

**For Official Use****English - Or. English****28 October 2022****COUNCIL****Council****REPORT ON THE IMPLEMENTATION OF THE OECD  
RECOMMENDATION FOR DEVELOPMENT CO-OPERATION ACTORS  
ON MANAGING THE RISK OF CORRUPTION****(Note by the Secretary-General)****JT03506390**

1. This document presents, in its Annex, a Report by the Development Assistance Committee (DAC) and the Working Group on Bribery (WGB) on the implementation of the OECD Recommendation for Development Co-operation Actors on Managing the Risk of Corruption (hereafter “the Recommendation”) [[OECD/LEGAL/0431](#)] and sets out conclusions regarding the Recommendation’s implementation, dissemination, continued relevance, and whether it requires any changes.
2. The DAC and WGB approved the report by written procedure on 17 October 2022, as well as its transmission to Council to be noted and declassified [[COM/DCD/DAC/DAF/WGB\(2022\)1/REV2](#)].

## Background

3. Corruption presents a significant threat to equitable and effective development. It deprives governments of the financial resources much needed for public goods and negatively affects development goals. To better understand and manage corruption risks, development co-operation actors need to focus on a two-fold process: firstly, they should address risks of corruption and model integrity in the stewardship of official development assistance (ODA); and secondly, they need to ensure policy coherence by considering actions that can be taken, individually and through concerted actions, at the domestic and international levels, to fight corruption, its drivers and its enablers, and ensure their policies are coherent with their development commitments.
4. In 2016, the Council adopted the Recommendation to assist OECD Members and non-Members having adhered to it (hereafter ‘Adherents’) meet this dual objective. The Recommendation addresses how to manage corruption risks in development and builds on good practices to make recommendations that cover a wide spectrum of corruption risk management activities, including prevention, monitoring, detection, reporting and sanctioning. The Recommendation goes beyond an emphasis on fiduciary risks and control to take a more comprehensive approach to corruption risk management, including by appreciating the influence of reputational, institutional and contextual risks on corruption risk management practices, and the importance of “doing no harm”<sup>1</sup> by not contributing to corruption dynamics.
5. Paragraph VIII of the Recommendation instructs the DAC and the WGB to “regularly monitor the implementation of the Recommendation” and “report to the Council no later than five years following its adoption”. In this context, this document presents in its Annex the Report to Council on the implementation, dissemination and continued relevance of the Recommendation, which assesses the continued relevance of the Recommendation and its implementation by Adherents, as well as describes the actions that the OECD Secretariat and the Adherents have taken to disseminate the Recommendation since its adoption.

## Methodology and process

6. This Report is based on the joint assessment by the WGB and the DAC of the implementation of the Recommendation. It is informed by the Committees’ respective mechanisms for monitoring and assessing the implementation of standards and tools (see paragraphs 9-12 of the Annex), together with a supplemental survey and workshops to ensure fuller data coverage.

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<sup>1</sup> See Principle 2 in <https://www.oecd.org/dac/conflict-fragility-resilience/docs/38368714.pdf>

7. All OECD Members and 6 non-Members<sup>2</sup> have adhered to the Recommendation, totalling 44 Adherents. Among the 38 OECD Members, 29 are both DAC and WGB members and 9 are WGB members only. The European Union (EU), as a DAC member, has also been active in implementing the provisions of the Recommendation and has participated in the development of this Report.

8. On the DAC side, the Anti-Corruption Task Team (ACTT) Secretariat participated in 12 DAC peer review processes between 2018 and 2021,<sup>3</sup> supporting analysis of the implementation of all aspects of the Recommendation (provisions 1-10 inclusive). Regular meetings of the DAC/ACTT, together with dedicated consultations and thematic policy initiatives have also galvanised work and yielded information on the implementation of specific provisions, including on joint donor responses to corruption and collective action (provision 9), and systems to identify, assess and manage corruption risks (provision 5).

9. On the WGB side, monitoring the implementation of the 2016 Recommendation has been part of its systematic monitoring process, noting that, under Phase 4, the process is tailored depending on the Adherent under review and on the specific issues and/or recommendations identified in the Adherent's prior evaluations. Thereby, topics relevant to the Recommendation may or may not be covered with the same level of detail for each Adherent monitored. In monitoring the implementation of the Recommendation, the WGB process has primarily focused on provisions relevant specifically to combatting foreign bribery (namely provisions 6-10), as opposed to corruption more generally. WGB members are required to answer a set of questions relative to these provisions in a questionnaire circulated ahead of their country evaluations.

10. To bring together the information on implementation gathered through these DAC and WGB processes and develop a single joint report, the DAC and WGB Secretariats have worked closely together throughout the process, including by consulting one another in the context of their respective peer review processes.<sup>4</sup> As of 31 December 2021, 30 out of 44 Adherents and the EU had been reviewed under either the DAC or the WGB monitoring process, or both.

11. In order to close reporting gaps and ensure comprehensive data collection and comparability, a joint DAC/ACTT and WGB Monitoring Survey was circulated to all Adherents and the EU in March 2021 (hereafter, 'Monitoring Survey'). This Monitoring Survey was complemented by two peer-learning exchanges on 27 May and 10 June 2021. Twelve Adherents and the EU responded to the survey.<sup>5</sup> Two Adherents – France and New Zealand – provided a copy of their 'WGB Phase evaluation questionnaire' for use in the development of this Report. With this questionnaire focusing on several provisions of the Recommendation, their answers provide an alternative source from which information

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<sup>2</sup> Argentina, Brazil, Bulgaria, Peru, the Russian Federation (suspended from participation in OECD bodies in line with the Council decision of 8 March 2022 [C/M(2022)4, Item 73] and from participation in the Working Group on Bribery in line with the Council decision of 11 April 2022 [C/M(2022)8, Item 99]), and South Africa.

