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The performance of bilateral donors in fighting corruption

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ABSTRACT: This paper discusses how bilateral donors perform in fighting corruption. In order to do so, a rationalist perspective is taken. The paper argues that donors perform well in fighting corruption when they cooperate – in forming an international regime. Based on three documents of OECD/DAC, possible principles, rules and norms of such a regime are elaborated. By examining policy papers of three bilateral donors (United States Agency for International Development, UK Department for International Development, Swedish International Development Cooperation Agency), the paper seeks to understand if donors' policy papers indeed converge on a normative level. In a second step, the implementation level in the form of aid allocation patterns is examined. The analysis shows a larger degree of coherence on the normative level but only few commonalities on the implementation level as aid allocation patterns of the donors vary considerably. The paper concludes that a possible regime is not (yet) in place, even though principles, rules and norms exist. Thus, the bilateral donors' performance in fighting corruption is still suboptimal.

1. Introduction¹

In this paper, I want to examine how bilateral donors perform in fighting corruption. Taking an actor-centred, policy-oriented approach I focus on three selected bilateral agencies that are heavy-weights in the aid scene: the United States Agency for International Development (USAID), the British Department for International Development (DFID) and the Swedish International Development Cooperation Agency (SIDA).² Each of the three agencies that I focus on faces corruption individually. At the same time the latter remains a common problem, given the negative consequences of corruption on development. In this paper, I take a rationalist perspective. I argue that donors perform well in fighting corruption when they cooperate. In other words: when donors try to fight corruption individually in their target countries, they risk a suboptimal outcome on the global scale - or as the Organisation for Economic Co-operation and Development (OECD) phrases it: "The risks associated with a piecemeal response, in which various donor organisations act in a deliberate but uncoordinated way, are set to increase."³ Donors thus face a problem of collective action, as fragmentation of anticorruption (AC) work is often hindering success.

Through the concept of an international regime, regime theory provides a tool to overcome problems of collective action. When states establish a regime in a certain issue area, they do so to better pursue their own individual and rational interests. In the current case, it is in the bilateral donors' interest that their official development assistance (ODA) is used as effectively as possible. To achieve this, they need to fight corruption in their partner countries and at home in a coordinated way. Thus the question which this paper addresses is: does current cooperation between bilateral donors constitute an effective international regime for fighting corruption in bilateral development cooperation?⁴

In order to do so, I use the following variables: the cooperation in the field of anti-corruption in bilateral development cooperation will be my independent variable, whereas the existence of a regime in this field will be my dependent variable. Other possible independent variables such as the power distribution in the international system shall be regarded as fixed. This assumption shall be permitted as the idea of a hegemonic state in a regime entirely devoted to more or less altruistic development cooperation seems to be somewhat absurd. To operationalize the independent variable, I take two steps. In the first step, I take a look at the normative level in examining key policy papers of the three donors. My assumption is the following:

¹ The author would like to acknowledge the help of the following people who have made this paper possible: Odd-Helge Fjeldstad and Alf Morten Jerve (CMI), Sheona Duff (DFID), Bathylle Missika (OECD), Ina Eriksson (SIDA), Hansjörg Elshorst (TI), Wilhelm Mirow and Henry Thomson (FU Berlin), Christiane Arndt (Maastricht Graduate School of Governance and Harvard University), Kareen Klein (Université de Genève).

² In section 3.4. of this paper I explain in detail why I have focussed on these particular cases.

³ OECD (2006), p.3.

⁴ Bukovansky (2002), p.5. proposes an AC regime that comprises UN, IMF, WB, and OECD on the international institutional side and TI and the International Chamber of Commerce on the NGO and private sector side. One could argue that the anti-corruption regime in bilateral development cooperation that I examine in this paper might as well be a sub-set of such a larger AC regime.

states cooperate when they all incorporate the same contemporary policy thinking in their papers. To define contemporary policy thinking, I use the work of OECD/DAC.⁵ This group's documents, which draw upon the earlier work of the World Bank and Transparency International, reflect the smallest common denominator of ideas of the most important donor countries.⁶ To sharpen the picture of the current AC state of the art in bilateral DC, I have added recent insights from scholars to better reflect the edge of academic reasoning in the field. My assumption: if donors incorporate all the core findings from the OECD papers as well as fresh academic insight simultaneously in their policy papers, they cooperate. For every donor, I map the concordance between the agency's strategy and the OECD recommendations on an ordinal scale (high, middle, small). In a second step, I look at how the policies are actually applied by taking a look at the aid allocation patterns of the three donors at issue. I examine whether similarities between donors can be found in this case. Through coordinated actions at the country level donors could avoid supplying aid to the most corrupt states. In doing so, they would show that their AC policies are more than just lip service. Only in this case can an effective regime develop. To operationalize the dependent variable, I need to define what regimes actually are. I use KRASNER's classical definition of regimes as "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations".⁷

⁵ The Development Assistance Committee (DAC) is a specialised committee of the Organisation for Economic Co-operation and Development (OECD). Its members periodically review the amount and the nature of their contributions to aid programmes and consult each other on other relevant aspects of their development assistance policies. For more information on DAC's mandate visit:

http://www.oecd.org/document/62/0,3343,en_2649_33721_1918654_1_1_1_1,00.html

OECD/DAC has several subsidiary bodies, among them the Network on Governance (GOVNET) which is responsible for the AC work. For more information on DAC's structure visit:

<http://www.oecd.org/dataoecd/50/54/18058884.PDF>

⁶ I realize that by focussing on the OECD/DAC countries, I leave out a fraction of donors that are not members of this group. According to BROWNE (2007), p.121 about one tenth of total ODA – perhaps between USD 5 billion and USD 10 billion per year – is accounted for by donors of the south who are not members of the OECD/DAC. The largest donors from this group are China and India. For more information see e.g. Manning (2004). Leaving these donors out of the picture for the moment, when theorizing about a possible AC regime in development cooperation seems to be justified, though. Both India and China are not signatories of the Paris Declaration on Aid Effectiveness. For the moment they do not seem to be interested in finding any regime on aid effectiveness of fighting corruption. It remains to be seen if the UN's new bi-annual Development Cooperation Forum (DCF) (For more details visit <http://www.un.org/ecosoc/newfunct/develop.shtml>) can bridge the gap between OECD/DAC donors and the donors from the south.

⁷ Krasner (1983), p. 2.

2. The role of donors in fighting corruption

Today it seems agreed that only by fighting corruption can donors help to build a better world: "Corruption undermines governance, economic growth, and, ultimately, the stability of countries and regions."⁸ But this view has not always been mainstream: "For decades, international institutions had little if anything to say about corruption."⁹ Players in the international scene hardly acknowledged the existence of the word "corruption" in their daily business. They rather nebulously referred to it as the "c-word". The World Bank (WB) is often referred to as a striking example for this practice. Theoretically, the Bank team had understood the mechanisms of corruption for a long time, as a WB paper from the early 90s shows: "Pervasive corruption is particularly damaging to development. Corruption occurs in all countries and in many different forms. It tends to thrive when resources are scarce, and governments, rather than markets, allocate them; when civil servants are underpaid; when rules are unreasonable or unclear; when controls are pervasive and regulations excessive; and when disclosure and punishment are unlikely."¹⁰ But in practice not much happened for a longer period of time: "Ten years ago, the aid donors, the World Bank, and the IMF seldom discussed corruption or dictatorship."¹¹ But things seem to have changed, as a speech by then World Bank President Paul D. Wolfowitz on 11 April 2006 in Jakarta, Indonesia, illustrates: "Today, one of the biggest threats to development in many countries [...] is corruption," Wolfowitz said. "It not only undermines the ability of governments to function properly, it also stifles the growth of the private sector."¹²

A watershed was the World Bank's decision in 1996 to radically reverse its longstanding policy. Before, the bank had the position that it could not explicitly recognize or seek to address the acute problems of corruption in many of its borrowing countries, because local politics were outside the Bank's official mandate. Now, those problems were given a high priority: "While World Bank lending to promote economic reforms fell by 14 per cent annually between 2000 and 2004, its lending to improve governance rose by 11 per cent annually during that period, and by the latter year 25 per cent of its lending was committed to law and public administration in borrowing countries."¹³

The eventual rise of AC work in the strategies of donors is closely related to the aid effectiveness debate. It was research by BURNSIDE and DOLLAR¹⁴ that showed that aid had been effective in countries "with good policies, good governance, and less corruption"¹⁵. At the same time, aid proved to be much less effective in countries with weak policies and high corruption. Following these insights, the developmental agenda has increasingly been dominated by the quest not simply to pursue initiatives "that focus on particular activities

⁸ Spector (2005), p. 7.

