigating reports agreed that anonymous reports are difficult to follow up and require more work to reach a conclusion, they still agreed that the option should be available. One agency reported that the proportion of anonymous reports is stable and low (8-10%) over recent years, but that it is still an important option that has led to significant cases. In all cases, anonymous accusations are not sufficient on their own; investigation must corroborate the charges and find evidence of wrongdoing before sanctions can be applied. Some countries' legal systems, however, do not allow anonymous reporting. Additionally, one interview highlighted the political

sensitivity of anonymous reporting especially in countries with histories of authoritarian rule or other experience with the misuse of "denunciations" for political purposes.

Broad accessibility of the reporting mechanism is the general practice indicated by survey responses, and interviews also endorsed this as a **good practice**. Most reporting channels are officially available to anyone in the home country or host country, though many respondents cited the challenge of making this known outside of agency staff and perhaps direct partner organisations. Getting feedback from beneficiaries was difficult even for agencies with highly developed reporting and outreach mechanisms. That said, one agency reported that just over half of its reports come from staff, but many of those are passing on reports they hear from outside, so effectively about 70% is from outside the agency.

Some agencies reported that different stakeholders must access different reporting mechanisms. In one major foreign affairs agency, complaints against staff are received through one channel, which is open only to staff of the agency. For grantees and contractors, another channel is used. And beneficiaries or observers of projects may have access to specific hotlines for specific projects, but this is not a consistent practice or requirement across all projects. The same agency reported that there is an e-mail address that could be used for any purpose, but one of the people mandated to respond to that inbox noted that the average person would have to "have quite an interest" in order to find the address. A **minimum good practice** in this case should be that if reporting lines cannot be consolidated, a communications effort to clarify options and highlight the channel that would fill the gaps should be a priority for institutional accountability.

A note about reporting through the management chain vs. an independent reporting structure for staff is merited. Most agencies expressly provide alternatives to reporting corruption concerns or suspicions through the normal management structure. The logic behind this choice is clear enough: line managers may have an interest in suppressing reports about an activity under their purview. On the other hand, managers may have a clear interest in assuring that nascent problems do not get worse, as they may be held ultimately responsible. Likewise, an independent ombudsperson reporting directly to the highest management of the agency may appear to be more independent than a chief control officer in the normal management structure, but either of these could be compromised. As one chief ethics officer put it, "independence is in the eye of the beholder." Perhaps in the setting of institutional integrity, this adage should be joined by, "independence is in the practice rather than the structure."

The **effectiveness** or impact of reporting mechanisms can be assessed fairly easily by agencies that track incoming reports, the channels through which they come, and which ones lead to clear findings. Several respondents noted that reporting mechanisms have, as one put it, "proven critical to ensuring the allegations of fraud and corruption reach us," though data is not necessarily easily found. Even where some data (even notional) is available, it is difficult to make meaningful comparisons between systems (and draw out good practices), because agencies have different standards and practices that emphasise different reporting channels. Thus, one large development organisation indicated that the reporting mechanism leads to the vast majority of their actionable cases, but another agency indicates most of its reports come through regular programme management processes and line management channels, even though it has a separate reporting mechanism. In the latter case, the independent reporting channel is fairly new, and by comparison its anti-corruption policy is much better known, and that policy calls for reporting through regular chain of command.

Regardless of the channel for reporting, however, a key lesson is that reporting mechanisms are only as effective as the resources available for responding to those reports. While specific time frames may be too prescriptive for a broad OECD guideline, timely follow-up of reports must be seen as a **good practice**.

Finally, though there was no concrete data offered to support this assertion, several interviewees also cited the importance of communications and trust-building around reporting mechanisms. Several agencies reported not only publicising the existence of a hotline or e-mail address, but also concerted effort to make the process and outcomes less opaque and thereby less threatening. **Good practice** in this regard includes periodic newsletters or other outreach tools with (usually anonymised) summaries of how a complaint was handled and/or updates on how the agency has responded when evidence of corruption was found. Some also reported that timely responses to reports contributed to building trust.

- **Recommendations:** As stated at the beginning of the report, all of the elements discussed in this section are endorsed for inclusion in an OECD standard. Specific further recommendations on standards for internal ethics arrangements are addressed in a consolidated section here, as several span more than one of the specific elements.

  - Agency codes of ethics or conduct should be clearly written, with specific examples of corrupt practices that help to clarify possible differences in understanding across social and cultural settings.

  - Ethics and anti-corruption training should be widely available, including to locally engaged staff in host countries. Opportunities for interactive training, including discussions of scenarios and exploration of possible responses, are important for making codes of ethics and other anti-corruption rules "real" and meaningful across different social, cultural, and even institutional settings.

  - Especially in agencies with large development portfolios and significant aid management responsibilities, training should go well beyond internal ethics, emphasising other aspects of anti-corruption, such as assessing and monitoring risk, spotting corruption "red flags", and responding appropriately to suspicions of corruption.

  - At the same time, training regimes can recognise some proportionality among the roles and responsibilities of different staff members and the extent and specialisation of the training they receive, particularly in the face of resource constraints.

  - Communication and trust-building are essential to the effectiveness of ethics advice services and reporting/whistleblowing functions.

  - When multiple channels exist for either purpose, agencies should try to simplify or at least make the alternatives very clearly and widely known.

  - Reducing the opacity of complaint and case management is recommended.

  - Reporting/whistleblowing mechanisms need to be backed up with the resources to provide timely responses, both to ensure effectiveness and to build trust in the system.

- Alternatives to normal management channels should be provided for both advice and reporting/whistleblowing.

- Effective whistleblower protection is a necessary complement to any reporting/whistleblowing mechanism.

Control and monitoring functions

This section addresses the elements of integrity and anti-corruption that relate to the controls an agency implements to reduce the possibility of resources being misdirected. While not all misdirection is necessarily the result of corruption, the elements covered in this section are widely accepted as constituting parts of an anti-corruption or integrity system, regardless of their other purposes.

Aid transparency

Transparency in the allocation of aid resources can facilitate integrity and control of corruption by empowering a broader range of stakeholders and observers with information about where funds are supposed to be, what they are supposed to be used for, and perhaps also how those decisions are made. Aid transparency is already endorsed by the OECD DAC and incorporated into the DAC peer review guidelines (OECD, 2014d) As indicated in Table 7, some level of aid transparency is practiced by most responding agencies. Alternatives (or complements) to IATI reporting mainly involve publication of aid flow information on agencies' own web sites, as well as DAC reporting.

Table 7: **Survey responses on aid transparency**

6a. Does your agency adhere to IATI standards for aid transparency?
(25 responses)

Option	Count	Percent
a. Yes, my agency adheres to IATI standards for aid transparency	17	68.0
b. No, my agency does not adhere to IATI standards, but makes funding and contract/grant information available in another way	7	28.0
c. No, my agency does not make aid funding and contract/grant information available	1	4.0
Total	25	100.0

For the purposes of this project, the main consideration regarding whether, or in what form, aid transparency should be part of an OECD integrity guideline relates to the question of **effectiveness** *vis-à-vis* integrity and anti-corruption goals. Respondents noted a number of impacts of their transparency efforts, ranging from better-quality documentation as staff become aware of the broader audience, to better rankings on the Aid Transparency Index, to significant numbers of visits to an agency site that publishes detailed aid data and reports on corruption cases. However, none of these yet establish a link between aid transparency and corruption control. While aid transparency may be a good practice for a number of other reasons –including possibly reducing corruption – there is a case for seeking more evidence on the connection between forms of aid transparency and concrete outcomes such as corruption reports received before aid transparency is included in an OECD guideline. Given that most agencies are already practicing some sort of aid transparency, the most useful information might be about whether certain types of information (e.g. specific localities where activities will be

implemented, greater frequency of expenditure reporting[19]) are more conducive to controlling corruption than others.

- **Recommendation:** OECD members should consider whether the links between aid transparency and corruption control are sufficiently established to support including aid transparency in an integrity guideline. On the other hand, this consideration may be balanced against the fact that most agencies already publish aid flow information in some form.

  - IATI is one mechanism for publicising aid flows, but it is certainly not the only one. Its benefit as a possible basis for an integrity standard is the consistency of the reporting across funders and countries. Establishing a different standard could undermine efforts to promote greater consistency.

Procurement integrity

The OECD DAC has already accepted procurement integrity as a key element of an anti-corruption regime for aid. The 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement[20] called on agencies to require anti-corruption provisions governing aid-funded procurement, and significant progress has been made by member states (OECD, 1997; International Law and Policy Institute, 2013). The survey for this project indicates that most responding agencies have the basics of a strong procurement system in place, but there may be room for strengthening specialised training and outreach to bidders and funds recipients (Table 8).

Table 8: **Survey responses on procurement integrity**

8g. Procurement integrity: Does your agency have specific regulations to prevent corruption and require high standards of integrity in procurement, such as managing conflicts of interest and public access to procurement information (tenders, awards, etc.)?
(25 responses)

Option	Count	Percent
Yes	23	92.0
No	2	8.0
Total	25	100.0

8h. Is there specialised training on corruption risks and standards of professional conduct for agency staff involved in procurement?
(25 responses)

Option	Count	Percent
Yes	18	72.0
No	7	28.0
Total	25	100.0

8i. Is there training and outreach on anti-corruption standards and requirements for bidders and recipients of grants and/or contracts?
(25 responses)

Option	Count	Percent
Yes	7	28.0
No	18	72.0
Total	25	100.0

8j. Are recipients of grants and/or contracts required to have anti-corruption procedures and regulations
in place?
(25 responses)

Option	Count	Percent
Yes	13	52.0
No	12	48.0
Total	25	100.0

The recent follow-up survey and report on the 1996 Recommendation provides detailed analysis of good practice across procurement by donors, partner governments and third parties. (International Law and Policy Institute 2013) Interviewees noted the existence of this OECD standard and strongly endorsed the view that more detailed guidance in the area of public procurement using aid funds is needed. In this regard, in 2015, the OECD Council approved a 'Recommendation of the Council on Public Procurement' (OECD, 2015). The updated Council Recommendation provides comprehensive guidelines on how OECD member states should reinforce their public procurement systems to reduce risks of corruption. The OECD Council calls for member states to implement all types of public procurement, including those using aid funds, with this updated recommendation as guidance.

- **Recommendation:** Aid-funded procurement should strive to follow the guidance provided by the 2015 OECD Recommendation of the Council on Public Procurement.