<sup>3</sup> The DAC Peer Review Reference Guide was updated in March 2017 to include the Recommendation [DCD/DAC(2017)10] among the standards covered by the DAC peer review process. It invites the DAC to take into account "the systems and processes in place to assess and adapt to risk (strategic, reputational, programming, security)," including how these inform "control and due diligence mechanisms" relating to implementing the 2016 Recommendation, when analysing members' risk management processes and mechanisms. Another update was approved in 2019 [DCD/DAC(2019)3/FINAL]. The analytical framework included as Annex A in the *DAC Peer Review Methodology, Updated 2021* [DCD/DAC(2020)69] also retains this approach.

<sup>4</sup> The WGB Secretariat consults the DAC/ACTT Secretariat prior to or after on-site visits to evaluated countries and solicits review of relevant excerpts of draft reports before they are discussed by the WGB. Similarly, the DAC Secretariat regularly consults the WGB Secretariat in preparation of DAC peer reviews.

<sup>5</sup> Australia, Canada, Italy, Lithuania, Netherlands, Norway, Portugal, Slovak Republic, Slovenia, Sweden, Switzerland, and the United Kingdom.

could be drawn to answer the questions covered by the Monitoring Survey, bringing total responses to fifteen.

12. In total, 33 of 44 Adherents and the EU (hereafter “respondents”) have contributed, in one form or another, information and data to inform this report on the implementation of the Recommendation. The Report therefore highlights trends in managing the risk of corruption in development co-operation, based on data, numbers and substantive assessments.

13. The development of the Report benefitted from early consultations with a Reference Group of DAC/ACTT members, as well as feedback from the ACTT on an initial rough draft [[DCD/DAC/GOVNET\(2021\)28](#)] summarising the information gathered to develop the present **report**.

14. A **first draft Report** was circulated to the DAC, its Governance Network (GovNet), the ACTT and WGB for written comments and was also discussed by the ACTT and WGB in their respective June 2022 meetings [[COM/DCD/DAC/DAF/WGB\(2022\)1](#)].

15. Comments received were addressed in a **second draft Report** [[COM/DCD/DAC/DAF/WGB\(2022\)1/REV1](#)] circulated to the DAC and the WGB in September 2022.

16. Following the receipt of minor factual clarifications from two Adherents, a **third draft Report** [[COM/DCD/DAC/DAF/WGB\(2022\)1/REV2](#)] was submitted to the DAC and WGB. They both approved the Report by the written procedure on 17 October 2022, and its transmission to the Council to be noted and declassified.

17. Thereafter, a link to the public version of the Report will be included in the webpage of the Recommendation on the online [Compendium of OECD Legal Instruments](#). A publication featuring the key findings and insights of the Report will also follow to ensure their dissemination and contribute to enhancing the evidence-base on corruption risk management practices in development and how best to strengthen current systems.

## Summary and conclusions

### *Dissemination*

18. Since the adoption of the Recommendation, several respondents have reported organising conferences, seminars and webinars around the Recommendation and the issues it raises, in their countries, partner countries and/or at the international level. Several respondents have also referenced specific provisions on webpages, national documents, and guidelines, listed in Box 3.1., Chapter 3 of the Report.

19. Between 2017 and 2021, numerous Panel Sessions and roundtables on the Recommendation have been organised under the leadership of the ACTT and WGB to disseminate the Recommendation in various international fora. Among these is the virtual high-level side-event organised at the United Nations special session of the General Assembly against corruption (June 2021) on *Managing the risk of corruption: a cornerstone of quality and effective development co-operation*.

20. Country peer reviews have also proven to be a central tool for the effective dissemination and implementation of the Recommendation at the level of respondents. Discussions on the Recommendation and analysis of its implementation in the context of the DAC and WGB peer review processes have contributed to raising awareness of the Recommendation with different stakeholders, including national, subnational, private sector and civil society organisations in both Adherent and partner countries.

21. Dedicated activities to present and disseminate work related to the Recommendation have also been undertaken at the request of specific Adherents. For example, on 10 November 2020, the German Federal Ministry for Economic Co-operation and Development (BMZ) co-organised with the OECD a webinar to raise awareness among BMZ staff of the operational guidance on [Rapid Reactions to Corruption: Coordinating donor responses](#). This OECD guidance focuses on formulating coordinated joint donor responses to allegations of corruption (see provision 9 of the Recommendation). In doing so, it provides an opportunity for donor staff in country offices to more broadly discuss and raise awareness on the purpose and content of the Recommendation.

### ***Implementation***

22. The Recommendation has proven to be relevant and broadly applied across respondents. The review of implementation has underscored respondents' concern for improving their management of corruption risks, with a notable increase in awareness and a gradual shift – in intent if not yet in practice – away from corruption risk management systems that are heavily concentrated on internal financial controls and due diligence towards more informed risk-based management approaches. Such an approach entails analysing risks with a view to focus resources (often scarce) where risks are highest. Risk-based approaches bear the benefit of being less burdensome on lower risk sectors or activities, to allow for more emphasis on areas of enhanced risk. Seven of thirteen respondents to the Monitoring Survey considered the Recommendation to remain relevant and that no further actions or revisions are needed in the short term. Nearly all respondents to the survey considered the Recommendation to be instrumental in raising awareness of the corruption risks involved in development, with eight of them stating that it functioned primarily as a benchmark, helping to inform on possible areas of improvement in their corruption risk management systems.

23. The broader evidence and insights gathered from respondents through both the survey as well as the DAC and WGB monitoring processes indicate that a number of the Recommendation's provisions and policy recommendations have been applied in a comprehensive manner. Identified good practices include, in particular, the adoption of institutional frameworks or recommended instruments, such as codes of conduct, ethical guidance, training, and the use of anti-corruption clauses in contracts and agreements. The same holds true of the use of financial audits in development programmes and of corruption assessments to inform the design of country strategies and interventions. Further, some areas have seen a growing importance geared towards the development and adoption of practices that align with the Recommendation. These include the increasing use of mechanisms to report incidents of corruption, albeit not always accompanied by adequate protection measures for those reporting, and the adoption of innovative practices, such as third party monitoring, to manage corruption risks.