⁹ Bukovansky (2002), p.6.

¹⁰ World Bank (1991), p.6.

¹¹ Easterly (2006), p. 133.

¹² Wolfowitz (2006a).

¹³ Arndt (2007), p.3.

¹⁴ Burnside/Dollar (2000).

¹⁵ Spector (2005), p. XIII.

or sectors, but proposals that also deliver anti-corruption measures through wider reforms to the state."¹⁶ Development assistance has seen some tremendous changes in the recent years – with the question of aid effectiveness in the centre. With international conferences and declarations such as the Millennium Declaration (September 2000), the International Conference on Financing Development (Monterey, March 2002), the World Summit on Sustainable Development (Johannesburg, August/September 2002), the Rome Declaration (February 2003) and the Paris Declaration (March 2005), the international community has been working heavily on the construction of a new aid architecture. One of the basic ideas is: "Not only should the recipient countries show commitment and make their national policies coherent in the pursuit of poverty reduction, but so should the donors. In addition, donors should harmonize their activities, an increasing share of donor funds should be general budget support, and donors' policies and activities should be aligned with the recipient country."¹⁷

There is a complex relation between aid and corruption, as - among others - a recent discussion paper by Transparency International (TI) illustrates.¹⁸ Both occur in a particular form of interdependence. Of course, donors are indeed affected by corruption in recipient countries in their work and in service delivery. "Corruption within recipient countries can seriously undermine the achievement of intended results directly, by diverting a percentage of aid away from intended purposes and beneficiaries, or indirectly, by promoting inappropriate uses of aid."¹⁹ But at the same time donors are also part of the problem: "Donors (bilateral or multilateral) who made and continue to make large amounts of funds available knowing the extreme weaknesses of a country's financial and other institutions, and the effect of corruption on those institutions, likewise share responsibility."²⁰ But this responsibility seems to be too often neglected in the Northern World.²¹ Take, for example, the Paris Declaration on Aid Effectiveness: although it states that corruption and lack of transparency "erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development" ²² it does not speak of the role of donors as part of the problem. The paper just deplores that "where corruption exists, it inhibits donors from relying on partner country systems." Surprisingly, not a single word is wasted on how donors could help to reduce corrupt practices - or at least avoid fostering them.

The role of donors is crucial. EASTERLY, a former senior economist at the World Bank criticises: "High aid revenues going to the national government benefit political insiders, often corrupt insiders, who will vigorously oppose democracy that would lead to more equal distribution of aid."²³ A couple of recent studies

¹⁶ Doig/Marquette (2005), p. 104.

¹⁷ Selbervik/Nygaard, p.29

¹⁸ TI (2007).

¹⁹ Ibid, p. 4.

²⁰ CIDA (2000), p. 9.

²¹ Yet, recently, there seems to be evidence that a growing number of donors is starting to acknowledge this point. See e.g. SDC (2006), p. 18.

²² Paris Declaration (2005)

²³ Easterly (2006), pp. 135.

suggest that aid actually decreases democracy and makes government worse: KNACK (also from the World Bank) has found that higher levels of aid worsen bureaucratic quality and lead to more violations of the law and to more corruption.²⁴ DJANKOW et al. similarly have found that high aid caused setbacks to democracy in the years 1960-1999.²⁵ They actually showed that the effect of aid on democracy is worse than the effect that oil has on democracy.²⁶ In a somewhat cynical statement EASTERLY concludes: "Maybe bad governments attract donors who want to reform it just as sinners attract televangelists. However, if you control for this effect, donors make government worse."²⁷

3. Is there an Anti-Corruption regime developing in bilateral development cooperation?

The main argument of my paper is that donors perform well in fighting corruption when they cooperate. I argue that in this case, they would need to form an international regime²⁸ to fight corruption in their partner countries and at home in a coordinated way. This would be in their own rational interest as it would secure that their ODA is used as effectively as possible. In this section, I examine if such a regime indeed exists. I start off by briefly explaining the idea of international regimes in general. I then continue to apply this theory to the field of this work. I use KRASNER'S definition of an international regime to show how the recent work of the donor community could be forming the basis of an AC regime in the making. I then continue to describe some basic rules and norms of this developing regime, based on key OECD/DAC documents.

3.1. Some words on regimes

In trying to theorize about international governance, scholars such as KRASNER and KEOHANE have developed the concept of international regimes in the late seventies and early eighties of the last century. These scholars were in fact looking to provide an alternative to neo-realist approaches that dominated IR by that time. Thus, regime theory is distinct from neo-realism on the one hand and liberalism on the other. It can be described as part of a neo-institutionalist world view. One of the basic ideas behind this concept was to understand regimes as "something more than temporary arrangements that change with every shift in power or interests"²⁹ that is distinct from one-shot agreements on the one hand and international organizations on the other. A first important use of the regime concept was the area of international trade, where scholars sought to explain how the economic institutions formed after World War II could be sustained in a time when the hegemonic USA were temporarily losing power. Later, the concept of regimes has been expanded to areas

²⁴ Knack (2004).

²⁵ Djankow et al (2005).

²⁶ The bad effect of oil on the likelihood of democracy and good governance in a particular country is well documented. Among others, Kolstad (2007) calls this the "resource curse".

²⁷ Easterly (2006), p. 136.

²⁸ I am aware that the word "institution" has now largely replaced the word "regime" in large parts of the scholarly literature. Nevertheless, I use the term in the context of this work because I think it is more appropriate for what I want to deal with in the field of bilateral DC.

²⁹ Krasner (1983), p.2.

such as environment, communication and security.³⁰

In a somewhat classical definition, KRASNER describes regimes as "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations".³¹ KRASNER further defines principles as "beliefs of fact, causation, and rectitude", norms as "standards of behavior defined in terms of rights and obligations", rules as "specific prescriptions or proscriptions for actions" and decision-making procedures as "prevailing practices for making and implementing collective choice". Thus, principles and rules provide the normative framework for regimes, while rules and decision-making procedures provide specific injunctions for appropriate behaviour.³² KRASNER notes that "changes in rules and decision-making procedures are changes within regimes"³³ whereas "changes in principles and norms are changes of the regime itself".³⁴

Although the definition of regimes has been contested by some scholars, "the study of international regimes made an important contribution by supplementing the technical aspects of formal IOs with the norms and rules governing state behavior"³⁵. The concept has been broadened and deepened since its first appearance in the scholarly literature. The social-constructivist influences on the concept of regimes are particularly important.³⁶ Constructivist scholars such as RISSE³⁷ namely attacked one rationalist assumption of the regime theory: the fixed preferences of the actors. Constructivists rather argued that the preferences of the states can indeed be altered by a regime that they are part of. Scholars of the regime theory have responded to this criticism by including this possibility in their theory.³⁸

For practical reasons, I assume that in the present case of the developing AC regime, donors' interests do not necessarily need to be altered by the regime in the short run. I have chosen to treat donors' preferences as fixed, as I understand the AC regime in bilateral DC as something nascent. Thus, the period under review is short enough to assume that the regime has not persisted long enough to alter the preferences of its participants.

³⁰ Little (2005), pp.374.

³¹ Krasner (1983), p. 2.

³² Simmons/Martin (2002), p.193.

³³ Krasner (1983), p.3.

³⁴ Ibid, p.4.

³⁵ Simmons/Martin (2002), p.194.

³⁶ Zangl (2003), p.136.

³⁷ See e.g. Risse (2000).

³⁸ Zangl (2003), p.137.