Auditing and investigation

As indicated in Table 9, most responding agencies have auditing functions in place, along with policies to protect the independence and capacity of their internal audit functions. A lesser proportion has investigative capacity in-house. Though not asked in the survey, every agency interviewed pointed out that they are also subject to audits by their national supreme audit institution.

Table 9: **Survey responses on auditing and investigation**

8k. Auditing/Control: Does your agency have an internal audit function?
(25 responses)

Option	Count	Percent
Yes	23	92.0
No	2	8.0
Total	25	100.0

8m. Are there policies in place to protect the independence and capacity of the internal audit function?
(e.g. appointments, resources, empowerment to pursue any cases where there is reasonable concern of corruption)
(23 responses)

Option	Count	Percent
Yes	23	100.0
Total	23	100.0

8n. Does another agency have responsibility for audit of your agency's activities and finances?
(2 responses)

Option	Count	Percent
Yes	2	100.0

Total	2	100.0

8o. Investigation/Response to audits and reporting: Does your agency have staff to investigate audit findings that indicate corruption risks?
(25 responses)

Option	Count	Percent
Yes	18	72.0
No	7	28.0
Total	25	100.0

Auditing

As with procurement, clear standards of quality for financial, performance and compliance audits already exist,[21] and interviews broadly supported the view that new standards are not necessary. In terms of agency practices, the most notable finding from the interviews is the great variation in institutional configuration and mandate of internal auditors. "Internal audit" means different things in different agencies. Additionally, nomenclature varies. In one agency, an "auditor" conducts performance reviews or procedural checks. In another, a "controller" performs similar functions. The survey tool did not give enough insight into these differing functions to establish specific patterns of **good practice** or **effectiveness,** nor did these emerge from the interviews, other than basic standards of independence, along with good auditing practices already defined by INTOSAI and others. One area where improvement may be helpful is the linkage between audit functions and risk management (discussed in the section "Corruption risk management").

A direction toward an appropriate OECD integrity standard or guideline might be to examine in more detail the various functions carried out by internal auditors, to establish more clearly the linkages between these functions, on the one hand, and integrity/anti-corruption objectives, on the other. Among the functions of internal auditors that emerged from interviews:

- reviews of whether that institution is following its own procedures

- performance reviews of projects

- *ex ante* quality assurance of programme or project documents and/or risk analysis and risk mitigation strategies.

Few internal audit offices do financial auditing, except in some cases on a selective basis as part of an annual plan of audits of selected offices or programme areas. Financial audits of the agency are typically done by national audit authorities, and financial audits of projects are most often conducted by contracted third parties.

Investigation

When audits turn up suspicions of corruption, or when reports are received, most responding agencies have in-house investigators, but this function in some cases is contracted out. Interviews suggested a few **good practices** concerning the facilitating conditions for effective investigation:

- independence of investigators

- rules that obligate staff to co-operate

- the right of investigators to conduct audits

- confidentiality of materials that are part of the investigation.[22]

More importantly, practitioners involved in corruption investigation emphasised the importance of efforts to build trust through as much communication and transparency as possible. Interviewees pointed out that, particularly due to the long wait between the inception of a case and a final finding, there is great need to reduce the impression of a "black box" into which corruption allegations fall, leaving uncertainty as to what happens next. While confidentiality is necessary to protect the integrity of the investigation and the rights of those under scrutiny, investigators must be able to communicate the processes and outcomes of investigations. Managers need to know how the investigation is affecting their programme or might affect results. If the investigation was the result of staff report, the person reporting needs to know the impact of their report. Avoiding the perception that a report may lead either to no action or to a major disruption of regular operations was cited as a priority for an effective investigations function.

Finally, a few respondents commented on the availability of in-house investigations capacity. Those who had it thought it was an asset, while some without this capacity commented that this was a weakness of their agency's approach. It was not possible to confirm that in-house capacity should be considered a key to effective integrity systems, however. Benefits include the ability to respond quickly and in line with agency priorities (if capabilities are sufficient), along with familiarity with the processes and objectives of development work, but it is not clear that the same functions cannot be provided by other means (other government agencies, service contracts). The core principle to be achieved is *timely response* to corruption concerns, regardless of how the function is provided.

- **Recommendations:**
  - Detailed standards for professional auditing already exist; an OECD integrity guideline should incorporate these by reference.

  - The OECD can explore further with its members the different configurations and mandates of internal auditing arrangements to determine which functions are most critical to integrity and anti-corruption objectives. A guideline could then highlight these functions.

  - An OECD standard should include the principle of communications and trust-building around investigations.

  - While in-house investigative capacity may not be necessary for all agencies, access to investigators who are familiar with the contexts and objectives of development work and can respond in a timely manner should be considered as part of a guideline.

Sanctions and information sharing

Sanctioning policy

Sanctions are intended to create disincentives to engage in corruption, and they help demonstrate an agency's commitment to act when corruption is found in its activities. Sharing information about corruption findings and sanctions can help agencies learn from others' experiences and avoid repeating problems already experienced by others. To the degree that agencies adopt each other's sanctions, the disincentive for corrupt behaviour can be even stronger.

At the same time, sanctioning and information sharing are the areas where national legal systems and considerations of privacy, due process and fairness make harmonisation the most difficult. Due to this complexity, as well as time and resource constraints, this project did not seek detailed information on sanctioning practices of various agencies, but rather a broad understanding about agencies' sanctions policies and the degree to which information sharing on corruption cases is taking place.

Table 10: **Survey responses on sanctioning and information sharing**

8q. Sanctions: In general, which of these statements most closely describes your agency's approach to responding to evidence of corruption?
(23 responses)

Option	Count	Percent
a. A clear-cut approach, requiring immediate and severe action (cut-off of funding, demand for repayment, debarment, criminal prosecution as relevant) for all situations	7	30.4
b. A calibrated approach, emphasising proportionality between the offense or loss and the consequences to the recipient organisation or government	16	69.6
Total	23	100.0

8r. Does your agency share information on corruption allegations, ongoing investigations, findings, debarments or other sanctions? (select all that apply)
(23 responses)

Option	Count
a. All such information is made public	3
b. All such information is shared with international agencies	2
c. Only some information is made public	15
d. Only some information is shared with international agencies	8
e. Does not apply	1
Total	29

As indicated in Table 10, approaches to sanctioning are somewhat divided between agencies that start from a position of severity and those that describe their approach as more flexible and calibrated, with a majority in the latter category. Interestingly, agencies with professed "zero tolerance" policies could be found in both categories.

Within this framework, however, agencies generally exercise discretion based on a number of considerations that were raised in interviews:

- Proportionality: the size of the loss, the potential harm to the sanctioned organisation (weighed against the good work it may be doing), and the response of the sanctioned organisation may be taken into account. If the organisation co-operates with the investigation, and/or evidence shows the corruption was committed by a single individual who managed to circumvent a reasonably robust integrity system, the sanction may be smaller.

- Foreign policy considerations: In few cases is aid immune to other foreign policy considerations, such as the priority to rebuild public services to support a transition in Afghanistan, or specific trade or other considerations between given states. Particularly when corruption is found in aid programmes managed by partner governments, these considerations can trump other responses and in some cases create mixed messages among donors. (See also OECD DAC 2009)

- Domestic political considerations: At least one interviewee pointed out that the overall stance and reaction of an aid agency to corruption is shaped by the policy

positions and values of political leadership at home, as well as their foreign policy priorities. Thus "good practice" is only one of the considerations that affect agency policies.

Additionally, an approach that is perceived as too harsh or inflexible may carry its own risks. One respondent noted that NGOs have complained that the agency's "immediate and quite strict reaction" to reports of corruption "causes people/partners to hesitate to report." Further, "freez[ing] of funds and strict payback routines are seen as impediments to the work for more transparency, and [as creating] reluctance to work in corruption prone areas."

A minimum **good practice** identified in interviews is to have clear processes and criteria for determining sanctions, with flexibility and proportionality balanced against a core principle that corruption has consequences. But taking the next step of an OECD shared standard on sanctions, while broadly seen as desirable, was also seen as quite unrealistic. The experience of the multilateral development banks in developing their joint framework for preventing fraud and corruption and agreement for cross-sanctioning demonstrates the complexity involved. Everything from definitions of corruption, to processes for investigation, to criteria for sanctions and mitigating or aggravating circumstances all had to be harmonised. The challenge of doing this with 29 sovereign states is clear.

One element of sanctioning is who makes the decision. A **good practice** in this regard is segregation of authority between investigators and those who make decisions about sanctions.[23] A further good practice may be to assure that the decision is not taken by someone with a vested interest in the fate of the sanctioned organisation or individual, or in the progress of the activity where the corruption was found. One agency reported that sanctioning decisions are taken by an independent case officer located outside of regular programmatic operations, with an option for the sanctioned entity to appeal to a sanctions committee. This stands in contrast to another agency that described its practice as allowing directors in the line management of the affected programme to make the call on sanctions.

Sharing information

As noted above, sharing information about corruption cases and sanctions among agencies could potentially create a benefit by reducing the possibility of multiple agencies having the same problems with a given partner. Furthermore, interviews revealed a prevalent view that making information about corruption findings public can also help build confidence that an agency is taking action against corruption (though the risk that publication would heighten public impressions of the prevalence of corruption in aid was also noted).

Agency practice, as indicated in Table 10, reflects a general endorsement of the value of sharing information. Further survey questions show the predominant practice is for agencies to share corruption findings or sanctions publicly, while a smaller number share information with international agencies. Information shared with international agencies is more likely to include ongoing investigations. Interviews indicated that sharing among agencies is usually done through informal channels, though some bilaterals have formal information sharing agreements with international agencies. At least two countries noted that national legal provisions on protection of privacy significantly restrict their development agencies' ability to share or publicise information on corruption cases. Such differences could have a profound effect on the feasibility of implementing any

OECD-wide information sharing system, though a recommendation on publication when possible could be part of a more flexible guideline.

- **Recommendations** on sanctions and information sharing:
    - An OECD standard should endorse *flexibility and proportionality* in sanctioning, within the context of a firm commitment to responding to all cases of corruption.

    - While shared sanctioning standards and information about sanctioned entities is broadly seen as helpful, the complexities of developing and implementing the operational protocols should be considered carefully before they are incorporated into an OECD guideline. Differences in privacy rights and other provisions across national legal systems could be major barrier to a formal information sharing mechanism.