24. Nevertheless, there are some provisions that are not yet implemented across a majority of respondents. For example, corruption risk management during programme implementation; assisting implementing partners to manage corruption risks in their own operations; aligning domestic policies to global anti-corruption commitments; and localising international engagements at partner country level are still limited. Similarly, the management of corruption risks is still too often limited to ex-ante fiduciary risk management, and there is scope to enhance both the detection and reporting of corruption in development co-operation. Overall, an informed risk-based and systematic approach to corruption risk management remains a challenge for many, further contributing to difficulties in detecting and reporting allegations of corruption across the board.

### *Continued relevance*

25. A number of areas have emerged for potential future consideration to ensure the continued relevance of the Recommendation. These include issues that have gained increasing relevance in the field of corruption risk management since 2016, but that are not entirely or explicitly covered by the Recommendation. Five out of thirteen respondents to the Monitoring Survey mentioned that the Recommendation remains relevant, but that it could benefit from some updates. For example, respondents underlined the need to enhance the focus of the Recommendation on corruption as a development obstacle, to include support to both direct and indirect strategic interventions against corruption and systematic integration of anti-corruption measures in all thematic areas. The inclusion of specific guidance on conflict of interest and potential measures to counter it, and on how investigations can feedback into and strengthen controls, were also referred to. Overall, complementing the Recommendation with specific operational guidance would be welcome. Consultation meetings further included requests to bolster the use of audits; move towards more effective risk-sharing approaches; actively and systematically manage corruption risks, moving further away from a heavy concentration on financial due diligence towards informed risk-based management; enhance the accountability and collective learning function of reporting and communication on reports or investigations; and focus on corruption as an obstacle to poverty reduction and sustainable development, not just as financial leakages, etc. With this in mind, it is proposed that the DAC and WGB explore these areas moving forward, including considering whether – at a later stage - the Recommendation might benefit from updates to its text in relation to them, or whether supplementary actions could help better support the Recommendation's relevance and impact in these areas.

26. The development of dynamic approaches to corruption risks – their understanding, management and mitigation – is promising more effective corruption risk mitigation and likely warrants further reflection. Such approaches should include a wide range of stakeholders, from staff, partners and businesses. In a similar manner, exchanging on and sharing tools to manage risks would be beneficial and reduce the burden of managing corruption risks for each Adherent individually. In addition, diversifying audits away from being purely financial in nature to different types of audits could contribute to identifying corruption risks and informing risk-based management. This would maximise risk management efforts and ensure greater attention is focused on those areas of enhanced risk – and heightened detrimental impact - to enhance the effectiveness of development co-operation. Finally, sharing risks between respondents and their implementing partners more fairly and supporting them as needed could strengthen corruption risk management and enhance the effectiveness of development co-operation.

27. In sum, the report finds that continued implementation of the Recommendation will further enhance Adherents' and the EU's ability to manage the risks of and respond to actual instances of corruption in development co-operation. The quality of development co-operation, and the attainment of the 2030 Agenda, depends on development co-operation actors working together on norms and standards, exchanging good practices, and developing innovative policies and methods to tackle corruption. Continued review of Adherents and the EU's implementation of the 2016 Recommendation would foster this collective learning and contribute to supporting Adherents and the EU in their progress and accountability.

28. In light of the above, the WGB and DAC agreed to a number of follow-up actions when approving the Report (see para. 25 of the cover note of [COM/DCD/DAC/DAF/WGB\(2022\)1/REV2](#)). In particular, they proposed a ten years cycle for the next report. This timeframe, which is longer than the initial reporting cycle of



five years, would appear appropriate to ensure sufficient time is allocated to support Adherents and the EU to foster and catalyse change and enhance their corruption risk management systems. An earlier report to Council could be prepared if any new developments in the area or the results of the DAC and WGB's further exploration of the issues in which certain Adherents and the EU identified a potential need for updates warrant it.

### Proposed Action

29. In light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

#### THE COUNCIL

- a) noted document [C\(2022\)175](#), in particular the Report set out in its Annex, and agreed to its declassification;
- b) encouraged Adherents to continue disseminating and implementing the Recommendation, including by taking into account the good practices, addressing the challenges, and exploring the areas for further work identified in the Report;
- c) invited the Development Assistance Committee and Working Group on Bribery to:
  - i. continue to monitor the implementation of the 2016 Recommendation in line with the mechanism established to implement paragraph VIII i.) of the 2016 Recommendation;
  - ii. report to Council on the implementation, dissemination, and continued relevance of the Recommendation in no later than ten years, and earlier if a potential need for updates warrants it.

## Annex A. Report on the Implementation of the OECD Recommendation for Development Co-operation Actors on Managing the Risk of Corruption