3.2. What could the regime look like?

The idea of a developing international anti-corruption regime has been raised in the scholarly literature. While BUKOVANSKY has argued for a regime that is largely based on a moral foundation,³⁹ I argue in a purely rationalist tradition. This is because it seems to be in the rational interest of the major donors to form a regime on AC in bilateral DC. YOUNG has described three developmental sequences for international regimes. He labels them "spontaneous orders", "negotiated orders", and "imposed orders".⁴⁰ In my view, the developing AC regime in bilateral DC that I want describe here is a form of the "negotiated orders" that YOUNG describes as "conscious efforts to agree on [...] major provisions, explicit consent on the part of individual participants, and formal expression of the results."⁴¹ More precisely, I understand the developing AC regime in bilateral DC as a "partial or piecemeal negotiated order" where "many problems [are] to be worked out on the basis of practice and precedent."⁴² The bilateral donors have the rational interest that their ODA is used as effectively as possible. This is the main driver to set up the regime; the practical problems are to be solved during the ongoing work.

But why was the regime formed in the first place? It is again YOUNG who offers an explanation here. He argues that leadership is a necessary condition, or "a critical determinant of success or failure in the processes of institutional bargaining that dominate efforts to form international regimes"⁴³. From the three types of leadership that YOUNG presents – structural, entrepreneurial and intellectual – I find the idea of intellectual leadership most appropriate for the field in question. It is the power of ideas that "shape[s] the thinking of the principals in the process of the institutional bargaining."⁴⁴ In terms of leadership, the work of the OCED is important. The organization that is also active in the broader discussion on aid effectiveness pushed for a regulation in the field of AC.

I would like to start from KRASNER'S definition to show that an AC regime in bilateral development cooperation is currently forming. Let me start with a theoretical assumption. If there really was a regime in the making, we would need to see the following:

- a) a distinct problem in the international relations
- b) a "set of implicit or explicit principles, norms, rules, and decision-making procedures"
- c) various actors with expectations that converge around these principles, norms, rules, and procedures.

³⁹ Bukovansky (2002), p.5.

⁴⁰ Young (1993), p.113.

⁴¹ Ibid, p.99.

⁴² Ibid.

⁴³ Young (1991), p.281.

⁴⁴ Ibid, p.307.

But which of these ingredients are actually present?

Ad a) The international community in general and the donor countries in particular have recognized the influence of corruption on development. The Development Assistance Committee (DAC) is the body of the OECD that is mainly charged with issues related to co-operation with developing countries. An important forum for anti-corruption work is its Network on Governance (GOVNET). The OECD/DAC members have publicly recognized corruption as "a severe developmental problem" and that "greater collaboration and the building of partnerships among donors and partners"⁴⁵ is needed to fight it. In a recent policy paper OECD/DAC distinguishes between two types of actions that donor agencies can take to minimise the risks arising from corruption. Firstly, a class of actions "whose effectiveness is not compromised by being done by each organisation separately (although the benefits will be greater the more organisations that undertake them)", and, secondly, a class of actions that will "only be effective if they are undertaken jointly or in a strongly coordinated way".⁴⁶ OECD/DAC members thus undoubtedly recognize corruption as a distinct problem in international relations that needs to be treated in a cooperative way. The donors see the risk "that donor resources will not be used for the intended purposes", additionally they fear "that corruption will undermine the achievement of economic growth and poverty reduction by its corrosive effects on government performance and private investment" and finally they are afraid of reputational risks "including the risk that aid to countries with corrupt leaders will tarnish donors reputations and undermine the case for aid."⁴⁷

Ad b) The documents that OECD/DAC has produced in the previous years form the core of a "set of implicit or explicit principles, norms, rules, and decision-making procedures". Namely, the following papers that were produced by DAC/GOVNET are noteworthy in terms of rule development:⁴⁸

- **"Synthesis of lessons learned of donor practices in fighting corruption"** (OECD-Document: DCD/DAC/GOVNET(2003)1) . This comprehensive 60-page report was prepared by a team of consultants led by the Canadian Bruce B. Bailey. It was first discussed in October 2002 at a meeting of GOVNET. Eventually, it was published in June 2003.
- **"Draft principles for donor action in anti-corruption"** (OECD-Document: DCD/DAC/GOVNET(2005)6). This paper evolved from the one mentioned above. It was first discussed at a workshop in February 2004 and drafted in March 2004. The principles were later revised to reflect comments and inputs received from GOVNET members at the 6th GOVNET

⁴⁵ OECD (2003), p.6.

⁴⁶ OECD (2006), p.16.

⁴⁷ Ibid, p.6.

⁴⁸ Currently, DAC/GOVNET's Anti Corruption Task Team (ACTT) works on an operationalization of these documents in joint corruption assessments, and - possibly - common response principles. As these documents are not publicly available yet, I cannot discuss them in detail.

meeting in January 2005. The draft principles were presented to the DAC in September 2005.

- **"Policy Paper on Anti-Corruption - Setting an Agenda for Collective Action"** (OECD-Document: DCD/DAC/GOVNET(2006)3/REV2). This 29-page paper was prepared by GOVNET's anti-corruption task team on the basis of the "draft principles". It was approved by the DAC in September 2006.

The following section of this paper explains which rules and norms have evolved from these documents and how these rules and norms form the basis for a regime in the making.

Ad c) The actors whose expectations converge around these principles, norms, rules, and procedures are the states with their respective bilateral donor agencies. The OECD/DAC members repeatedly stated that "new opportunities for collective action are emerging".⁴⁹ They thus affirmed their collective desire to combat corruption by cooperating on the international scale.

3.3. Principles, rules, norms, procedures

The following principles, norms, rules, and decision-making procedures have evolved from the OECD/DAC documents:

3.3.1. Principles

The principles of a regime are basic understandings among the actors taking part. Or to put it differently, "coherent bodies of theoretical statements about how the world works".⁵⁰ As already stated, the OECD/DAC members have publicly recognized corruption as "a severe developmental problem" and that "greater collaboration and the building of partnerships among donors and partners"⁵¹ are needed to fight it. This is the fundamental principle of the developing AC regime.

3.3.2. Rules and Norms

In regime theory, there is a clear distinction between norms and rules; with norms being "general standards of behaviour, [that] identify the rights and obligations of states"⁵² and rules being often "designed to reconcile conflicts which may exist between the principles and norms"⁵³. In practice, the difference between

⁴⁹ OECD (2006), p.3.

⁵⁰ Little (2005), p.373

⁵¹ Both: OECD (2003), p.6.

⁵² Little (2005), p.373

⁵³ Ibid, p.373

the two is not always that clear-cut. For this paper, I have therefore chosen to combine those two categories. In the following, I will outline some of the basic rules and norms of the developing regime. In using the work of OECD DAC/GOVNET as the main foundation, I try to reflect a broad consensus of the most important donor countries on the problem of corruption.⁵⁴ Where possible, I have also added findings from the recent academic literature that are likely to impact the rules and norms of the developing regime. I have structured the rules and norms derived from the OECD documents in the following way: first I will be focussing on the donor agencies and their home countries. Later, I will present rules and norms that are more relevant on the partner country level.

3.3.2.1. Complexity, Timing

First of all, donors and their partners need to understand corruption as a serious development problem in itself.⁵⁵ They need to familiarize themselves with the thought that sustainable success in AC efforts will only come from comprehensive approaches. Donors should thus strive to support a large range of key governance reforms.⁵⁶ AC initiatives need to be multi-pronged and sustained. In terms of timing, a long-term approach is essential. Actually, the time frames need to be much longer than experts had hoped in the past: "Despite great efforts over the past 10 years, there are indications that corruption is showing no signs of improvement, and could even be worsening."⁵⁷ Donors need to understand that it needs systemic and organisational change, including the role of civil society (see section 3.3.2.8.) and a change in the attitudes towards corruption, in order to achieve sustainable improvements. Donors have to understand that there are no quick fixes (such as higher wages in the public sector, enactment of anti-corruption laws or prosecution of a large number of corrupt officials).