    - A minimum standard for sanctioning could include clear processes and criteria, with checks and balances in decision making to reduce the possibility of bias.
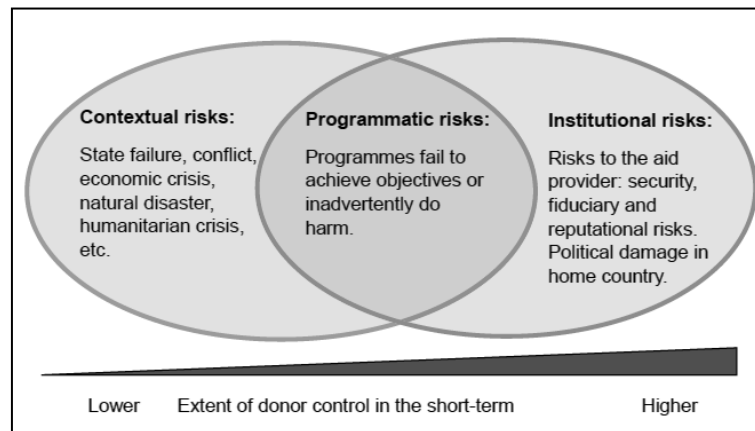
Corruption risk management

Perhaps the most challenging element of integrity faced by donors today is risk management. As discussed in the section on "Definitions" (p.17), corruption risk management sits at the nexus of internal procedures and external context. Corruption risk management recognises that development work is almost always done in settings where corruption risks are very high, and that development work relies on – even requires – engaging with this environment rather than ring-fencing development funds somehow "out of harm's way."

Although most of the external context is outside the direct control of a development agency, this project includes corruption risk management as part of an integrity system – not because agencies should be expected to control all aspects of the environment in which they work, but rather because an integrity system is incomplete if it does not take external risks into account. External context affects the level of corruption risk at least as much, if not more, than an agency's internal procedures. Yet many integrity frameworks stop at the organisation's door. Incorporating corruption risk management into an integrity standard helps to bridge that gap.

Appropriately assessing corruption risk, especially in terms of contextual and programmatic risk (see Figure 1), *and then translating that assessment into relevant operational mitigation measures,* was more consistently identified as a challenge by survey respondents and interviewees than any other issue.[24] This section examines policy and practice in these two areas.

Figure 1: **Elements of risk**

Source: OECD (2014b).

Corruption risk analysis

While a requirement for corruption risk assessment is more common than not in responding agencies, the survey indicates a fairly wide range of practice, from contextual political economy analysis to due diligence of partners (Table 11). Perhaps the most interesting observation is that these two extremes – the most general and the most specific approaches to analysing corruption risk – are the most common, and in several agencies they coexist, though with limited linkages. In interviews, some agencies described a process in which corruption assessment may figure into the broad analysis of development needs in a country (e.g. while formulating a multi-year assistance strategy or plan)but then may not emerge again until due diligence on potential implementing partners is conducted.

Alternatively, a **good practice** described by other agencies is to use different types of corruption risk analysis at multiple points in the project cycle. A broad political economy assessment may inform strategy, with more detailed examination of institutional and political arrangements in sectors to inform project/programme design, and due diligence procedures at the point of selecting partners. At different phases, risks to outcomes and results, and then risks to integrity (e.g. fiduciary risk) associated with specific types of activities and implementing arrangements can be identified. Sector- or institution-level corruption analyses may illuminate weaknesses and threats to a specific programme. These can also be valuable for examining the relative power of vested interests, reformers and beneficiaries. Log frames, or especially mapping theories of change, if included in project management and design requirements, can help by forcing staff to look harder at assumptions about cause (inputs and outputs) and effects (outcomes and impact). In cracking open these assumptions, the steps between the external environment and the specific impact on project implementation might become clearer.

Table 11: **Survey responses on corruption risk assessment**

8a. Corruption risk assessment and management: Does your agency require country-level and/or programme/project-level corruption risk assessments before new activities are launched? (select all that apply)
(25 responses)

Option	Count
a. Yes, country-level corruption risk assessments are required	11
b. Yes, programme- or project-level risk assessments are required	16
c. No, corruption risk assessments are not required	6
Total	33

8a. Corruption risk assessment and management: Does your agency require country-level and/or programme/project-level corruption risk assessments before new activities are launched? (select all that apply)
(25 responses)

Option	Count
a. Statistical or other brief corruption profile of a country	5
b. Broad, country-level political economy analysis, including some discussion of corruption issues	11
c. Specific political economy analysis of corruption at the country level	6
d. Specific political economy analysis of corruption in a sector, sub-national region or organisation to which assistance may be directed	5
e. Due diligence regarding financial management and project monitoring capacity of implementing organisation or recipient government	13
f. Other (please describe briefly)	8
Total	48

8c. Is there detailed guidance on what should be included in a corruption risk assessment?
(19 responses)

Option	Count	Percent
Yes	11	57.9
No	8	42.1
Total	19	100.0

Just over half of the agencies that require corruption risk assessments do not have detailed guidance for what should be in them. Interviewees in agencies without guidance noted this as a weakness, undermining consistency in evaluating corruption risk and responding to it. At the same time, a number of interviewees discouraged any inclusion of specific approaches to or content of risk assessments in an OECD integrity standard, as this would reduce their flexibility. Regardless of these considerations, several respondents indicated that they could benefit significantly from opportunities to learn from other agencies' experience designing and implementing corruption risk assessments. The scope of this study did not allow detailed examination of corruption risk analysis frameworks,[25] but there is clearly an opportunity for the OECD to help fill an information gap with knowledge-sharing activities or further research.

Finally, interviewees in more than one agency pointed out a tension in corruption risk assessment. On one hand, the agency seeks to assess corruption risk in its own right, with the goal of reducing exposure to corruption as much as possible. On the other hand, managements systems often require that risk be assessed in terms of its potential impact on development outcomes. Thus corruption risk is both elevated by agencies' concern to protect against losses, and also subjugated to higher development objectives. Despite most agencies' clear understanding that "zero tolerance" does not mean zero tolerance for corruption *risk*, conflicting messages about the real purpose of corruption risk assessment – to minimise corruption or to maximise development outcomes – remain.

Risk management – The intersection of risk analysis and operations and controls

To manage corruption risks, analysis must translate into operations. This might happen at several stages of the project cycle – from strategy, to project design, to implementation and then monitoring. As indicated in Table 12, responding agencies that require corruption risk assessments use them to inform programming decisions in at several stages. More than half have guidance for how risk assessment should affect programming choices. Fewer agencies have clear procedures defining different levels of scrutiny or approvals based on analysis of risks.

Table 12: **Survey responses on using risk assessment in operations**

8d. Which decisions are corruption risk assessments used to inform? (select all that apply)
(19 responses)

Option	Count
a. Whether to initiate development co-operation in a new country	7
b. Whether to continue development co-operation in a country	10
c. Whether to become involved in a new sector in an existing partner country	8
d. Whether to launch a new project/programme/activity with an existing partner country	11
e. Selection of implementing organisation (contractor, grantee, host government agency)	11
Total	47

8e. Is there guidance in place for determining whether a project/programme/activity should proceed, or how it should be altered, based on the corruption risk assessment?
(19 responses)

Option	Count	Percent
Yes	12	63.2
No	7	36.8
Total	19	100.0

8f. Are there clear procedures defining what level of decision making or clearance is required for activities, based on their assessed level of corruption risk (e.g. an Accountability and Decision Making [ADM] matrix)?
(25 responses)

Option	Count	Percent
Yes	9	36.0
No	16	64.0
Total	25	100.0

Interviews further explored the different forms that risk management takes and revealed lessons about what helps promote corruption risk management at different phases of the project cycle, as well as the challenges in implementing risk management effectively.

At the inception phase, as discussed above, broad political economy analyses often figure into strategic planning for an aid programme in a given country. At this level, assessments of corruption risk often result in programming specifically aimed to assist in reducing corruption in the host country.[26] At the other end of the inception process, most agencies conduct due diligence on potential fund recipients. These frameworks tend to be the most developed.

While several interviewees noted the difficulties of effectively translating risk assessment into operational decisions at the highest strategic level, it was clear that the much more problematic level was determining how risk assessment should affect the actual design of projects, and controls within the projects (whether specific anti-corruption projects or not).[27] The survey did not ask directly about practices at this level, but this issue merits further information gathering.

One agency described their highly developed procedures requiring programme officers to answer questions ranging from the country context to the audit history and procurement regulations of the funds recipient, then translate them into a risk matrix assessing likelihood and potential consequence of the identified risks. The challenge they have found is that "the narratives and the matrix do not always seem to match up." Part of the difficulty is that analysis specific enough to directly shape the structure and implementation of a development activity requires an expertise that most programme officers do not possess (and there is a shortage of skilled anti-corruption advisors in most agencies). Thus, an auditor noted that when she looked at risk assessments across the agency's portfolio, "everything is [rated] yellow."[28] Furthermore, each of the "tools" for responding to corruption (e.g. public sector reform, enhanced auditing, social accountability, more corruption indicators) is an area of expertise in its own right, with still limited evidence of effectiveness of any of these approaches. (Johnsøn, Taxell and Zaum 2012; DFID 2015) For the generalist, this is a tall order indeed.

The **good practice** in the preceding example is the use of a project management system that builds consideration of corruption risk into several levels of the project approval and monitoring process. Several agencies have implemented such requirements, and others are currently developing them. Sida's Contribution Management System and DFID's Business Case are strong examples.

A further **good practice** among a number of agencies is the use of ongoing risk reviews. Risk registers or matrices are revisited on, for example, an annual basis. This process may be part of an overall annual review of the activity's implementation and results. Such practices are a positive departure from the days when "risks and assumptions" might be listed in a project log frame and never discussed again. Agencies still find bureaucratic challenges in revising projects to respond to changing risk profiles, but the practice of annual reviews of risk profiles is an important first step.

While these and similar systems do a good job in breaking down the concept of risk into different organisational and operational areas, activity managers are still challenged to develop effective responses, both in their own management and oversight structures and perhaps also in programmatic approaches. Responses such as social accountability, third-party monitoring, or enhanced frequency of audits, among others, are increasingly being deployed. For programmes with host government partners, performance indicators or monitoring requirements may be agreed with corruption risk mitigation in mind, but shaping programmatic responses to corruption risk is still more of an (abstract) art than a science.