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## 1. Background

1. **It is widely recognised that corruption is a significant threat to equitable and effective development.** It deprives governments of the financial resources much needed for public goods and negatively affects development goals. There is a strong common interest among development co-operation actors to better understand and manage the internal and external risks to which their activities are exposed, and better respond to actual instances of corruption, to ensure effective use of aid resources.
2. **Fighting corruption in development co-operation is a two-fold process.** It is about addressing risks of corruption and modelling integrity in the stewardship of official development assistance (ODA). It is also about ensuring policy coherence by considering actions that donors can take, individually and through concerted actions, at the domestic and international levels, to fight corruption and its drivers, and ensure their policies are coherent with their development commitments.
3. **In 2016, the OECD Council adopted the Recommendation for Development Co-operation Actors on Managing the Risk of Corruption** (hereafter ‘the 2016 Recommendation’ or ‘the Recommendation’) [[OECD/LEGAL/0431](https://www.oecd.org/legal/0431)] to assist OECD Members and non-OECD Members having adhered to it (hereafter ‘Adherents’) meet these dual objectives. The Recommendation addresses managing corruption risks in development and builds on good practices to make recommendations covering a spectrum of corruption risk management activities, including prevention, detection and sanction. It was jointly developed by the Development Assistance Committee (DAC) and the Working Group on Bribery (WGB) to replace the 1996 DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement (hereafter ‘the 1996 DAC Recommendation’). In replacing the 1996 DAC Recommendation with the 2016 Recommendation, it was acknowledged that corruption risks in development co-operation extend well beyond matters of procurement, while the involvement of new partners and channels for aid disbursement and development co-operation was also recognised.
4. **The 2016 Recommendation addresses corruption risk management and responses to corruption in development co-operation.** It moves beyond an emphasis on fiduciary risks and control to take a more comprehensive approach to corruption risk management. This includes appreciating the influence of reputational, institutional and contextual risks on corruption risk management practices, and the importance of “doing no harm”<sup>6</sup> by not contributing to corruption. The Recommendation builds on the experience and lessons learned by development agencies involved in fighting corruption in development. In particular, it draws on DAC/ACTT work over the last 20 years, including the 2015 study on development practice: [Building Donors Integrity Systems](#) (Hart, 2015<sup>[1]</sup>), and on the work of the WGB in monitoring the 1996 DAC Recommendation in the context of the different phases of its country peer review monitoring system. Its ten provisions and policy recommendations were developed based on identified good practices (Box A.1.). The focus is on corruption risk management in relation to donor management of projects and programmes, including the measures taken in partner and donor countries to fight corruption, and the importance of considering the environment of operations to account for the specific contextual realities of recipient countries.

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<sup>6</sup> See Principle 2 in <https://www.oecd.org/dac/conflict-fragility-resilience/docs/38368714.pdf>

### Box 1.1. Ten provisions and policy recommendations of the OECD Council Recommendation for Development Co-operation Actors on Managing the Risk of Corruption

1. Codes of conduct (or equivalent)
2. Ethics or anti-corruption assistance/advisory services
3. Training and awareness raising on anti-corruption
4. High level of auditing and internal investigation in order to ensure a proper use of resources and prevent detect and remedy corruption risks
5. Active and systematic assessment and management of corruption risks in an ongoing way and at multiple levels of decision-making
6. Measures to prevent and detect corruption enshrined in official development assistance (ODA) contracts
7. Reporting/whistleblowing mechanism
8. Sanctioning regime
9. Joint responses to corruption to enhance the effectiveness of anti-corruption efforts
10. Take into consideration the risks posed by the environment of operation

Source: OECD, *Council Recommendation for Development Co-operation Actors on Managing the Risk of Corruption*, [OECD/LEGAL/0431](https://www.oecd.org/legal/0431)

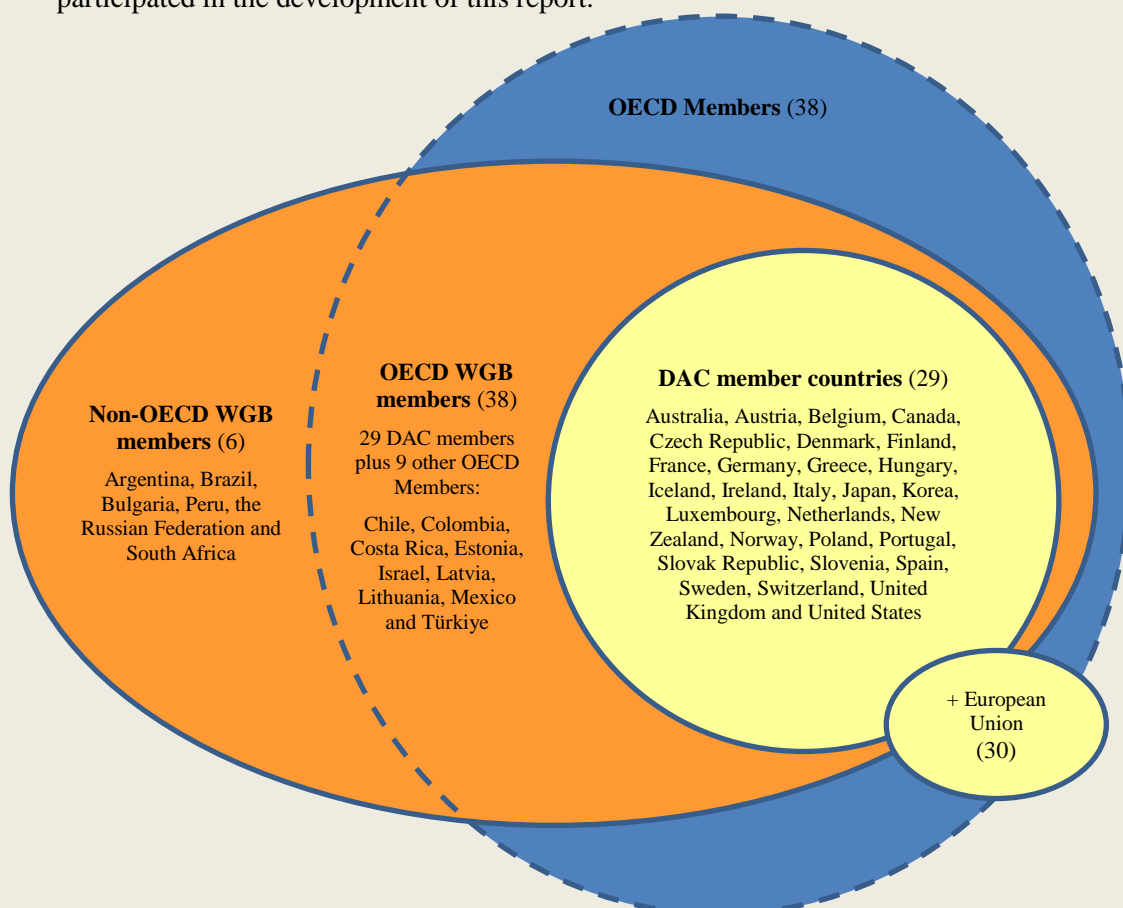
5. **A core driver behind the development of the 2016 Recommendation was an awareness amongst many development agencies of rising public scepticism regarding the effectiveness of development co-operation**, in particular, concerns regarding the management of development resources in corrupt environments. The Recommendation has served to give structure to agencies' responses to these demands for increased transparency and accountability in aid stewardship. The 2016 London Anti-Corruption Summit gave impetus to many key stakeholders to redouble their efforts against corruption. The 2021 UN special session of the General Assembly against corruption, supported by detailed analyses by the Financial Accountability, Transparency and Integrity Panel, has maintained the relevance of the Recommendation in making progress towards the SDGs. The current COVID-19 crisis has exemplified the pernicious effects of corruption; the emergence of corruption scandals involving, in particular, procurement fraud, collusion, embezzlement and theft, as well as vaccine supply chain irregularities have only reinforced the relevance of the Recommendation in 2022, not only for development agencies but for all public institutions managing crisis situations.