3.3.2.2. Corruption Mainstreaming

In order to mainstream Anti-Corruption efforts in the agency, strong leadership – in a political and an organisational sense – is needed. Agencies must seek to minimise the risks of corruption in their operations. This holds true even in areas over which the agencies have limited control, such as loans. A central focal point at agency level should develop strategies and assist in mainstreaming of the agencies programmes at country level. Ideally, this would be a full-time core group that is reporting to or with easy access to the head of the agency. If possible, the group should draw upon the knowledge of decentralised advisers or field managers with a strong knowledge and interest in the subject of corruption. The group needs to have a strategy and operational plan with specific, time-bound and verifiable objectives as well as a clear budget.

⁵⁴ The twenty two member countries of the OECD Development Assistance Committee, the world's major donors, provided USD 103.9 billion in aid in 2006 (Source: http://www.oecd.org/document/17/0,2340,en_2649_34447_38341265_1_1_1_1,00.html).

⁵⁵ OECD (2003), p.49.

⁵⁶ Ibid, p.51.

⁵⁷ World Bank (2006), p. 1.

The work needs to be oriented according to a double agenda. It needs to aim at supply-side issues on the one hand and support partner countries in fighting corruption on the other hand. As fighting corruption is a long-term task, it does not have an end point. The agencies thus need a strategy for combating fatigue. It should provide for an initial period of intense activity, followed by lower intensity, and then another phase of new intensity.⁵⁸

3.3.2.3. Supply-Side Issues, Domestic Advocacy

The second of OECD/DAC's "Principles for Donor Action in Anti-Corruption" calls upon donors to "recognise that corruption is a two-way street."⁵⁹ It is important that donors play a significant role on supply side issues related to corruption. This includes a strengthening of the agency's financial management and procurement systems over which they have direct control. Additionally, systems for loans and budgetary support over which the agency has influence need to be optimized. But donors need to do even more: bilateral agencies should engage in activities in their home countries that aim at the supply side of corruption. The agencies both need to work on advocacy and support on the domestic (e.g. strengthening the development and monitoring of antibribery or money-laundering legislation, assisting countries to recover plundered state assets, policies of export credit agencies) and on the international level (e.g. strengthening conventions, international and regional collaboration, policy and efforts of multilateral agencies). They must seek to push their countries to sign, ratify and implement the relevant international conventions on corruption, namely the ones from the UN and the OECD.⁶⁰ This is of particular importance as roughly a dozen OECD/DAC members have not yet ratified the UN Convention, although they were among the first to sign it in the years 2003 and 2004.⁶¹ Additionally, enforcement in many signatory countries is weak.⁶² Promotion of international treaties and the effective incorporation of the obligations resulting from these international treaties into national law, as well as their respective enforcement remain a vital task. A painstaking follow-up on the country level is essential.⁶³ Development agencies, alone or in collaboration

⁵⁸ This section was based on material from OECD (2003), p.31 f. and p.49.

⁵⁹ OECD (2005), p. 6.

⁶⁰ OECD (2006), p.8.

⁶¹ As of June 2007, the following OECD/DAC members have not yet ratified the United Nations Convention against Corruption (UNCAC): Belgium, Canada, European Community, Germany, Greece, Ireland, Italy, Japan, Luxembourg, New Zealand, Portugal, Sweden, Switzerland. (Source: http://www.unodc.org/unodc/crime_signatures_corruption.html) The OECD convention has been ratified by all DAC members except for the European Commission. (Source: <http://www.oecd.org/dataoecd/59/13/1898632.pdf>).

⁶² TI's 2006 Global Corruption report explains that "enforcement has been weak in many countries (including Japan and the United Kingdom)." (Source: http://www.transparency.org/content/download/5025/29497/file/GC2006_00_part1_2_3.pdf) In July 2007, a progress report by Transparency International even came to the conclusion that "eight years after the convention entered into force, its success is not yet assured." The report notes "significant enforcement" in fourteen countries, while deploring "little or no enforcement" in twenty countries. (Source: http://www.transparency.org/content/download/21619/314761/file/3rd_OECD_progress_report_07.pdf).

⁶³ One form of follow-up is the documentation of "steps taken by State Parties to implement and enforce the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions". (For more details visit: http://www.oecd.org/document/44/0,2340,en_2649_34859_36433004_1_1_1_1,00.html) Nevertheless, it should be noted that this list comprises only the participating countries' own listings of their respective

with the civil society can play an advocating role in AC reform issues within their own governments.⁶⁴ Donors should also seek to encourage their governments to develop systems that better connect evidence with policy development.^{65 66}

3.3.2.4. Knowledge Management, Evaluation

The third of OECD/DAC's "Principles for Donor Action in Anti-Corruption" calls upon donors to "[m]arshal knowledge and lessons systematically and measure progress."⁶⁷ Knowledge management and information sharing are indeed essential as a huge number of texts on corruption have been produced over the years, both from an academic and a practically oriented angle. For many practitioners the amount and variety of material make it hard to find significant information. Thus, improving accessibility of information for fellow practitioners is a significant challenge for donors: "It is essential to make better use of existing knowledge and lessons learned, supporting governments in making it an integral part of the policy making process."⁶⁸ It has been criticized that "the sophistication of the 'lessons learned' in most donor evaluations is rather limited"⁶⁹ and thus needs to be improved. There are actually two components: an internal and an external one. Internally, donors must seek to optimize knowledge management in their organization. MATHISEN/DUNCAN have provided striking insight into the importance of managing knowledge in DC organizations: "Knowledge is useful only when it is accessible. Inaccessible knowledge concerning projects is the same as nonexistent projects to someone seeking to use the knowledge."⁷⁰ In a peer review of the same paper, BAILEY – the main author of OECD/DAC's "Synthesis of lessons learned of donor practices in fighting corruption" – argues that even a broader range of stakeholders must engage in knowledge management. He writes that dissemination and sharing of knowledge need to be optimized "not only by donors but also between donors and NGOs, research institutions and various development partners"⁷¹ This leads to the fact that there is, of course, also an external component to the issue. Donors need to cooperate at the global level, inter alia to develop "a systematic approach to dividing up efforts for undertaking strategic research/knowledge gathering and synthesis and in sharing results."^{72 73} The ultimate aim of this cooperation must be to further research the effect of all the effort being put into AC activities. Donors need to provide a

implementation steps. Weaknesses or even loopholes in the implementation might not be easily observed.

⁶⁴ OECD (2003), p.37.

⁶⁵ This section was based on material from OECD (2003), p. 33., p.52.

⁶⁶ OECD (2005), p.6.

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ Hutchinson (2005), p. 17.

⁷⁰ Mathisen/Duncan (2006), p.4.

⁷¹ Ibid, p.12.

⁷² OECD (2005), p.6.

⁷³ The Utstein Resource Center at the Christer Michelsen Institute in Bergen (Norway) is a good example of how information can be shared among a group of like-minded donors. It ~~is been~~ (is being/ has been) used by six development agencies: NORAD (Norway), DFID (UK), CIDA (Canada), GTZ (Germany), MinBuZa (Netherlands), and SIDA (Sweden). See Utstein Group (2001).

high degree of transparency and share both positive and negative results.⁷⁴

3.3.2.5. Country Specificity of AC Actions

Action on corruption needs to be centred more on initiatives at the country level.⁷⁵ The first of OECD/DAC's "Principles for Donor Action in Anti-Corruption" calls upon donors to "collectively foster, follow and fit into the local vision."⁷⁶ This means that donors need to support the developing countries' own anti-corruption efforts. This approach is also in line with the Paris Declaration on Aid Effectiveness that establishes the principle that setting development objectives is primarily the responsibility of developing countries, with donors playing a supporting role.⁷⁷ Donors should seek to achieve a policy dialogue based on partnership principles and behaviour as this is more likely to be successful than solutions imposed by a donor. Donors and partners require knowledge of specific country conditions, the history of the issues as well as technical knowledge. Conditionality should be based on mutually agreed contracts. Ideally, donors should have a strong field presence. Continuity of staff helps in setting up a more fruitful policy dialogue.⁷⁸ Recent literature underlines that the aspect of country specificity needs to be particularly highlighted: "the first step is to develop a country specific understanding of why corruption happens, and in which institutions or activities it occurs. In addition, it is important to assess the efforts and progress of governments and donors in seeking to address corruption directly or indirectly."⁷⁹ MUNGIU-PIPPIDI complains that in the past, both assessment instruments and the resulting AC-strategies have been simply replicated from one country to another. Similar is an argument by SHAH/SCHACTER whereas many ac-programmes are "simply folk remedies or one-size fits all approaches and offer little chance of success."⁸⁰ OECD/DAC has responded to the criticism by affirming that "importing formal institutional models from OECD countries (such as anti-corruption commissions) into developing countries regardless of the governance context is unwise."⁸¹

3.3.2.6. Coalition Building

Fighting corruption requires collaborative approaches. These should bring together a broad range of key, reform-minded stakeholders providing mutual support and reinforcement. Coalitions of reformers from different sectors can be a platform for coordinated action.⁸² A new forum – the "Global Integrity Alliance"⁸³ – promises support for leaders that are committed to integrity and systemic change. The initiative seeks to

⁷⁴ OECD (2003), p.52/53.