Seeking to explore the nexus between risk analysis and operations in very concrete terms, the survey asked two questions about the relationship between the agency's audit/control regime and corruption risk assessment. Table 13 suggests that practice is quite promising in this regard.

Table 13: **Survey responses on linkages between audit and risk analysis**

8s. Corruption risk management strategies: Is there any co-ordination between corruption risk assessment and the control/audit function in your agency? In other words, does the level of risk inform the frequency or type of audits conducted?
(22 responses)

Option	Count	Percent
a. Auditors are actively engaged in risk assessment and shape their auditing strategies accordingly	12	54.5
b. Auditors may be more actively involved in assessing risk and planning strategies in very high-risk situations, but otherwise tend to conduct audits without notable reference to risk assessments	5	22.7
c. There is little or no co-ordination between auditors and risk assessment processes	5	22.7
Total	22	100.0

8t. Are investigation and audit findings used to inform audit planning and future corruption risk management efforts?
(25 responses)

Option	Count	Percent
Yes	23	92.0
No	2	8.0
Total	25	100.0

However, interviews revealed a more complex picture. On the one hand, internal control strategies do seem to incorporate some degree of feedback from risk assessment – audits inform audit strategies, essentially. On the other hand, when asked to describe how their agencies' control functions interacted with programmatic risk assessment, staff often described the two operating "in parallel" – thus never intersecting. This raises the question of whether a more integrated approach is hindered not only by the conceptual challenges of linking contextual factors to operational risks and responses, but also by *organisational* blockages, in which the realms of programme management and internal control traditionally do not interact.

There is still little evidence of the **effectiveness** or impact of new corruption risk management systems. Respondents cited the fact that more risk analysis is being done and that integrating corruption risk analysis into programme management processes helps raise awareness of corruption issues in the agency. On the other hand, the "everything is yellow" observation resonated with interviewees in several agencies. A useful next step for agencies and/or the OECD would be to facilitate research into whether new processes are actually producing meaningful differences in how aid programmes are designed, procured, implemented and monitored.

To explore the issue of how risks are managed across different aid modalities, the survey asked if there are important differences in the agencies' internal control and risk management practices based on the aid modality (i.e. whether the funding is grant or contract, local vs. international NGOs, budget support, or grants to multilateral organisations). Of the twelve responses, only three indicated different standards for different recipients, or a change the application of standards in any overt way based on the receiving entity. Of those three, two described a *perception* (not a policy) that the agency would be more likely to end funding to NGOs than to governments or international organisations if evidence of corruption were found. Two mentioned that agreements with international organisations specifically define the range of due diligence and monitoring, thus creating a difference from other modalities. One additional agency

noted that its investigative function might operate differently in some countries where local law enforcement is weak (an operational adaptation rather than a policy distinction). Generally, agency practice would not seem to endorse any OECD guideline that openly supports differential application of principles to different aid modalities, though respondents want to preserve flexibility and discretion in how the principles are operationalised for different recipients.

Finally, interviews revealed some additional perspectives on risk management that merit notice:

- Political dialogue is an element of corruption risk management. The will and ability of agency leaders and staff to engage counterparts at high and low levels in what can be difficult conversations may affect the risk profile for development activities, at least over time. Some interviewees also pointed out that at the staff level, there is need for assistance and perhaps even training on how to raise these issues with counterparts. Others pointed out that the "zero tolerance" formulation is a barrier to political dialogue.

- A cutting-edge area for further work is weighing risk against return. One agency cited some initial work to assess the potential transformational impact of programmes or projects, on the premise that transformational activities that are high-risk are more desirable than low-risk activities with limited potential returns.

- To the degree that corruption risk management means accepting that agencies will have to operate in high risk environments, and to the degree that analysis (e.g. political economy) reveals the ways in which corruption is engrained in government, agencies are challenged to communicate these dilemmas effectively.[29] As noted by one survey respondent, "working with the grain," while realistic, can leave the impression that agencies accept or condone corruption. In this regard, "zero tolerance" is a double-edged sword, sounding reassuring to politicians and the public at home, but probably raising unrealistic expectations about what development agencies can and cannot control.

- **Recommendations** on risk assessment and risk management:

  – An OECD guideline or standard should encourage agencies to integrate corruption risk assessment at different points of the programme planning and management cycles, not just at the beginning (broad strategy) and the end (due diligence on funds recipients).

  – An OECD guideline or standard should encourage agencies to develop guidance for different levels of analysis. Guidance should help activity designers or managers make the links between the broad political economy of corruption and specific risks to the expected results of an activity. One promising tool for this is a rigorous theory of change, including careful examination of assumptions regarding incentives for change.

  – Emerging good practice includes 1) using a programme management or approval system that requires corruption risk assessment and/or identification of mitigation measures, and 2) using a risk register or matrix at the outset of a programme/project, and updating it regularly, with necessary adjustments to mitigation measures.

- At the same time, there is little actual evidence that it leads to more effective corruption risk management. A critical first step would be to establish whether new agency practices are resulting in meaningful differences among programmes/projects based on the corruption risk profile.

- The OECD should consider investing further time in sharing knowledge about the content and form of corruption risk assessments across its member agencies, along with ways that risk assessment is built into the project cycle.

- Exploring practices to promote interconnection between programme and control functions for the purposes of corruption risk management could also be a valuable further contribution.

- Further discussion among OECD members on the value of "zero tolerance" as a risk management approach (and as a communications strategy) is needed. While the phrase may be too deeply ingrained to be abandoned by some agencies, it would not advisable to include it in a standard or guideline.

Joint responses to corruption

The DAC has been promoting more coherent and co-ordinated responses to corruption in aid since 2006, with its endorsement of the "Principles for Donor Action on Anti-Corruption."[30] The logic of the joint responses agenda has mainly been driven by the desire to reduce the negative effects of mixed messages when corruption is found in aid programmes, positing that a united front by donors would create a stronger incentive to use resources responsibly in the future. The figures in Table 15 suggest that although this commitment is not yet broadly reflected in agency policies, in practice it is somewhat more widely embraced.

Table 15: **Survey responses on joint responses to corruption**

9a. If evidence of corruption is found in a country or project your agency is involved in, does your agency have a stated policy to co-ordinate responses to corruption with other donors?
(25 responses)

Option	Count	Percent
Yes	10	40.0
No	15	60.0
Total	25	100.0

9b. Regardless of the previous answer, does your agency regularly co-ordinate responses to corruption with other donors working in a given country or with a given organisation? (25 responses)

Option	Count	Percent
Yes	14	56.0
No	11	44.0
Total	25	100.0

Co-ordinated response to corruption was broadly endorsed in survey feedback and in interviews. In the words of one respondent:

Our experience is that if a response is co-ordinated, donors can draw on each other's experience and resources. Also, it is better for the country/organisation if the donors have been able to agree on a joint stance on how to move forward. A joint

stance also increases the possibilities for that the country/organisation can use the lessons learned to move forward and strengthen the organisation, sometimes with support from donors.

But the range of practice is quite broad even within the limited number of agencies who say they do co-ordinate. Comments noted that for several agencies, co-ordination takes place at the country level on a case-by-case basis only, typically when there is a co-funded activity. Barriers to co-ordination should by now be familiar: differing political priorities (e.g. security or trade considerations), legal provisions that prevent some countries from co-ordinating investigations, different sanctioning policies or just differing procedures across agencies.[31] The words of one respondent are candid and direct on this last point: "…donors have different systems, and sometimes it can be difficult to follow the same procedures as other donors if these are different from ours."

Good practice in joint donor responses has been documented elsewhere. (OECD DAC 2009; de Vibe, 2012) Box 3 lists the principles recommended in the DAC's 2009 study of donor responses, which remain valid.

Box 3: **Principles that could form the basis for a code of conduct**

"Based on the findings from this research and prior work carried out by the OECD DAC…the following principles are proposed:"

1. Prepare in advance for responses, with joint, shared and regular analysis.

2. Follow the government lead where this exists. Otherwise foster this lead, promote accountability and co-ordinate donors even where a government lead is absent.

3. Agree in advance on a graduated response if performance stagnates or deteriorates.

4. Act predictably; encourage other donors to respond collectively to the extent possible, but allow flexibility for individual donors and make use of comparative advantage.

5. Maintain dialogue at different levels, use comparative advantage, and focus on long-term development objectives.

6. Foster accountability and transparency in country and internationally, including publicising the rationale for, and nature of responses.

7. Act internationally but support partners and field staff to link international action to anti-corruption efforts in partner countries.

Source: OECD DAC (2009).

A few examples of the **effectiveness** of joint approaches were provided in the survey responses: consultations with another partner on how to respond to major fraud in a programme, "identification of early warning systems, discussing with other donors and agreeing together how to respond." These certainly do not constitute evidence of effectiveness in terms of reducing corruption or corruption risks, but the case for better co-ordination remains strong for the reasons cited above (predictability, ease of response by partners), if challenging to implement.

- **Recommendation:** An integrity standard or guideline should incorporate the principles of good practice already developed by the OECD. Expectations about implementation, however, will have to be tempered by realism about the challenges of harmonising donor procedures.

Concluding observations and next steps

This report provides a strong foundation for an OECD integrity guideline, but it is necessarily a first step. The information gathering represented here points clearly toward issues that can be included in a standard, and in some cases guidance for good practice was found. The overall framework, and particularly the recommended good practices, should be further vetted and confirmed through consultation with DAC members and observers. A key question is whether agencies will be able to adapt their existing policies to an OECD standard or guideline. Equally, if not more, important is the question of whether agencies will be able to change the frameworks they use for assessing other organisations' integrity systems. Additionally, a few areas of practice were raised by respondents that might merit further examination. These include staff rotation policies, declaration of interests/assets, and financial and programme monitoring as a tool for risk management.

Further information gathering will likely be needed. Indeed, for issues such as the effectiveness of new risk management processes, information may need to be created. To the degree that DAC members are undertaking or may plan any such research, the DAC secretariat could play a valuable role in convening (a) learning event(s) to assure this makes its way into the guideline development process.

Notes

1.   In this report, "guideline" and "standard" are used interchangeably, with no specific intended implication about the final status or authority of any resulting OECD output.

2.   Agency anti-corruption strategies are not discussed further in the report because the survey and interviews did not reveal any identifiable patterns or issues related to the role of strategies in strengthening integrity. To the degree that some agency strategies are the locale for ethics codes, risk management strategies, or policy statements about controls and sanctions, they support those functions and could be considered valuable as statements of intent to ensure integrity in aid. For more on agency anti-corruption policies, see Hart and Taxell (2013).