6. **All OECD Members and 6 non-OECD Members<sup>7</sup> have adhered to the Recommendation, totalling 44 Adherents.** Among the 38 OECD Members, 29 are both DAC and WGB members and 9 are WGB members only. The European Union (EU) has also been active in implementing the provisions of the Recommendation, as DAC member, and has participated in the development of this report (Box 1.2.).

<sup>7</sup> Argentina, Brazil, Bulgaria, Peru, the Russian Federation, and South Africa.

### Box 1.2. Adherence to the Recommendation for Development Co-operation Actors on Managing the Risk of Corruption

The Recommendation has 44 Adherents – 38 OECD Members and 6 non-OECD Members. All 38 OECD Members are WGB members, while only 29 are DAC members. The 6 non-OECD WGB Members do not participate in the DAC. The EU has also been active in implementing the provisions of the Recommendation and has participated in the development of this report.



7. **Paragraph VIII of the 2016 Council Recommendation instructs the DAC and the WGB to “regularly monitor the implementation of the Recommendation” and “report to the Council no later than five years following its adoption”.** This draft joint report assesses progress in the implementation of the Recommendation among respondents, and draws conclusions on the instrument’s dissemination and continued relevance, as well as whether it requires any amendments or further actions to support it. Developed jointly by the DAC and WGB, this draft report synthesises the progress made and remaining constraints in implementing the Recommendation. It has benefitted from the complementary but differing perspectives of each responsible committee and policy community: the DAC with its mandate on development co-operation, and the WGB with its mandate to combat the bribery of foreign public officials through an ongoing programme of systematic follow-up and monitoring of implementation of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (hereafter, the ‘Anti-Bribery Convention’) [[OECD/LEGAL/0293](#)] and related instruments, including the 2016 Recommendation.

## 2. Methodology

8. Implementation of the 2016 Recommendation has been jointly assessed by the WGB and the DAC by leveraging the distinct but complementary mechanisms for monitoring and assessing implementation conducted in each body, complemented where necessary by a survey to enable coverage of all Adherents.

9. **The DAC has leveraged three main means of collecting information on both good practices and gaps in the implementation of the 2016 Recommendation:**

- the use or extension of existing DAC peer reviews, complemented by questions and/or Secretariat participation in field visits where relevant;
- regular meetings and dedicated discussions to exchange on the implementation of specific provisions or more global anti-corruption issues; and
- thematic work to further the evidence-base, knowledge and understanding of specific policy areas and how provisions of the Recommendation can and are being implemented.

10. The DAC Governance Network (GovNet) and its Anti-Corruption Task Team (ACTT) have actively supported the monitoring of the implementation of the Recommendation. Between 2018 and 2021, the ACTT Secretariat participated in 14 DAC peer review processes,<sup>8</sup> analysing implementation of all aspects of the Recommendation (provisions 1-10 inclusive). Adherents reviewed are Austria, Belgium, Denmark, Germany, Greece, Ireland, Italy, Japan, Norway, Portugal, Spain, Sweden, and Switzerland. The EU was also reviewed in this process. Regular ACTT network meetings and dedicated consultations and thematic policy initiatives have also galvanised work and monitoring of specific provisions, including in the areas of joint donor responses to corruption and collective action (provision 9) and systems to identify, assess and manage corruption risks (provision 5).

11. **The WGB's systematic programme of follow-up and monitoring of the implementation of the Anti-Bribery Convention and related instruments has a long history.** With respect to the monitoring of bribery in the development co-operation context, the WGB's work in this area began with the monitoring of the now-abrogated 1996 DAC Recommendation. Prior to 2016, the WGB monitored the implementation of the 1996 DAC Recommendation in its evaluations of the Parties to the Anti-Bribery Convention. Since the adoption of the 2016 Recommendation, the WGB has monitored its implementation as part of its systematic monitoring process, though as a function of the approach of Phase 4 whereby the process is tailored to the Adherent under review and specific issues and/or recommendations identified in that Adherent's prior evaluation phases. Thus, topics relevant to the 2016 Recommendation may or may not be covered with the same level of detail for each country monitored. For WGB members that have not yet reached the Phase

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<sup>8</sup> The DAC Peer Review Reference Guide was updated in March 2017 to include the Recommendation [[DCD/DAC\(2017\)10](#)] among the standards covered by the DAC peer review process. It invites the DAC to take into account "the systems and processes in place to assess and adapt to risk (strategic, reputational, programming, security)," including how these inform "control and due diligence mechanisms" relating to implementing the 2016 Recommendation, when analysing members' risk management processes and mechanisms. Another update was approved in 2019 [[DCD/DAC\(2019\)3/FINAL](#)]. The analytical framework included as Annex A in the *DAC Peer Review Methodology, Updated 2021* [[DCD/DAC\(2020\)69](#)] also retains this approach.