⁷⁵ OECD (2006), p.6.

⁷⁶ OECD (2005), p. 5.

⁷⁷ Paris Declaration (2005), p.4.

⁷⁸ OECD (2003), p. 34.

⁷⁹ Doig/Marquette(2005), p.106.

⁸⁰ Shah/Schacter (2004), p. 40.

⁸¹ OECD (2006), p. 7.

⁸² Ibid.

⁸³ <https://www.integrityalliance.org>

provide education, assistance and resources to these professionals to support their efforts for good governance in their countries. Even though it remains to be seen which impact the alliance will have, donors need to support such forums. Although participatory approaches do not directly fight corruption, they are one of a number of tools that are needed. This helps to create an enabling environment. Furthermore, it is necessary to diagnose corruption problems, to build consensus on the next steps, to increase transparency and credibility and to build capacity to develop sustainable reforms. Donors need to collaborate in two ways: with various stakeholders from the society and amongst each other.⁸⁴ Uncoordinated responses to signs of increasing corruption in a particular country "are responsible for giving off 'mixed signals' and weakening the effect of any attempts by particular donors to stand firm or apply sanctions."⁸⁵

3.3.2.7. Entry Points, Sectoral Approaches

Anti-corruption does not have to be the main point of entry — either in broad policy discussion or project design.⁸⁶ Opportunities and constraints will vary according to the country context.⁸⁷ Less direct, less frontal or less confrontational approaches such as focusing on improving efficiency and transparency can be a more acceptable point of entry. In some countries corruption problems are concentrated in a few sectors, "so that targeted efforts make good sense"⁸⁸. Sector wide approaches (SWAPs) have been very popular in the academic literature. Scholars such as SPECTOR have argued that one of the major lessons from past experience in fighting corruption is that the problem needs to be addressed on a sector-by-sector-basis: "Within a country, corruption knows no borders: it does not remain localized in particular government departments but pervades all functions where citizens and businesses transact with officials."⁸⁹ Proponents of this reasoning argue that policy is usually made function by function. And within each function, AC strategies could be better targeted and enforced than on a larger scale. They thus suggest a decentralization of the AC efforts. "Directing anticorruption policy from a central commission or agency would not be appropriate unless the mission of such an entity would be changed to serve as a clearinghouse and oversight institution."⁹⁰ Nevertheless, they argue that inter-agency task forces and centralized information sharing (e.g. via web portals) may help to share relevant information among various sectors.⁹¹ A recent World Bank report is less enthusiastic about a sectoral approach, noting particular weaknesses in the area of public sector reform where "sector-wide assessments show relatively lower success rates than any other sector."⁹² The authors argue that public sector reforms will take a long time to show results and are sometimes more cosmetic than real.

⁸⁴ This section was based on material from OECD (2003), p.37.

⁸⁵ OECD (2006), p.8.

⁸⁶ OECD (2003), p. 33.

⁸⁷ OECD (2006), p.8.

⁸⁸ Ibid, p. 13.

⁸⁹ Spector (2005), p. 6.

⁹⁰ Ibid, p.7.

⁹¹ This section was based on material from OECD (2003) p.48.

⁹² World Bank (2006), p. 10

3.3.2.8. Strengthening Civil Society

"Civil society plays a key role in fighting corruption. Today, this statement is unchallenged: it has become a leitmotiv of anti-corruption discourses."⁹³ Civil society is a rather broad term that comprises very diverse groups with varying philosophies, goals and capacities. Citizens' groups, NGOs, trade unions, business associations, think tanks, academic organisations, professional associations, religious organisations, the media, they all belong to what is usually referred to as civil society. Civil society has played a significant role in pushing for international legal instruments against corruption (such as the UN and OECD conventions). For donors engaging in AC efforts, it is important to build coalitions.⁹⁴ Even unexpected and unusual alliances between NGOs and other CSOs including the private sector are possible. It has been widely stressed that "reforms will be ineffective unless demand for reform comes from more aware citizens within the country"⁹⁵, that is, the civil society. CSOs can also play an important role in monitoring transparency and integrity in the public sector.⁹⁶ Donors should seek to "strengthen the capacity of civil society for strengthening the demand for reform, and promoting and monitoring transparency and accountability in the fight against corruption."⁹⁷ Donors should appreciate that many civil society organizations have been involved in anti-corruption work for quite a long time. The roots of their work often go back one or two decades before anticorruption was fashionable. Of course, civil society organizations are not without their own governance and management problems. Lack of transparency and self-regulation, the role of memberships and boards, over-dependence on one leader or lack of middle managers are possible problems. There are also organizations with affiliations to those who are rather part of the corruption problem than of its solution. "Civil society organisations that have successfully avoided questionable allegiances [...] enjoy a position that allows them to act as watchdogs. Free of the governmental obligation of balancing interests, such independent civil society organisations can relentlessly recall the need to fight corruption."⁹⁸ Although they are complementary, a strong civil society is of course not a substitute for a clean, competent public service and judiciary and political system.⁹⁹ A particular field of civil society that donors need to address is the media: A strong, free and independent media is a key "non-executive institution"¹⁰⁰ that can help to strive for a more transparent society and thus help fight corruption. BRUNETTI/WEDER have shown a strong relation between a free and independent media and sinking levels of corruption.¹⁰¹ The same seems to hold true in terms of the free and unlimited access of citizens to the internet.¹⁰² The equation seems to be easy: where

⁹³ OECD (2003b), p. 7.

⁹⁴ E.g. the Action Plan of the Ghana Anti-Corruption Coalition is often cited as a success as it has been incorporated into the Ghana Poverty Reduction Strategy Plan.

⁹⁵ World Bank (2006), p.1.

⁹⁶ Report cards provide citizens with an opportunity to score the performance of public service organisations. The OECD quotes examples for reports cards from India (Bangalore), Vietnam, Ukraine, Bangladesh, the Philippines and the U.S. (Washington, D.C.), see: OECD (2003), p. 40.

⁹⁷ OECD (2005), p. 5.

⁹⁸ OECD (2003b), p. 21/22.

⁹⁹ This section was based on material from OECD (2003), p. 34.

¹⁰⁰ OECD (2006), p.11.

¹⁰¹ Brunetti/Weder (2003).

¹⁰² Graeff (2004).

there is free media and an unhindered access to the net, there is less corruption. In fact, investigative journalists are often on the forefront of fighting corruption.¹⁰³ Donors should seek to influence legislative processes that fight anti-libel laws. Such laws and additional security provisions are used to oppress journalists in many countries.