3.   In this report, "guideline" and "standard" are used interchangeably, with no specific intended implication about the final status or authority of any resulting OECD output.

4.   See, for example, Hart and Taxell (2013).

5.   Agency anti-corruption strategies are not discussed further in the report because the survey and interviews did not reveal any identifiable patterns or issues related to the role of strategies in strengthening integrity. To the degree that some agency strategies are the locale for ethics codes, risk management strategies, or policy statements about controls and sanctions, they support those functions and could be considered valuable as statements of intent to ensure integrity in aid. For more on agency anti-corruption policies, see Hart and Taxell 2013.

6.   A list of interviewees is not included with the report, in keeping with assurances of anonymity.

7.   Interviews were requested with two types of experts: those working mainly in ethics and control functions, and those who could comment on how these functions interacted with the risk analysis and risk mitigation at the programme level. Agencies were free to structure the interviews to their convenience. Some were group interviews with representatives of multiple departments and even agencies. Other countries proposed multiple meetings or discussions with individuals or smaller groups.

8.   Some analysis includes sexual exploitation, particularly in exchange for services or other assistance provided by an aid program, as a type of corruption. This project did not include it in the framework of the survey, and requests for feedback on whether any issues were missing did not elicit any suggestions to include avoidance of sexual exploitation as an element of the anti-corruption and integrity framework.

9.   For example, Chapter III of the UN Convention Against Corruption defines only acts that should be criminalized. Other models are not so specific, however, and do not narrow the range of corrupt practices only to those that should be criminalised. The international financial institutions' 2006 Uniform Framework for Preventing and Combating Fraud and Corruption, for example, broadly defines corrupt,

fraudulent, coercive and collusive practices, but does not specify them further, and does not require that they be considered or treated as criminal acts.

10. Distinguishing between mismanagement and corruption (often related to questions of intention, knowledge, and capacity) is an equal challenge also familiar to anyone working in this field, but these questions cannot be resolved in the abstract. They must be adjudicated in an operational setting, examining the specifics of a case.

11. For example, www.ti-austria.at/uploads/media/TI-AC_Handbook_Curbing_Corruption_ENG_01.pdf; www.unodc.org/documents/corruption/Publications/2013/Anti-CorruptionEthicsComplianceHandbook.pdf

12. This assumes that the views of interviewees can be seen as representative of the broader OECD membership and observers. There is opportunity to confirm this assumption through the next steps of consultation via the OECD GovNet and Anti-Corruption Task Team.

13. There were only four exceptions: a) outreach or training to bidders or funds recipients on anti-corruption standards and requirements; b) explicit policy to co-ordinate responses to corruption with other donors; c) requirement that funds recipients have anti-corruption regulations and procedures, and d) clear procedures for decision making and clearances for activities based on level of assessed corruption.

14. While there was only one survey response saying the agency had advisors in all field offices, this may have been an issue of interpretation, as several interviewees indicated the availability of anti-corruption "focal points" in field offices. The functions differed, however, with some playing an internal ethics/integrity advisory role, and others more focused on helping staff identify and respond to integrity risks in projects or programs.

15. Language appeared to be an issue in some cases, where the English "consultation" (consultation desk or consultation service) was used in one case to describe a reporting/complaint desk and in another case to describe an advisory service.

16. This was also confirmed by research conducted by the U4 Anti-Corruption Resource Centre. (See U4 ACRC 2012)

17. Similar citations of "improved understanding" or "greater awareness" among staff were given for advice functions.

18. In the interest of reducing the length of the survey, questions about reporting mechanisms were consolidated under one heading, though in fact reporting is located both in the realm of internal ethics and at the interface between staff and external actors. It is discussed at the end of the internal integrity section here but is also relevant to the following section.

19. For example, a recent effort to assess the possibility of using IATI as a source for data needed to improve 5 African countries' aid management systems indicates that while some IATI reporting does significantly improve on previously available data on aid flows, a number of IATI reports are still to infrequent (e.g. bi-annual or annual) to help countries generate the frequent budget information they need for management and monitors need for accountability. See: www.developmentgateway.org/2015/03/12/iati-and-country-systems-data-evaluation-results/. In another case, a former Ghanaian MP and Minister reviewed

IATI data released by USAID and pointed out that he still couldn't tell if any activities were going to be implemented in his district. See: http://politicsofpoverty.oxfamamerica.org/2013/08/more-aid-data-users-perspective/#sthash.cH2eh1iP.uxfs.

20.   http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=203&InstrumentPID=199&Lang=en&Book=.

21.   www.intosai.org/issai-executive-summaries/4-auditing-guidelines/general-auditing-guidelines.html.

22.   Other good practices can be found in the annex on "Principles and Guidelines for Investigations" of the International Financial Institutions Anti-Corruption Task Force, "Uniform Framework for Preventing and Combating Fraud and Corruption", (2006).

23.   The multilaterals' "Agreement on Mutual Enforcement of Debarment Decisions" (International Financial Institutions Anti-Corruption Task Force, 2010), requires this.

24.   A review of five DAC Peer Reviews completed since risk management (including corruption risk assessment) was added to the framework (OECD DAC, 2014) supports this view. Three of the five country reports note a lack of clarity on how risk assessment is translated into operations, while a fourth country was just developing guidance and tools for assessing corruption risk and building it into businesss planning processes.

25.   Survey respondents were asked to include links to guidance, but only one was provided, and some agencies responded that the guidance is not publicly available.

26.   It wasn't clear from the research whether risk assessment fundamentally affects levels of funding, though six survey respondents said risk assessment would inform choices on whether to initiate or continue development co-operation with a country.

27.   Interviewees at two bilateral donors mentioned internal audit findings specifically on this point.

28.   On a red-yellow-green scale.

29.   This issue is also addressed in OECD (2014c).

30.   www.oecd.org/dac/governance-development/principlesfordonoractiononanti-corruption.htm (accessed 16 Jan 2015).

31.   These factors are also cited in the DAC's report on joint donor responses in three countries (OECD DAC, 2009).

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Annex A:
Consolidating integrity guidelines for development co-operation: Final concept note and terms of reference

Concept note

Summary

Donors implement projects in environments with high corruption levels. Addressing the risks of corruption and fraud in the use of aid is crucial to ensure that funds reach their intended goal. In doing so, consistent and systematically applied guidelines to protect aid allocations from donor agencies are key. There have been limited attempts to consolidate good practices into a shared instrument that provides common framework for bilateral donors on how to tackle corruption. This concept note proposes a framework for bilateral development co-operation agencies and other actors involved in development co-operation on how to manage such risks.

Context

Corruption is damaging to societies and institutions. It erodes public trust in government, leads to sub-standard services and wastes scarce public resources. The impact of corruption is particularly damaging for developing countries. Weak institutions and sub-standard services result in poor development outcomes. Poverty reduction and sustainable human development efforts are severely hindered by corruption. In many cases corruption contributes to conflict and state fragility.

Actors operating in developing countries –from both the public and the private sector -- face high risks of corruption[1] given the vulnerabilities of accountability systems in such environments. Besides financial losses, involvement in corrupt activities can lead to significant reputational damage for those involved and, in some cases, criminal prosecution as a result of governments' adherence to international agreements and their transposition into domestic law. Most countries' governments are bound to implement anti-corruption efforts by the United Nations Convention Against Corruption (UNCAC), which is the broadest and most comprehensive international framework to combat corruption.[2] All government agencies of countries Parties to the Convention are subject to its standards. OECD member states and a few non-OECD countries (such as Brazil, Russia and South Africa) are also bound to fight bribery payment to comply with the OECD Convention on Combatting Bribery of Public Officials. They also follow the 2009 OECD Recommendation on Further Combating Bribery of Foreign Public Officials in International Business Transactions [C(2009)159/REV1/FINAL]. Moreover, the following instruments were established within the framework of the OECD and apply to its member countries' aid mechanisms:

- Principles for Donor Action on Anti-Corruption [DCD/DAC(2006)40/REV1][3]

- the 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement [DCD/DAC(96)11/FINAL][4]

- the 2006 OECD Recommendation of the Council on Bribery and Officially Supported Export Credits [C(2006)163].[5]

Beyond such binding agreements, some bilateral development agencies also abide by voluntary initiatives such as the International Aid Transparency Initiative (IATI).[6]

Private sector actors are also subject to specific aspects of international obligations. These have given rise to domestic legal frameworks binding multinational enterprises in a commitment to implement mechanisms to prevent their staff from engaging in bribe payment or other obligations upon the threat of heavy sanctions for non-compliance (i.e. USA Foreign Corrupt Practices Act (FCPA) and the Dodd Frank Act and the UK Bribery Act). Other initiatives such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Extractive Industries Transparency Initiative are voluntary and complement regulatory regimes. [7]

These actors, therefore, realise the importance of having in place operational mechanisms to support staff in reducing the likelihood of corruption. From multinational enterprises to development agencies, stakeholders have developed varied systems to ensure risks are managed and that their staff and associates do not engage in malpractice; to ensure adequate preventative structures are in place, and that corrective and dissuasive measures are applied in cases of actual abuse.

The responses, particularly from multinational corporations and publicly traded companies, led to the development of a flourishing compliance industry. It includes measures directed at internal staff (i.e. establishment of compliance departments inside companies and training for staff on relevant regulations and standards) and at external partners (i.e. conducting due diligence on suppliers before entering into a joint venture or business partnership). More than 30 years of FCPA application and almost 20 years of the OECD Anti-Bribery Convention – as well as notorious scandals involving multinationals – have given the private sector a body of knowledge and experience in compliance in the area of anti-bribery regulation and other areas such as curbing money laundering (see annex for a visual depiction summarising several mechanisms implemented by both bilateral development agencies and private sector enterprises to control for risks of corruption and fraud).

The jargon of 'compliance' has yet to reach the public sector, but public agencies have also developed internal policies to deal with corruption risks. Bilateral development agencies in particular have been concerned about corruption for a series of reasons:

- the bulk of their operations are in developing countries

- the topic of corruption has acquired a less sensitive connotation in bilateral relationships

- budget constraints have been imposed by financial crisis and conservative governments.