4 stage of evaluation, assessment against the 2016 Recommendation has been conducted in the context of their Phase 2 and Phase 3 evaluations.

12. **In its monitoring process, the WGB focuses primarily on those provisions relevant specifically to combatting foreign bribery, namely provisions 6-10 of the 2016 Recommendation, rather than corruption more generally.** WGB members are required to answer a set of questions relative to these provisions in the WGB Phase evaluation questionnaire circulated ahead of their reviews. As of 31 December 2021, 21 Adherents have been reviewed by the WGB against the 2016 Recommendation in this manner.<sup>9</sup>

13. **In order to bring together the information on implementation gathered through the DAC and WGB processes and develop a single joint report, the DAC and WGB Secretariats have worked closely together through the process,** including consulting one another in the context of their respective peer review processes.<sup>10</sup> As of 31 December 2021, 30 out of 44 Adherents and the EU had been reviewed under either the DAC or the WGB monitoring process or both (see Table 2.1.).

14. **In order to close reporting gaps and enable comprehensive data collection and comparability, a joint DAC/ACTT and WGB monitoring survey was circulated to all 44 Adherents and the EU in March 2021 (hereafter, ‘Monitoring Survey’).** This survey was complemented by two peer-learning exchanges on 27 May and 10 June 2021. The purpose of the survey and exchanges was threefold:

- To collate additional information and data on Adherents’ and the EU’s progress in implementing the Recommendation across its 10 provisions;
- To identify good practices, challenges and gaps in managing corruption risks in development co-operation as against the actions put forward by the Recommendation; and, on that basis,
- To support reflection on the continued relevance of the Recommendation and whether it might require amendments in light of experience gained by respondents, or whether any supplementary actions may be necessary to support implementation.

15. Twelve Adherents and the EU responded to the survey.<sup>11</sup> Two Adherents – France and New Zealand – provided a copy of their ‘WGB Phase evaluation questionnaire’ for use in the development of this report. With this questionnaire focusing on several provisions of the Recommendation, their answers provide an alternative source from which information could be drawn to answer certain questions covered by the Monitoring Survey, bringing total responses to fifteen. Seven Adherents that are a member of both the DAC and the WGB did not respond to the Monitoring Survey, as they had recently been peer reviewed under the DAC and/or WGB mechanisms.<sup>12</sup> Some Adherents answered follow-up questions where necessary.

16. **In total, 33 of the 44 Adherents and the EU (hereafter, “respondents”) have contributed, in one form or another, information and data to inform this report on the implementation of the Recommendation** (see Table 2.1.). The Implementation

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<sup>9</sup> Australia, Bulgaria, Chile, Colombia, Costa Rica, Czech Republic, France, Germany, Hungary, Iceland, Japan, Korea, Latvia, Lithuania, Mexico, the Netherlands, Norway, Peru, Slovenia, Switzerland and the United States (as of 31 Dec. 2021).

<sup>10</sup> The WGB Secretariat consults the DAC/ACTT Secretariat prior to or after on-site visits to evaluated countries and solicits review of relevant excerpts of draft reports before they are discussed by the WGB. Similarly, the DAC Secretariat regularly consults the WGB Secretariat in preparation of DAC peer reviews.

<sup>11</sup> Australia, Canada, Italy, Lithuania, Netherlands, Norway, Portugal, Slovak Republic, Slovenia, Sweden, Switzerland, and the United Kingdom.

<sup>12</sup> Austria, Belgium, Denmark, Germany, Ireland, Japan and Spain.

Report highlights trends in managing the risk of corruption in development co-operation, based on data, numbers and substantive assessments.



**Table 2.1. Coverage by monitoring mechanisms**

	Adherent country + Observer	Monitoring Survey (May 2021)	DAC peer reviews (2019-2021)	WGB peer reviews (2018-2021)
1.	Argentina	NO	n/a	NO
2.	Australia	YES	NO	YES
3.	Austria	NO	YES	NO
4.	Belgium	NO	YES	NO
5.	Brazil	NO	n/a	NO
6.	Bulgaria	NO	n/a	YES
7.	Canada	YES	NO	NO
8.	Chile	NO	n/a	YES
9.	Colombia	NO	n/a	YES
10.	Costa Rica	NO	n/a	YES
11.	Czech Republic	NO	NO	YES
12.	Denmark	NO	YES	NO
13.	Estonia	NO	n/a	NO
14.	Finland	NO	NO	NO
15.	France	WGB questionnaire *	NO	YES
16.	Germany	NO	YES	YES
17.	Greece	NO	2018 participation **	NO
18.	Hungary	NO	NO	YES
19.	Iceland	NO	NO	YES
20.	Ireland	NO	YES	NO
21.	Israel	NO	n/a	NO
22.	Italy	YES	YES	NO
23.	Japan	NO	YES	YES
24.	Korea	NO	NO	YES
25.	Latvia	NO	n/a	YES
26.	Lithuania	YES	n/a	YES
27.	Luxembourg	NO	NO	NO
28.	Mexico	NO	n/a	YES
29.	The Netherlands	YES	NO	YES
30.	New Zealand	WGB questionnaire *	NO	NO
31.	Norway	YES	YES	YES
32.	Peru	NO	n/a	YES
33.	Poland	NO	NO	NO
34.	Portugal	YES	(late 2021) ***	NO
35.	Russian Federation	NO	n/a	NO
36.	Slovak Republic	YES	NO	NO
37.	Slovenia	YES	NO	YES
38.	South Africa	NO	n/a	NO
39.	Spain	NO	YES	NO
40.	Sweden	YES	YES	NO
41.	Switzerland	YES	YES	YES
42.	Türkiye	NO	n/a	NO
43.	United Kingdom	YES	YES	NO
44.	United States	NO	NO	YES
45.	European Union	YES	2018 participation **	n/a
TOTAL		15	14	21

Note: Table created by the authors to reflect participation in the different monitoring mechanisms.