3.3.2.9. Support Decentralization and Local Participation

Local participation and community empowerment such as citizen involvement in the local budget cycle has been described as another important ingredient to fighting corruption.¹⁰⁴ The idea behind this: If communities have more involvement, they will not steal resources that are intended for their own benefit. Ideally, this would be a self-policing mechanism, reducing corruption. There are critical voices, though: "The control of economic resources by a narrow, local elite is often difficult to circumvent by a donor-driven, community-based approach. Where genuine grass roots community initiatives exist, building on them has worked well. But where such a grass roots mobilization does not exist, donor projects—including those from the World Bank—have been usurped by local elites."¹⁰⁵

3.3.2.10. Political Issues

Corruption is a very political issue: political patronage, dubious contributions and kickbacks are well known forms of political corruption. More elaborate forms involve e.g. the manipulation of state funds which do not come under public scrutiny – and which may in turn be used to support political activities.¹⁰⁶ Fighting corruption is a very political issue, too: anti-corruption agencies have in many countries been used as an instrument of repression against political opponents, not to fight corruption.¹⁰⁷ TI's Global Corruption Barometer ranks political parties and parliaments among the most compromised sectors.¹⁰⁸ The OECD recommendations dealing with the political side of corruption are not extensive, though. They call upon donors to seek to influence private sector firms and their agents or affiliates from industrial countries to once again tackle the supply side of corrupt activities. Additionally, donors are asked to provide advice and legislative and regulatory models of laws related to financing political parties etc. But this can only be effective if there is a political will for change in the recipient country. This might actually not always be the

¹⁰³ Andvig/Fjeldstad (2001), p. 25 note that an influential early monograph on the problem of corruption "started out from investigative journalism" and relied "to a large degree on facts collected by investigative journalists": Doig, Alan (1984): *Corruption and Misconduct in British Politics*, Harmondsworth: Penguin Books.

¹⁰⁴ OECD (2006), p.11.

¹⁰⁵ World Bank (2006), p. 11.

¹⁰⁶ OECD (2003), p.48.

¹⁰⁷ This section is based on material from OECD (2003) p.48.

¹⁰⁸ That means that most citizens have a poor opinion of their government's anti-corruption efforts. Sixty nine percent of the people which were questioned believed their government is not effective in fighting corruption, or that it makes no effort to fight it, or that it actually encourages corruption. Only twenty two percent labelled their government's actions "effective" or "very effective". (Source: http://www.transparency.org/news_room/latest_news/press_releases/2006/2006_12_07_gcb).

case as informal structures could hinder the fight against corruption. These structures thus undermine the drive for change in the partner country. DE RENZIO explains this with regard to corruption problems related to General Budget Support (GBS): "Some of the key assumptions about the effectiveness of GBS are linked to the existence of a domestic drive for reforms leading to improved accountability and results orientation. Questioning the existence of such a drive in many recipient countries calls for a more nuanced view of the role of donors as "change agents".¹⁰⁹ AMUNDSEN sees a special responsibility for the donors to deal with the problem. He finds that donor coordination is key, describing cooperation as "pivotal for donor agencies to have any influence over political corruption."¹¹⁰

3.3.3. Decision making procedures

With regard to the decision making procedures of the developing AC regime, meaning "specific prescriptions for behaviour, the system of voting, for example, which will regularly change as a regime is consolidated and extended",¹¹¹ it is fair enough to say that, for the moment, the decision making procedures of the OECD would apply. There are no new decision making procedures needed for the regime. Basic documents of the organization are the Convention on the Organisation for Economic Co-operation and Development from 1961 and its relevant Supplementary Protocols.¹¹² According to Article 6 of the Convention, each member state has one vote. Decisions are taken and recommendations are made by mutual agreement of all the Members, unless the Organisation otherwise agrees on special cases. Unanimity would thus be the basic voting procedure of the regime. The highest decision making body would be OECD's Council which is – according to Article 7 of the convention – the "body from which all acts of the Organisation derive." Bodies like DAC are subsidiary bodies according to Article 9 of the Convention. DAC meetings are attended by Paris-based delegates of OECD member countries and by officials from capitals. They are presided over by the DAC Chairman. Additionally, DAC holds an annual High Level Meeting. Its participants are ministers or heads of aid agencies.¹¹³

3.4. The normative level: Three AC policy papers examined

In this section, I examine the key policy papers of three donors to see if these have incorporated the OECD recommendations. If this would be the case, a set of common rules and norms, needed for the regime, would be existent. I analyse the policies of the United States Agency for International Development (USAID),¹¹⁴ the

¹⁰⁹ De Renzio (2006), p.634.

¹¹⁰ Amundsen (2006), p.20.

¹¹¹ Little (2005), p.373

¹¹² Convention on the Organisation for Economic Co-operation and Development and Supplementary Protocols available online: http://www.oecd.org/document/7/0,3343,en_2649_34483_1915847_1_1_1_1,00.html.

¹¹³ http://www.oecd.org/about/0,3347,en_2649_33721_1_1_1_1_1,00.html.

¹¹⁴ USAID's current Anticorruption strategy has been published in January 2005. Additionally, the agency has produced various papers on corruption, including the "Handbook on Fighting Corruption" (1999). I base my analysis mainly on the 2005 strategy.

UK's Department for International Development (DFID)¹¹⁵ and the Swedish International Development Cooperation Agency (Sida).¹¹⁶ The three donors have a number of similarities: their countries are all heavyweights in the aid world and rank among the most important providers of ODA, although not all of this aid is channelled through the agencies in focus.¹¹⁷ According to recent OECD statistics, the USA remain the world's biggest provider of aid (22.74 billion USD). The United Kingdom ranks second with 12.61 billion USD, Sweden follows in seventh place with 3.97 billion USD.¹¹⁸ All three agencies have been on the forefront of AC work. They are all OCED DAC members and have driven brought forward the work of fighting corruption in bilateral DC. Also, they have all developed their own strategy papers at a relatively early point compared to other agencies.¹¹⁹

3.4.1. USAID

In general, USAID is to a large extent in line with the OECD proposals and contemporary policy thinking. The degree of similarities can be described as high (according to the scale described in section 1 of this paper). There are some remarkable exceptions, though. First of all, the agency could have much been clearer on expressing the need for long-term approaches in fighting corruption. Further, the strategy remains relatively weak on the issues of AC mainstreaming and country specificity. And it remains very weak on international AC cooperation and some aspects of civil society. Coalition building, multi-stakeholder collaboration – be it on the country or the international level – are not at all mentioned in the strategy. At the same time, the relatively progressive attitude towards the political issues related to corruption can be seen as an asset of the paper. All in all, USAID has a sufficiently well formulated AC policy when measured against the OECD standards. There is a big disadvantage, though: as the agency neglects the enormous potential of cooperation, it remains a "lonesome rider" in the fight against corruption – a fact that can only be described as suboptimal.

¹¹⁵ The agency produced its first AC strategy in 1999, closely aligned to the work of the World Bank. Currently, a new AC is being prepared. Contrary to the existing one, it will be designed as a UK Government Strategy and not only a DIFD one. As this paper will be not be available before mid-2008, I will analyse the old one, bearing in mind that DFID itself nowadays calls it "rudimentary".

¹¹⁶ SIDA has produced various anti-corruption policy papers. In my analysis, I focus on the 2004 Anticorruption Regulation as this is the main strategy paper of the agency, replacing an earlier version from May 2001.

¹¹⁷ E.g. in the USA about 26 government institutions are involved in providing ODA. Five institutions (USAID, Defense, Agriculture, State, Treasury) accounted for over 90% of the funding in 2005. Source: http://www.oecd.org/document/27/0,3343,en_2649_34603_37829787_1_1_1_1,00.html

¹¹⁸ All figures for the year 2006 (preliminary data), Source: <http://www.oecd.org/dataoecd/14/5/38354517.pdf>

¹¹⁹ One might argue that instead of Sida one could also have picked its Norwegian counterpart NORAD. This is partly true: both countries fulfil the criteria that I have named (worldwide importance in terms of total ODA, active member of OECD DAC, existing AC strategies). Yet, I have decided to focus on Sweden for a practical reason: as Sida is a bigger organization than NORAD, it spends more money on strategy development as well as reporting. There is thus more material to work with.