Donor agencies have put in place a wide range of mechanisms focusing both on internal staff and on third parties (i.e. developing countries' governments or implementing partners). For example, they may apply pre-grant awarding audits on beneficiaries before disbursement of funds; they implement codes of conduct to guide staff in identifying conflicts of interest and provide hotlines to receive denunciations of

corruption. Going further, some donor agencies have produced encompassing anti-corruption strategies for their development operations requiring not only internal controls but also support to anti-corruption initiatives undertaken by partner countries – an effort to ensure that aid funds are better protected once they are inside partner countries' systems.[8]

Where strategies and systems are in place, evidence is mixed on the impact of these instruments and on the consistency of their application. For example, ITAD & LDP (2011) investigated the impact of support provided by 5 donor countries to partner countries' efforts to address corruption. One chapter of their report covers the extent to which this engagement is followed up by the internal anti-corruption policies of the respective bilateral development agencies. IDD and Associates (2006) reviewed the impact of ten years of application of General Budget Support. Betts and Wedgwood (2011) compiled the results of several reviews and assessments in the area of support to governance in developing countries. This, however, does not cover donors' internal anti-corruption and anti-fraud measures.

However, at least in the case of bilateral development agencies, the main audience of this concept note, comprehensive policies to prevent aid misuse are not yet widely developed (ITAD and LDP, 2011) nor is there a large body of evidence to assess existing experiences with internal controls. Evaluations and stocktaking exercises to date have largely focused on the impact of agencies' support to partner countries' anti-corruption efforts or to the risks entailed once aid is within countries systems.

Multilateral development bodies have attempted to harmonise some of their approaches to corruption.[9] In this case, they have made efforts to learn from the practice of debarment (OSD, 2014). However, even in the case of this study, there is no clear assessment of whether the existence of such systems increased recovery of aid funds or reduced the level of corruption affecting these agencies.

Objective of this concept note

This concept note explains the reasoning behind the need for a common integrity framework for bilateral development agencies and other development actors. The goal is to develop practical guidelines, allowing different agencies to benefit from the experiences of peers and other actors. With the majority of studies conducted to date focussing on the impact of anti-corruption interventions on partner countries' systems, little analysis exists of systems designed to strengthen donors' internal procedures.[10] One of the reasons for such sparse attention may be the piecemeal approach taken by agencies in constructing their systems to protect aid. With no common reference to align to, individual efforts may not reflect collective knowledge acquired in this area. Another possible reason for the absence of studies analysing effectiveness of internal systems to protect aid from corruption and fraud may be the non-existence of a shared framework (beyond the Principles for Donor Action on Anti-Corruption mentioned above).

On this basis, the DAC suggests to conduct an exercise to assess current experience – learning from bilateral and multilateral development agencies but also from other actors such as the private sector in its operations in developing countries. This should, then, inform the development of a common framework for bilateral development agencies and other development actors, synthesising and analysing current experience with practical guidance for developing or reforming internal anti-corruption systems.

This discussion is undertaken recognising that efforts to safeguard donor funds cannot ignore the need to strengthen national/partner systems as part of a comprehensive proactive approach. However, this concept note focuses on establishing guidelines for bilateral donors and other development actors, through the identification of a set of good practices from different stakeholders operating in developing countries (see figures in annex for a visual depiction of the specific step in the different processes of control for corruption risks that is the focus of this concept note).

Benefits of a Common Guidance Framework for Bilateral Development Agencies:

- analysis of experiences in the area of control of corruption risks which can be used by different stakeholders providing development support

- provision of clear practical guidance (taking into consideration the need to adapt guidelines to agencies particular realities as they differ in size, focus and methods of work)

- development of a common framework can pre-empt criticism that donors are wasting tax payers' money without a safeguarding system

- development of a common framework within the DAC allows members to shape it to better reflect the needs of their staff

- a shared common framework across the DAC may help to influence other development actors to strive for effective practices in these areas.

Process to the development of the guideline

In 2013, OECD Development Co-operation Directorate commissioned a survey to evaluate the implementation of the 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement. The survey found that the initial impact of the 1996 Recommendation has been large and many countries implemented laws to comply with the recommendation.[11] However, almost 20 years after its inception, its sole focus on procurement channels has become too narrow to account for the whole set of aid disbursement modalities.

Therefore, a next step in this process should be to gather the existence of policies, guidelines and practices inside bilateral donor agencies, which focus on protecting aid disbursed through other channels than procurement. This could be achieved through building on prior initiatives which assessed these practices within a small group of development co-operation agencies (such as an exercise conducted by the U4 anti-corruption resource centre).

The experiences of other actors operating and disbursing funds in developing countries should also be assessed. As mentioned, multinationals in the private sector have a long experience in complying with legislation in the area of anti-corruption, particularly when operating abroad. Beyond the private sector, foundations and philanthropic institutions may also have valuable lessons in this area.

This would then be followed by establishing a set of shared guidelines based on the existing good practices to manage corruption risks – not only in procurement.[12]

Audience of the guideline

Given the rapidly changing aid landscape with new institutions entering, the process would benefit from being as open and inclusive as possible. The new guidelines should be open and applicable to all actors whose objective is to promote socio-economic progress

and reduce poverty. Application of the guidelines will be initially voluntary and its initial audience will be the members of the DAC. Upon experience and assessment of the DAC membership, it may be proposed as a recommendation to the OECD council in the future to replace the current 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement. Outreach efforts will also be made to extend the reach of the application of the framework to other development actors. The aforementioned 1996 recommendation remains valid and applied in the context of different OECD review mechanisms, following current practice, until a decision is taken otherwise by the DAC.

Tentative calendar

- Presentation of this concept note to the DAC: 13 May 2014

- Commission of a review of good practices across bilateral development agencies and a sample of other actors including private sector, donors beyond the DAC and NGOs and foundations: 4th quarter 2014

- Presentation of the review of good practices and suggested common framework, based on the good practices, to the Anti-Corruption Task Team: 3rd/4rd quarter 2015

- Finalisation of the common guidelines and presentation to the DAC: 1st quarter 2016.

Terms of reference consultant: To produce a report analysing lessons gathered in the area of anti-corruption among different stakeholders and produce a set of guidelines on integrity for development co-operation actors

Background

Donors implement projects in environments with high corruption levels. Addressing the risks of corruption and fraud in the use of aid is crucial to ensure that funds reach their intended purpose. In doing so, consistent and systematically applied guidelines to protect aid allocations from donor agencies are key. There have been limited attempts to consolidate good practices into a shared instrument that provides common framework for bilateral donors on how to tackle corruption as discussed below. The concept note that accompanies this Terms of Reference (ToR) proposes an effort to begin the process towards a framework for bilateral development co-operation agencies and other actors involved in development co-operation on how to manage corruption risks.

This ToR guides the recruitment of a consultant who will deliver the outputs necessary to the development of the framework for bilateral development co-operation agencies and other development actors on how to manage corruption risks. It describes the requirements and responsibilities of the consultant. It also proposes a methodology and timetable for the development of the work. It should be read in tandem with the concept note.

Proposed methodology

The following procedures will be undertaken to gather the experiences of different actors in the area of implementing anti-corruption and anti-fraud controls and to assess good and bad experiences and to propose the guidelines:

1. Identification of a relevant set of actors (including bilateral development agencies, multilateral agencies, private sector, NGOs and foundations) as a sample to the study, including identification of their disbursement channels used.

2. Review of existing literature in this area, particularly through the collection and analysis of internal policies and documents describing the procedures and practices in place across a different set of actors to control for corruption risks;

3. Development of a questionnaire for phone interviews with relevant stakeholders (field visits will be possible pending funding arrangements).

4. Assessment of the experience collected on the basis of effectiveness of the measures. This will be measured at the level of output (the existence of the policy) and, when possible, at the level of outcome (whether the policy has resulted in reduction of funds mismanagement or increased recovery of funds upon investigation[13]).

5. Organisation of a workshop to present the initial findings of the lessons gathering exercise and the initial guidelines proposed.

6. Finalisation of the guidelines and presentation to the DAC.

Final outputs

1. A draft report incorporating the items indicated under "responsibilities of the consultant".

2. A final report, in English, incorporating comments received from OECD and other stakeholders.

Responsibilities of the consultant

- The consultant is responsible for conducting a review of relevant literature. This should include previous reviews and evaluations of anti-corruption mechanisms inside bilateral and multilateral development agencies, other development actors and private sector.

- The consultant is responsible, in consultation with OECD, for selecting a sample of stakeholders including not only bilateral development agencies, but also private sector, foundations and NGOs for field visits (pending funding) or phone interviews.

- The consultant is responsible for preparing an interview protocol and questionnaires to be approved by OECD.

- The consultant is responsible for preparing a report comprising:

    − A review of the experiences of bilateral and multilateral development co-operation agencies; other development actors and private sector with systems to manage risks of corruption.

    − An analysis of the effectiveness of the existing systems (following item 4 in the proposed methodology) and the lessons learned with their implementation.

    − A proposition of a set of practical guidelines on the minimum elements bilateral development agencies and other development actors should consider having in place to manage corruption risks.

This report should be presented in draft format and, after passing through a peer review process, incorporate comments and changes into a final version of both the report and the guidelines.

Requirements for the consultant

- substantial knowledge in the area of anti-corruption and safe-guarding systems

- understanding of bilateral and multilateral donors' development operations as well as their internal anti-corruption and anti-fraud systems

- knowledge of the experiences of the private sector in the area of compliance with anti-corruption regulations a plus

- experience with producing practical guidelines/ 'how to' guidance for development actors

- experience with structuring and conducting survey and interviews as well as data analysis.

Timetable

OECD is still identifying funds for this work to be conducted. Timetable will be decided when funding is secure.

Notes

1. This concept note understands corruption in its broader sense, including practices beyond payment of bribes in the public and private sectors, such as those indicated in chapter III of the UN Convention Against Corruption (embezzlement, misappropriation or diversion of property by a public official, trading in influence, abuse of functions, illicit enrichment, embezzlement of property in the private sector, laundering the proceeds of such crimes and concealing them). It also encompasses the concept of fraud, understood as an act of deliberate deception or false representation for personal gain or for causing damage to another party.