\* These are responses provided by the country in the form of ‘WGB Phase evaluation questionnaires’ as an alternative to the monitoring survey (see para. 15).

\*\* These are reviews that took place in the early stages of the DAC/ACTT Secretariat monitoring work. They consist mainly of follow-up questions to country Memoranda. In substance, this process was less rich than the later engagement by the DAC/ACTT Secretariat in DAC peer reviews.

\*\*\* Reviews carried out in the second half of 2021 are not - or only partially - reflected in the analysis and report due to time constraints.

**17. This report leverages these multiple and diverse sources of information on the implementation and continued relevance of the 2016 Recommendation, thereby leveraging synergies with existing work and avoiding duplication.** In practice, however, given the varying coverage and focus of the different sources used, exhaustive analysis and comprehensive numbers, comparisons, or conclusions are not always possible. On the other hand, the combination of sources and perspectives adds value in bringing together experiences and expertise from different policy communities. Whenever possible, the report points to trends and good practice examples to enhance collective knowledge around what works and what does not in corruption risk management in development co-operation.

### 3. Dissemination

18. **Significant efforts have been made to disseminate the 2016 Recommendation.** Respondents and the Secretariat have taken specific actions to raise the profile of the Recommendation and enhance knowledge of the policy approaches it recommends. Several respondents have reported organising conferences, seminars and webinars around the Recommendation and the issues it raises, in their countries, partner countries and/or at the international level. Several respondents have also referenced specific provisions on webpages, national documents, and guidelines (see Box 3.1.).

#### Box 3.1. Dissemination strategies around the Recommendation

Respondents have engaged in varied dissemination strategies to raise awareness around the Recommendation and ensure that it is implemented. These include:

- **Circulating the Recommendation to relevant decision-makers**

Both the Slovak Republic and Slovenia, for example, have shared the Recommendation with those ministries responsible for steering or administering ODA activities and, respectively, the Slovak Agency for International Development Cooperation (SAIDC), and to Centre for International Cooperation and Development (CMSR), the Slovene institution in charge of infrastructural development projects and involved in procurement.

- **Organising dedicated discussions with key stakeholders**

For instance, the Slovene Permanent Coordination Group, consisting of representatives of all ministries, has scheduled a discussion on the Recommendation for a forthcoming session.

- **Translating the Recommendation into internal procedures and guidelines**

Sweden has focused on considering the Recommendation in SIDA's internal procedures and guidelines. These include its Anti-Corruption Rule, Rule for managing contributions, and Help texts for use of the project management system.

- **Using the Recommendation to analyse practice vs. expected standards**

Switzerland has carried out a comparative analysis, provision by provision, of the standards included in the Recommendation as against its practice. This exercise helped identify areas where more engagement and instruments were required. As a result, SDC and SECO have introduced two new instruments in recent years – a partner risk assessment and an anti-corruption clause – for partner eligibility in tender processes.

19. **Panel sessions and roundtables on the Recommendation were jointly organised by the DAC/ACTT and WGB Secretariats between 2017 and 2021 to raise awareness and disseminate the Recommendation at the international level.** These have included:

- *A Panel Session on Anti-Corruption in Development Co-operation*, held in Paris on 30 March 2017 during the 2017 OECD Global Anti-Corruption & Integrity Forum

- A *Panel Session on Managing Corruption Risks in Contexts of Fragility*, held in Paris on 28 March 2018 during the 2018 OECD Global Anti-Corruption & Integrity Forum
- A *Panel Session on Managing the Risk of Corruption in Development Co-operation*, held in Copenhagen on 24 October 2018 during the 18<sup>th</sup> International Anti-Corruption Conference (IACC). This IACC edition stands out as one in which 19 participating countries and 10 international organisations made leading anti-corruption commitments for follow-up by Transparency International. Participating countries included Denmark, Indonesia and South Korea.

20. **More recently, the DAC/ACTT Secretariat coordinated the delivery of a virtual high-level side-event at the United Nations special session of the General Assembly against corruption.** On 2 June 2021, the Panel Session on “*Managing the Risk of Corruption: a necessary cornerstone of quality and effective development co-operation*” mobilised both Adherents and non-Adherents. It showcased the work done around the Recommendation and raised the profile of this instrument among non-Adherents and multilaterals with a view to soliciting their potential interest in adhering to the Recommendation in the future.

21. **Country peer reviews have also proven to be a central tool for the effective dissemination and implementation of the Recommendation at the level of Adherents and the EU.** Discussions on the Recommendation and analysis of its implementation in the context of the DAC and WGB peer review processes have contributed to raising awareness of the Recommendation with different stakeholders, including national, subnational, private sector and civil society organisations among both Adherents and the EU and partner countries.

22. **Dedicated activities to present and disseminate work relating to the Recommendation have also been undertaken at the request of specific Adherents.** For example, on 10 November 2020, the German Federal Ministry for Economic Co-operation and Development (BMZ) and the OECD jointly delivered a webinar to raise awareness among BMZ staff of the operational guidance on Rapid Reactions to Corruption: Coordinating donor responses, adopted in June 2020 by ACTT members. This guidance focuses on formulating coordinated joint donor responses to allegations of corruption (OECD, 2020<sub>[2]</sub>). Although the guidance relates explicitly to Provision 9 of the Recommendation, it provides an opportunity to more broadly discuss and raise awareness on the Recommendation among donor staff in country offices.