3.4.2. DFID

Some observers have been critical in assessing DFID's performance in fighting corruption, stating that the agency "still [has] to demonstrate that, internally, it has a coherent and comprehensive cross-cutting approach to corruption that informs its various country and policy programmes and, externally, that approach would complement the work of more specialist UK institutions on recipient countries."¹²⁰ It should be noted that DFID's current strategy reflects the state of the art in fighting corruption only to some extent. The degree of similarities between the strategy and the OECD proposals plus the academic literature can be described as middle. Thus, the evaluation of the DFID strategy yields an ironic result. On the one hand, the agency has been a front runner on corruption related policy issues,¹²¹ on the other hand its strategy gives an outdated impression today. While the agency's broad general approach towards fighting corruption and topics like supply-side issues and domestic advocacy are strong points, other important topics remain weak in the strategy paper: Knowledge management and evaluation, country specificity and other elements that only recently gained close attention in the international discourse are under-represented. But many of these points are likely to be addressed in the new UK Government strategy that is due to appear in 2008.

3.4.3. Sida

Sida's strategy is generally in line with the OECD recommendations, yet there are several occasions where it is falling short of them. Topics like complexity and timing of AC work, mainstreaming in the agency, supply-side issues and the importance of country specificity are developed fully up to the OECD standard. To a lesser extent this is also the case for domestic advocacy, where the need for cooperation with fellow government agencies could have been stated more clearly. In a couple of points, there is still room for improvement, though. This is particularly the case with the questions of decentralization, the role of civil society, and with the importance of evaluation and information sharing in the agency. The political component of corruption as well as the question of coalition building could also have had more room in the strategy. Thus, the degree of similarities between Sida's strategy and the OECD proposals plus the academic literature can be described as middle.

¹²⁰ Doig/Marquette (2005), p. 122.

¹²¹ See e.g. Sida (2004b), p. 36. Helland (2002), p. 11 notes: "DFID has contributed extensively to the analytical work underlying current anti-corruption approaches as a contribution to improve governance, as well as to the wider frames of reference for these efforts, such as the International Development Targets/Millennium Development Goals. It has also provided leadership within the OECD, in particular with regard to the anti-bribery convention and the establishment of the Inter Governmental Financial Action Task Force."

3.4.4. Summary of the results on the normative level

As stated above, this paper argues that donors perform well in fighting corruption when they cooperate. One could also say: they perform well when they start a regime. But does such a regime indeed exist? In this section, I have shown principles, rules and norms, and analysed in how far these are adopted by three donors in question. In conclusion, the following results occur when one examines the policy papers of the three donors with regard to the degree of similarities to the OECD recommendations plus the recent academic literature:

	USAID	DFID	Sida
Complexity, Timing	High	High	High
Corruption Mainstreaming	Middle	Middle	High
Supply-Side Issues, Domestic Advocacy	High	High	Middle
Knowledge Management, Evaluation	High	Middle	Middle
Country Specificity	High	Middle	High
Coalition Building	Middle	High	Middle
Entry Points, Sectoral Approaches	High	High	Middle
Civil Society	Middle	High	Low
Decentralization, Participation	High	Low	Low
Political Issues	High	high	Middle

Notwithstanding some differences, one could thus state that the donors at issue have agreed to a basic set of principles, rules and norms as a basis of a possible AC regime.¹²² Fields with a low degree of similarities must not be understood as a final status. Existing divergences from the OECD recommendations do not mean that the donors have not understood the problem – in some cases changes might just need more time. Particularly DFID's new AC strategy, due to appear in 2008, will surely be a big step ahead.

3.5. The implementation level: Aid Allocation patterns compared

Only if coherence on the policy level is backed by similar coherence on the implementation level, one could assume the existence of an international AC regime in bilateral DC. One therefore needs to look at the aid allocation patterns of the three donors in order to find possible commonalities. Only if those existed, that means if all donors would consider corruption issues when giving aid to countries where problem is widespread, donors would act according to their own rules and norms.

¹²² This does not mean that there is no room for improvement on the policy level. In saying this, one has to keep in mind that the OECD/DAC standards that formed the base for my description of the "state of the art" are not exactly *avant garde*. Given the fact that they have been developed by the "donors club", it is even more surprising that not all donors translate these ideas into practice – yet.

It needs to be said that not every aid allocation to a country with widespread corruption is problematic in itself. Donors carefully need to set the type of aid and the mode of delivering it. The aid delivered must not worsen the problem of corruption in the recipient country. Instead, it should be an indispensable and yet challenging attempt to support the country to fight corruption.

3.5.1. USA

In 2004, the United States gave 19,7 billion USD of bilateral ODA. This means that in 2004, each person in the United States gave 67 USD. The United States gave 0,17% of its national wealth in 2004. 50% of bilateral ODA (9 billion USD) went to least developed and low income countries ^{123 124}

Source: ROA (2006).

The USA explicitly state that development cooperation is politically motivated, evoking the National Security Strategy.¹²⁵ Thus, US development assistance is primarily regarded in part as a means to support US national security¹²⁶ – and not to fight corruption. BERTHÉLEMY ranks the USA as “moderately egoistic” since they favour their trading partners as recipient countries to some extent.¹²⁷ ALESINA/WEDER have found that the USA favour democracies, but seem to pay no attention to the quality of government of receiving countries: “[T]he United States may be more interested in democratic institutions per se relative to the quality of government. Also, the United States may want to use foreign aid as a political tool to promote certain political outcomes in various parts of the world. The Middle East is an obvious, but not unique, example.”¹²⁸ Interesting in terms of aid allocation is a recent tool of US foreign assistance, the Millennium Challenge Account (MCA).¹²⁹ Eligibility to this programme is determined on the basis of governance indicators. The most important one is “Control of Corruption” of the World Bank Institute. If a country does not score above the median, it is not eligible for the MCA.

¹²³ ROA (2006), p.349

¹²⁴ ROA uses defines "least developed and low income countries" as countries with an average income of less than 2 USD per day.

¹²⁵ Source: <http://www.whitehouse.gov/nsc/nss.pdf>. USAID has further produced reports like "Foreign Aid in the National Interest" (Source: http://www.usaid.gov/fani/Full_Report—Foreign_Aid_in_the_National_Interest.pdf) that underline this link.

¹²⁶ ROA (2006), p.210.

¹²⁷ Berthélemy (2006), p.192.

¹²⁸ Alesina/Weder (2002), p.1135.

¹²⁹ The MCA is administered by the Millennium Challenge Corporation (MCC), a United States Government corporation. Established in January 2004, MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. For more details on the MCA visit <http://www.mca.gov>.

3.5.2. UK

In 2004, the United Kingdom gave 7,9 billion USD of bilateral ODA. This means that in 2004, each person in the United Kingdom gave 131,40 USD. United Kingdom gave 0.36% of its national wealth in 2004. 75% of bilateral ODA (5.3 billion USD) went to least developed and low income countries.¹³⁰

Source: ROA (2006).

Britain finds itself in a somewhat schizophrenic situation: while the country has been a radical front runner on aid policy issues, the aid flows that the country actually disburses seem to remain rooted in strategic interests to some extent. Like the USA BERTHÉLEMY rates the UK as “moderately egoistic”.¹³¹ ALESINA/WEDER have found an “insignificant (positive) relationship” between corruption and British aid allocation.¹³²

3.5.3. Sweden

In 2004, SWEDEN gave 2.7 billion USD of bilateral ODA. This means that in 2004, each person in Sweden gave 302,10 USD. Sweden gave 0.78% of its national wealth in 2004. 69% of bilateral ODA (1.8 billion USD) went to least developed and low income countries.¹³³

Source: ROA (2006).

Sida, as a typical Nordic donor, is spreading its aid transfers to a very large number of countries, yet denying any self-interest in their motives. GATES/HOEFFLER have found that, unlike any of the other DAC donors, Nordic donors – with Sweden and Norway as leaders – do not give more aid to political allies: "Nordic aid allocation seems remarkably free from self-interest and, indeed, more orientated towards their stated objectives of poverty alleviation, the promotion of democracy and human rights."¹³⁴ BERTHÉLEMY has also found the Nordic donors – Sweden being one of them – to be more altruistic.¹³⁵ Additionally, research by ALESINA/WEDER has proven that Scandinavian donors do reward less corrupt receivers of aid.¹³⁶ Their view is that this is due to the fact that these countries had no colonies, and their choice of aid allocation is therefore less tied to colonial history and related political influences. Thus, ALESINA/WEDER conclude, these donors are more free to choose recipient countries in comparison to donors with former colonies or more clearly defined strategic interests.