2. 171 countries are States Parties to the UNCAC (www.unodc.org/unodc/fr/treaties/CAC/signatories.html)

3. The 2007 DAC Principles for Donor Action on Anti-Corruption require bilateral donors to 'Collectively foster, follow and fit into the local vision', 'Acknowledge and respond to the supply side of corruption' and 'Marshal knowledge and lessons systematically and measure progress'. The document does not give any directions in terms of how to make these principles operational in practice, leaving the decision to donor agencies. See: www.oecd.org/dac/governance-development/principlesfordonoractiononanti-corruption.htm

4. See the text of the recommendation at www.oecd.org/development/governance-development/28321276.pdf

5. See the text of the recommendation at: http://search.oecd.org/officialdocuments/displaydocumentpdf/?doclanguage=en&cote=td/ecg(2006)24

6. More information about IATI at www.aidtransparency.net. Although not directly targeting corruption and fraud, the initiative seeks to improve the transparency of aid, which should help increase oversight over disbursed aid.

7. These are just a sample of the instruments and frameworks that bind public and private sector institutions. See the text of such agreements and laws at: OECD Anti-Bribery Convention (www.oecd.org/corruption/oecdantibriberyconvention.htm), FCPA (www.justice.gov/criminal/fraud/fcpa/statutes/regulations.html), Dodd Frank Act (www.sec.gov/about/laws/wallstreetreform-cpa.pdf), UK Bribery Act (www.legislation.gov.uk/ukpga/2010/23/contents), UN Global Compact (see Principle 10 on Corruption - www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html), OECD Guidelines for Multinational Enterprises (www.oecd.org/daf/inv/mne/oecdguidelinesformultinationalenterprises.htm) and EITI (http://eiti.org/document/standard).

8. See in annex a non-exhaustive summary of instruments put in place by bilateral development agencies as well as multinationals to address risks of corruption and fraud.

9. This has taken place through a process of developing a common list of companies and individuals debarred from participating in aid financed procurement processes when these actors have been convicted for involvement in corruption and fraud. See the 2006 Uniform Framework for Preventing and Combatting Fraud and Corruption

bringing together all multilateral development banks into a common framework in this area: www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/30716700-EN-UNIFORM-FRAMEWORK-FOR-COMBATTING-FRAUD-V6.PDF. In 2010, furthering their shared approach, the same institutions agreed on applying common sanctions (mutual debarment) to firms and individuals involved in corruption when providing services for one of the partners under the Uniform Framework.

10. One exception is the effort carried out by the six bilateral development agencies members of the U4 Anti-Corruption Resource Centre. Through U4, the six member agencies engaged in an exercise to examine their internal practices to increase integrity and reduce corruption risks. A summary of the results can be found at (www.u4.no/publications/donor-anti-corruption-strategies-learning-from-implementation/). Johnson et al. (2012) produced another U4 study collecting the available evidence on the impact of donor's actions to reducing corruption – this focuses however mostly on support to partner countries efforts and not on internal policies within the agencies.

11. ILPI (2013), Update of the 1996 Recommendation of the Development Assistance Committee on Anti-Corruption Proposals for Bilateral Aid Procurement: Progress Report (Draft October 17 2013), *Anti-Corruption Task Team, Room Document 7* (4 November 2013).

12. This suggestion does not imply necessarily that the existing standards mentioned here would cease to be applied, given their different focus (i.e. the Principles for Donor Action on Anti-Corruption devote attention to the relationship of donors *vis-à-vis* partner countries, while the proposed guidelines would focus on the internal processes within the agencies).

13. The possibility of assessing effectiveness of policies at the level of outcomes will be defined throughout the study, based on the existence of monitoring and evaluation reports produced by those actors implementing such anti-corruption and anti-fraud policies. Alternatively, outcome effectiveness can be gauged through the opinion and perception of interviewees. That is however a second best option, given that samples may not be representative of the whole spectrum of actors targeted by this study.

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Annex B:
Survey distributed for the study

Corruption, Risk Management and Internal Integrity Systems

Welcome to the OECD DAC survey of members regarding corruption risk management and internal integrity systems in development co-operation work. The survey is carried out among members of the OECD Development Assistance Committee through the OECD Anti-Corruption Task Team, a subgroup of the OECD DAC Network on Governance. The objective of the survey is to gather data and learn from the DAC members of their experiences in managing corruption risks in aid portfolios. The project aims to use this learning to develop a framework for integrity guidelines for organisations involved in development work. The target group is primarily the DAC members, but we hope to be able to collect responses from other agencies, including multilaterals, in order to study and analyse best practice.

The information will be used to prepare a report with recommendations for an integrity guideline. Individual respondents will not be identified, though individual organisations may be cited as examples. Your candid replies regarding both positive and negative lessons are extremely important to make this learning effort as useful as possible.

We ask you to please identify one person to be responsible for assuring completion of the survey, even if more than one person or office may need to respond to different elements. We send the survey to the countries' DAC delegates, with the intent that they will forward the survey to the Chief Financial Officer or other relevant officer of the development co-operation agency, or the Ministry responsible for development co-operation. The research will also involve follow-up visits or calls with selected agencies, so please be sure to provide the contact information for the person we should be in touch with to arrange follow-up discussions.

Completion of the survey is estimated to take approximately 60-75 minutes. Some questions may require additional time to obtain the information requested; for this reason responses can be edited and reviewed at any point prior to submission by selecting save and exit at the bottom of the page. You can resume the survey simply by entering the survey link in your browser. The survey will timeout after 10 minutes of inactivity, so please make sure to choose save and exit to avoid losing your responses.

Thank you for your contribution to this important learning effort. If you have any questions on the survey, please do not hesitate to contact Mr. Oskar Karnebäck at the OECD Development Co-operation Directorate.

E-mail: oskar.karneback@oecd.org
Telephone: +33 1 45 24 93 46

*Name: _____

*Organisation: _____

*Job title: _____

*E-mail address: _____

SECTION I. INTERNAL ETHICS POLICIES, STRUCTURES

1. Codes of ethics or integrity guidance for employees

1a. Does your agency have a code of ethics or integrity for staff?

□ Yes

□ No

1b. Is the code specific to your agency, or does it apply more broadly?

□ a. It is specific to my agency

□ b. It applies to a broader range of government agencies

Kindly provide web links if possible:

1c. How is the agency's code of ethics/integrity made available to staff? (select all that apply)

□ a. Provided in writing to all staff at hiring

□ b. Provided in writing, with follow-up interactive training

□ c. Available on a web site

□ Other (please describe briefly)

1d. Is avoidance of corruption clearly included in the code? (select the answer that best describes the situation in your agency)

□ a. Avoidance of corruption is specifically included

□ b. Avoidance of corruption is not specifically included

1e. What, if any, impact or effect has been documented or could you cite from your agency's provision of its code of ethics or integrity guidance?

1f. In your view, are there particular strengths or weaknesses to your agency's Code of Ethics or Integrity, or how it is made available, that you think other agencies should learn from? If so, what are they?

2. Integrity/ethics advisors or management assistance

*2a. Does your agency have an ethics advisory or assistance structure for staff?

☐ Yes

☐ No

*2b. At what level of the organisation is this assistance available?
(select all that apply)

☐ a. Centralised advisor(s)/resources in headquarters

☐ b. Advisors/resources available at lower levels (e.g. department) in headquarters

☐ c. Advisors/resources based in some (e.g. regional) field offices

☐ d. Advisors based in all field offices

2c. For the answers in question 2b, please describe the nature of the resources. (e.g. are there advisors? Are they professionally trained? Is institutional ethics their main job? What other resources or guidance is available?)

2d. What, if any, impact or effect has been documented or could you cite from your agency's implementation of ethics or integrity assistance to staff?

2e. In your view, are there any strengths or weaknesses in your agency's approach to providing ethics or integrity assistance to staff that you think other agencies could learn from? If so, what are they?

3. Internal structures for reporting/whistleblowing

*3a. Does your agency have a mechanism for staff to report concerns or suspicions of fraud or corruption?

☐ Yes

☐ No

*3b. How is the mechanism managed? (select the answer that best applies)

☐ a. Managed internally

☐ b. Managed externally by an independent third party

☐ c. Managed externally by another government agency

*3c. Who can use the mechanism described above? (check all that apply)

☐ a. Agency staff

☐ b. Partners (grantees, contractors, host government officials)

☐ c. The general public in the headquarters country

☐ d. The general public in the host country

*3d. Can reports be made anonymously? (select one)

☐ Yes

☐ No

☐ Optional

*3e. Are all reports investigated?

☐ Yes

☐ No

3f. What, if any, impact or effect has been documented or that you would cite from your agency's implementation of internal or external reporting mechanisms?

3g. In your view, are there any strengths or weaknesses in your agency's approach to internal or external reporting that you think other agencies could learn from? If so, what are they?

4. Training and awareness raising

*4a. Does your agency provide training for staff on its internal integrity regime with respect to corruption?

☐ Yes

☐ No

*4b. To whom is the training provided, and with what frequency? (select all that apply)

    ☐ a. To new staff when they are hired

    ☐ b. To all staff on an intermittent basis (e.g. every few years or when a problem arises)

    ☐ c. To all staff on a regular basis (at least once a year)

☐ d. Specialised training to staff working in high-risk functions (e.g. programme/project managers in high-corruption countries, staff working in procurement)

*4c. Is the training mainly interactive (e.g. in-person, involving discussion, scenario analysis, etc.) or passive (e.g. reading a policy or statement, taking an on-line refresher course, etc.). (Please select only one)

    ☐ a. Interactive

    ☐ b. Passive

4d. What, if any, impact has been documented or would you cite from your agency's implementation of training or awareness raising regarding internal integrity with regard to corruption?

4e. In your view, are there any strengths or weaknesses in your agency's approach to internal ethics training /awareness raising that you think other agencies should learn from? If so, please briefly describe them for potential follow-up via a phone or in-person interview.

5. Other

5a. Does your agency have or implement any other important policies or actions to promote internal integrity with regard to corruption? If so, please describe them briefly.

5b. What, if any, impact has been documented or would you cite from your agency's implementation of these policies?

5c. In your opinion, are there any strengths or weaknesses in the way your agency has formulated or implemented these policies or activities that you think other agencies should learn from? If so, please briefly describe them for potential follow-up via a phone or in-person interview.

SECTION II: POLICIES AT INTERFACE WITH GRANTEES, CONTRACTORS, PARTNER GOVERNMENTS

6. Disclosure, aid transparency

*6a. Does your agency adhere to IATI standards for aid transparency?

☐ a. Yes, my agency adheres to IATI standards for aid transparency

☐ b. No, my agency does not adhere to IATI standards, but makes funding and contract/grant information available in another way.

☐ c. No, my agency does not make aid funding and contract/grant information available.

6b. If your agency does not adhere to IATI standards, but makes funding and contract/grant information available in another way, please describe briefly.

6c. What, if any, impact has been documented or could you cite (related to integrity in aid flows) from your agency's implementation of aid transparency practices?

6d. In your opinion, are there any strengths or weaknesses in the way your agency has formulated or implemented aid transparency that you think other agencies should learn from? If so, please briefly describe them for potential follow-up via a phone or in-person interview.

7. Explicit anti-corruption policies, strategies (externally-oriented)

7a. Does your agency have a stated anti-corruption policy or strategy governing how aid will promote anti-corruption objectives and/or funds will be protected from fraud, misuse or other outcomes of corruption?
(Note that this refers to an agency anti-corruption strategy or policy separate from employee codes of conduct or ethics, and should only be answered "yes" if the agency has developed a clear, intentional policy approach to corruption that can be identified in a limited number of documents.)

☐ Yes

☐ No

7b. If yes, is it a single (stand-alone) policy statement/document, or is the agency's anti- corruption strategy or policy elaborated in a number of different policies or documents (though still a discrete and intentional statement of anti-corruption strategy/policy)? (select the one that best applies)

☐ a. Single, stand-alone policy document

☐ b. More than one policy document

Kindly provide web links if possible.

7c. Please briefly describe how your agency documents its approach to anti-corruption, if any.

7c. What are the main purposes of the agency's policy? (select any that apply as main characteristics)

☐ a. A statement of general principles and intent to raise the profile of corruption issues within and/or outside the agency

☐ b. A policy that sets out objectives and procedures to protect aid funds from misuse or loss due to corruption mainly through internal procedures and controls

☐ c. A policy that sets out objectives and procedures to promote more effective development outcomes through better corruption risk analysis and promotion of governance or anti-corruption reform through programming (e.g. at the country or programme level)

☐ d. A policy that commits the agency to international engagements (e.g. IATI, EITI, asset recovery, reducing illicit financial flows, etc.) aimed at restraining the international drivers of corruption

*7d. Is/are there a specific office/s (or department) or officer/s in the agency mandated to lead and/or monitor implementation of anti-corruption strategy or policy?

    ☐ Yes

    ☐ No

    Kindly provide contact information (name, email address) for possible follow-up interviews.

7e. What, if any, impact has been documented or could you cite from the implementation of the agency's anti-corruption strategy or policy?

7f. In your opinion, are there any strengths or weaknesses in the way your agency has formulated or implemented its anti-corruption strategy or policy that you think other agencies should learn from?

    If so, please briefly describe them for potential follow-up via a phone or in-person interview.

8. Anti-corruption/integrity

8a. Corruption risk assessment and management: Does your agency require country-level and/or programme/project-level corruption risk assessments before new activities are launched? (Please select all that apply)

    ☐ a. Yes, country-level corruption risk assessments are required

    ☐ b. Yes, programme- or project-level risk assessments are required

    ☐ c. No, corruption risk assessments are not required

8b. Which of the following best describe your agency's approach to corruption risk assessment? (Select only those that are most common or most closely describe the agency's usual approach)

☐ a. Statistical or other brief corruption profile of a country

☐ b. Broad, country-level political economy analysis, including some discussion of corruption issues

☐ c. Specific political economy analysis of corruption at the country level

☐ d. Specific political economy analysis of corruption in a sector, sub-national region, or organisation to which assistance may be directed

☐ e. Due diligence regarding financial management and project monitoring capacity of implementing organisation or recipient government

☐ f. Other (please describe briefly)

8c. Is there detailed guidance on what should be included in a corruption risk assessment?

☐ Yes

☐ No

Kindly provide web links if possible.

8d. Which decisions are corruption risk assessments used to inform? (select all that apply)

☐ a. Whether to initiate development co-operation in a new country

☐ b. Whether to continue development co-operation in a country

☐ c. Whether to become involved in a new sector in an existing partner country

☐ d. Whether to launch a new project/programme/activity with an existing partner country

☐ e. Selection of implementing organisation (contractor, grantee, host government agency)

8e. Is there guidance in place for determining whether a project/programme/activity should proceed, or how it should be altered, based on the corruption risk assessment?

☐ Yes

☐ No

*8f. Are there clear procedures defining what level of decision making or clearance is required for activities, based on their assessed level of corruption risk (e.g. an Accountability and Decision Making [ADM] matrix)?

    ☐ Yes

    ☐ No

*8g. Procurement integrity: Does your agency have specific regulations to prevent corruption and require high standards of integrity in procurement, such as managing conflicts of interest and public access to procurement information (tenders, awards, etc.)?

    ☐ Yes

    ☐ No

*8h. Is there specialised training on corruption risks and standards of professional conduct for agency staff involved in procurement?

    ☐ Yes

    ☐ No

*8i. Is there training and outreach on anti-corruption standards and requirements for bidders and recipients of grants and/or contracts?

    ☐ Yes

    ☐ No

*8j. Are recipients of grants and/or contracts required to have anti-corruption procedures and regulations in place?

    ☐ Yes

    ☐ No

*8k. Auditing/Control: Does your agency have an internal audit function?

    ☐ Yes

    ☐ No

8l. Which office, department or other entity exercises this function?

*8m. Are there policies in place to protect the independence and capacity of the internal audit function? (e.g. appointments, resources, empowerment to pursue any cases where there is reasonable concern of corruption)

    ☐ Yes

    ☐ No

8n. Does another agency have responsibility for audit of your agency's activities and finances?

☐ Yes

☐ No

8o. Investigation/Response to audits and reporting: Does your agency have staff to investigate audit findings that indicate corruption risks?

☐ Yes

☐ No

8p. Does your agency have a clear policy on how it will respond when evidence of corruption is found?

☐ Yes

☐ No

8q. Sanctions: In general, which of these statements most closely describes your agency's approach to responding to evidence of corruption?

☐ a. A clear-cut approach, requiring immediate and severe action (cut-off of funding, demand for repayment, debarment, criminal prosecution as relevant) for all situations.

☐ b. A calibrated approach, emphasising proportionality between the offense or loss and the consequences to the recipient organisation or government.

8r. Does your agency share information on corruption allegations, ongoing investigations, findings, debarments or other sanctions? (select all that apply)

☐ a. All such information is made public

☐ b. All such information is shared with international agencies

☐ c. Only some information is made public

☐ d. Only some information is shared with international agencies

8r(c). In the previous question, you indicated that "c. Only some information is made public." Please select below which information is made public. Please select all that apply.

☐ 1) Corruption allegations

☐ 2) Ongoing investigations

☐ 3) Corruption findings

☐ 4) Debarments

☐ 5) Other sanctions

8r(d). In the previous question, you indicated that "d. Only some information is shared with international agencies." Please select below which information is shared with international agencies. Please select all that apply.

☐ 1) Corruption allegations

☐ 2) Ongoing investigations

☐ 3) Corruption findings

☐ 4) Debarments

☐ 5) Other sanctions

8s. Corruption risk management strategies: Is there any coorco-ordination between corruption risk assessment and the control/audit function in your agency? In other words, does the level of risk inform the frequency or type of audits conducted? (Please select the statement that best describes your agency)

☐ a. Auditors are actively engaged in risk assessment and shape their auditing strategies accordingly

☐ b. Auditors may be more actively involved in assessing risk and planning strategies in very high-risk situations, but otherwise tend to conduct audits without notable reference to risk assessments

☐ c. There is little or no co-ordination between auditors and risk assessment processes

☐ d. There is no internal audit function in my agency

8t. Are investigation and audit findings used to inform audit planning and future corruption risk management efforts?

☐ Yes

☐ No

8u. Are there any important distinctions among the practices described above, depending on whether funding is for contracts, grantees, local vs. international companies/NGOs, budget support, or multilateral organisations? If so, please describe the key differences.

8v. What, if any, impact has been documented or could you cite from your agency's implementation of integrity measures in the project cycle?

8w. In your opinion, are there any strengths or weaknesses in the way your agency has formulated or implemented integrity measures in the project cycle that you think other agencies should learn from? If so, please briefly describe them for potential follow-up via a phone or in-person interview.

9. Donor co-ordination and joint responses

*9a. If evidence of corruption is found in a country or project your agency is involved in, does your agency have a stated policy to co-ordinate responses to corruption with other donors?

    ☐ Yes

    ☐ No

*9b. Regardless of the previous answer, does your agency regularly co-ordinate responses to corruption with other donors working in a given country or with a given organisation?

    ☐ Yes

    ☐ No

If yes, why? If no, why not?

9c. What, if any, impact has been documented or could you cite from your agency's co-ordination or lack of co-ordination with other donors in response to corruption?

9d. In your opinion, are there any strengths or weaknesses in the way your agency has co-ordinated (or not) with other donors, in response to corruption, that you think other agencies should learn from? If so, what are they?

If so, please describe them for potential follow-up via a phone or in-person interview.

10. Overall evaluation of impact and lessons

10a. Overall, which elements of your agency's approach to integrity would you say have had the most impact on your agency's ability to assess, manage and mitigate corruption risks in its aid portfolio? Select the three (3) most important elements for your agency.

☐ a. Codes of ethics or integrity guidance for employees

☐ b. Integrity/ethics advisors or management assistance

☐ c. Internal and external reporting/whistleblowing

☐ d. Training and awareness raising

☐ e. Disclosure/Aid transparency

☐ f. Explicit anti-corruption policies, strategies (externally-oriented)

☐ g. Corruption risk assessment

☐ h. Procurement integrity

☐ i. Auditing

☐ j. Investigation/response to audit findings, whistleblowing

☐ k. Sanctions

☐ l. Corruption risk management strategies

☐ m. Donor co-ordination/joint responses

☐ n. Other (please specify)

10b. Are there any notable gaps in your agency's approach to integrity about which you'd like to have more guidance based on the experience of other agencies? If so, what are they?

10c. Based on your agency's experience, which of the topics covered in this survey would you suggest should be included in a global standard for integrity in development aid?

11. Agency priorities for anti-corruption and collaboration

(This question relates to your organisation's overall priorities in relation to anti-corruption work. It covers all aspects of anti-corruption, drawing from both the safeguarding of your own funds as well as the promotion of anti-corruption reforms in partner programme countries. Please respond in not more than 500 words.)

11. What are your organisation's strategic priorities in the area of anti-corruption? In what ways would you think that you could benefit from co-operation with international colleagues and partners?