3.5.4. Summary of the results on the normative level

Based on the existing literature, it might be permitted to say that aid allocation varies considerably among donors. BERTHÉLEMY has found that the big majority of donors target their assistance to their most significant

¹³⁰ ROA (2006), p.342.

¹³¹ Berthélemy (2006), p.192.

¹³² Alesina/Weder (2002), p.1134.

¹³³ ROA (2006), p.332.

¹³⁴ Gates/Hoeffler (2004), p. 14.

¹³⁵ Berthélemy (2006), p.193.

¹³⁶ Alesina/Weder (2002), p.1136.

trading partners, while taking at least some care of the neediest recipient countries.¹³⁷ He has further researched that, in spite of the egoism of their policies, bilateral donors also implement some sort of selectivity rules based on recipient needs and merits. It has been noted that “strategic geopolitics explains only a small portion of the variation in aid receipts across countries; many bad governments of no strategic importance whatsoever still get a lot of aid.”¹³⁸ AKRAMOV has found that “more than one half of the total bilateral foreign aid is allocated disregarding the quality of governance.”¹³⁹ And ALESINA/WEDER have found no evidence that aid donors give less aid to corrupt countries: “Our vast exploration of the data never uncovered any even weak evidence of a negative effect of corruption on received foreign aid.”¹⁴⁰ Some of their statistics can be interpreted in a way that donors actually gave these countries more aid.

One important remark is needed though: The raw data that is used in the literature on aid allocation is not always up-to-date. ALESINA/WEDER, for example, base their findings on data from a period between the seventies to the mid-nineties. As outlined in section 2.3. of this paper, corruption was not an important topic for donors by that time. Since then, the perception of corruption has changed dramatically. This means that aid allocation patterns might have as well slightly changed in the meantime. But if such a change has indeed happened in practice, it cannot be observed in the literature yet. Further research will prove whether the problem of corruption becomes an important point when donors allocate aid. In fact, there are indications that this could be the case. BURNSIDE/ DOLLAR have found: “In the 1980s, the amount of aid a country received was not correlated with institutional quality” — as measured in the study by the Freedom House and International Country Risk Guide (ICRG) indicators, the latter including an assessment of corruption — whereas “in the 1990s the picture changed: countries with better institutions received significantly more aid. One standard deviation higher on the indices of rule of law and of democracy corresponded to 28 per cent more overall aid and 50 per cent more finance from the World Bank IDA facility.”¹⁴¹ Similarly, DOLLAR/LEVIN find that some donors choose to care about the recipient countries’ policies when allocating aid: “[T]he same group of multilateral and bilateral aid agencies that are very policy focused are also very poverty focused. The donors that appear high up in both rankings are the World Bank’s IDA facility, the IMF’s Enhanced Structural Adjustment Facility, Denmark, the United Kingdom, Norway, Ireland and the Netherlands.”¹⁴² But there are still many donors which are not yet selective in the policy dimension. And so DOLLAR/LEVIN come to the conclusion that “As a result, overall bilateral aid is not very selective.”¹⁴³

¹³⁷ Berthélemy (2006), p. 192.

¹³⁸ Easterly (2006), p.133.

¹³⁹ Akramov (2006), p. 134.

¹⁴⁰ Alesina/Weder (2002), p.1136.

¹⁴¹ Burnside/Dollar (2004), p.7.

¹⁴² Dollar/Levin (2004), p.4.

¹⁴³ Dollar/Levin (2004), p.13.

4. Conclusion

Scholars, policy makers, and development cooperation (DC) practitioners nowadays agree that progress on reaching the United Nation's Millennium Development Goals¹⁴⁴ (MDGs) relies heavily on an effective fight against corruption.¹⁴⁵ At least in theory, the aid world seems to have understood that the theme of corruption is more than "another fad which will fade (and be replaced by something else)."¹⁴⁶ Particularly in the light of the promised increases of aid – possibly an additional \$50 Billion per year by 2010 and beyond¹⁴⁷ – the problem of corruption and development needs ongoing attention. In my paper, I have shown that on the normative level, a larger degree of coherence exists. This leaves us with a corpus of principles, rules and norms that could form the basis of an AC regime in bilateral DC. Even if not all donors have fully incorporated all OECD regulations into their strategy papers yet, there is no need to worry. Because the policy development in the agencies and on the international level took place in parallel, it is possible that some ideas will be implemented into the donors' strategies at a later stage.

But the implementation level only shows few commonalities as aid allocation patterns of the donors at issue vary considerably. Whereas Scandinavian donors such as Sweden seem to care more about corruption when allocating their foreign aid, other donors do not seem to act accordingly. As I have shown, this could change in the future. Maybe it has already changed to some extent, but the changes cannot be observed yet.

Level	Action	Key documents	Degree of similarities
Normative Level	Development of AC strategies	Strategy papers	High/Middle
Implementation Level	Application of strategies, Allocation of Aid	Aid allocation patterns, country selection	Low

In summary, it can be said that a regime in bilateral DC has not yet developed because of the low degree of similarities on the implementation level. This leads us to a twofold conclusion: on the one hand, one needs to say that, so far, bilateral donors perform suboptimal in fighting corruption as they did not manage to get a regime working. On the other hand one could also say that major donors still have the chance to form this regime – if they want to. The rules, principles and norms are there. Now the major donors need to turn these rules into reality. Ongoing discussion about how exactly this could happen is urgently needed. The problems caused by corruption in relation with development aid are likely to worsen because of the uptake in ODA in the years to come: "In some countries, systems may not be adequate to absorb large increases in resources

¹⁴⁴ For more details on the MDGs visit <http://www.un.org/millenniumgoals/>.

¹⁴⁵ TI (2007), p. 2, TI (2006), p. 121; SDC (2006), p.9., OECD (2005), p. 5.

¹⁴⁶ OECD (2003), p.31.

¹⁴⁷ OECD (2005), p. 2.

without increasing wastage or fuelling leakage and corruption."¹⁴⁸ In a recent position paper, TI has warned already that higher disbursement targets for donors without a support for partner countries to address embedded corruption systems, "a higher amount of funds may end up being diverted through corruption."¹⁴⁹ I hope that I could provide some input for further discussion. Of course, my ideas presented here should be regarded as tentative and preliminary.

5. References

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http://www.eitransparency.org/	Extractive Industries Transparency Initiative
http://www.diw.de	German Institute for Economic Research
http://www.idea.int/	International Institute for Democracy and Electoral Assistance
https://www.integrityalliance.org	Global Integrity Alliance
http://www.oecd.org	Organisation for Economic Co-operation and Development
http://www.sida.se	Swedish International Development Cooperation Agency
http://www.transparency.org/	Transparency International
http://www.u4.no/	U4 Anti-Corruption Resource Centre
http://www.un.org/millenniumgoals/	United Nations Millenium Development Goals
http://www.unodc.org	United Nations Office on Drugs and Crime
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¹⁴⁸ OECD (2005), p. 2.

¹⁴⁹ TI (2007), p. 6.

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6. Abbreviations

AC	anticorruption
ACTT	DAC/GOVNET's Anti Corruption Task Team
CIDA	Canadian International Development Agency
CSO	Civil Society Organisation
DAC	OECD Development Assistance Committee
DC	Development Cooperation
DCF	Development Cooperation Forum
DFID	UK Department for International Development
GBS	General Budget Support
GOVNET	DAC Network on Governance
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IMF	International Monetary Fund
IO	International Organisation
MDG	Millennium Development Goals
MinBuZa	Dutch Ministry of Foreign Affairs
NAO	UK National Audit Office
NGO	Non-Governmental Organization
NORAD	Norwegian Agency for Development Cooperation
ODA	official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PFM	Public Financial Management
SIDA	Swedish International Development Cooperation Agency
TI	Transparency International
U4	U4 Anti-Corruption Ressource Centre
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development
WB	World Bank