## 4. Implementation

23. **This section provides an analysis of the state-of-play regarding the implementation of the Recommendation, assessing each of its ten provisions in turn.** This analysis identifies trends, and outlines good practices and innovative examples. It also underlines areas of progress since adoption of the Recommendation as well as ongoing challenges and gaps. In doing so, the report provides a basis for collective learning on what works in managing corruption risks in development co-operation and any areas in which members are struggling to gain traction, with a view to identifying any areas where the Recommendation may require updating, or where further actions to support implementation may be required. Mirroring the Recommendation, the report takes a broad approach to corruption risk management. It focuses on policies and practices for the stewardship and management of ODA, as well as on actions taken by Adherents and the EU to better link internationally-adopted actions and policies to fight corruption and illicit financial flows (IFFs) with their domestic policy commitments, whether on development co-operation (through ODA) or otherwise.

24. **The data and evidence presented below was collected through a plurality of tools and mechanisms and does not necessarily reflect the performance of all respondents for every provision.** Numbers and analysis presented in this report provide an indication of the breadth of implementation among respondents, as well as positive trends and any good and innovative practices, while calling attention to areas in which more collaborative policy research and development may be warranted.

### Building Block 1: Institutional frameworks and training to raise awareness and prevent corruption

25. **Understanding and identifying situations of corruption by staff and key stakeholders is one of the first steps for Adherents and the EU to effectively manage the risk of corruption in development.** The Recommendation promotes the creation of institutional frameworks, assistance or advisory services, as well as training sessions to raise awareness on and prevent the risk of corruption. These set the scene as to what is appropriate behaviour and what is not, and are an important attribution of corruption prevention. Provisions 1 to 3 contribute to the development of an internal staff culture of integrity, and define the support and actions needed to maintain and optimise this within a development agency.

#### *Provision 1: Codes of conduct (or equivalent)*

26. **Codes of conduct or ethical guidelines are in place for a vast majority of respondents (over 90%), contributing to establish internal standards.** They clarify the rules of the game and raise awareness among staff about the different forms of corruption that may exist and the expected standards of behaviour within an agency. In so doing, they provide guidance to officials and staff on how to model integrity and avoid corrupt practices, and they serve as important first steps in the management of corruption risks. Codes can also serve as standard-setters in dialogue with partners on Adherents' and the EU's expectations of them, especially since grant agreements often include a clause requiring partners to have similar codes and principles in place in an attempt to ensure that these principles filter through the delivery chain.

27. **Most respondents report that codes are applicable to all staff, although some report that local staff are not covered.** Coverage of all staff, both local and national, by codes of conduct and ethical guidance is provided for in the Recommendation. Broad applicability of codes of conduct and ethical guidance determines their impact on corruption risk management; it conditions their role and effectiveness in clarifying the rules of the game, establishing a shared organisational culture of integrity and anti-corruption, and triggering staff discussions on what constitutes corruption and how to address it in the context of different cultures and norms.

28. **Different strategies and written documents support the adoption of integrity principles among respondents.** While some respondents have developed a single code applicable to all staff engaged in development co-operation activities, others have adopted alternative implementation strategies. These include, for example, the use of a plurality of documents to cover different categories of staff (i.e. HQ personnel vs. field staff, national vs. locally employed staff, etc.). Slovenia, for instance, has different codes for civil servants, officials, and local community administrations and in doing so, seeks to adapt its guidance to specific situational contexts and advance staff awareness, prevention and detection of corruption.

29. **The content of codes of conduct varies but they typically tend to concentrate on financial malpractice when there could be scope to address wider integrity issues.** From the information reported, only a few respondents have codes that go beyond financial fraud. Notably, Australia outlines a series of measures for engaging with lobbyists and Switzerland upholds codes of conduct for the prevention of sexual harassment, abuse and exploitation. Switzerland further enforces strict rules for the acceptance of gifts and invitations, and other types of non-financial advantages.

30. **Adherent communication and dissemination strategies on codes of conduct and codes of ethics vary greatly.** A majority of respondents provide new staff with a copy of the relevant codes of conduct or ethical guidance as the time of on-boarding, with a few requiring explicit recognition that these have been read. Many use regular communication channels, including intranets, websites, etc., to raise awareness about applicable codes. However, only a few respondents mention actively taking steps to keep these documents continuously alive in the minds of their busy staff, which is a recurring challenge in promoting behavioural change and managing corruption risks.

31. **Reminders and the tone from the top can play an important role in keeping codes of conduct alive in the everyday work and activities of staff, but these are rarely reported among respondents.** Few respondents report that messaging by management regularly refers to codes of conduct and related issues, despite that this provides a constant reminder to staff about behavioural expectations and sanctions for breach of the code(s). Respondents use various channels for this management messaging and reminders. These can take the form of newsletters, staff networks, all staff presentations and meetings, and training, for example. Indeed, codes of conduct are often used in general training on corruption as well as in training on staff behaviour, both as induction and recurrent trainings.

32. **Despite the wide uptake of codes of conduct among respondents, less evident is whether and how they have changed behaviour or the extent to which they have helped staff to navigate 'grey areas'.** Given broad adoption and dissemination of codes by respondents, few staff can claim to be unaware of integrity principles or of expected behaviour; and yet, keeping these principles alive and navigating potential grey areas is not always straightforward. For example, do codes give enough guidance as to what to do when faced with challenging behaviour by other colleagues or partners? Thus far, we have seen very limited evidence of this. Further, given the highly diverse contexts in which staff live

and work, do respondents have the capacity to adapt codes of conduct and ethical principles to the environment of operation to support staff operating in these diverse local contexts? This becomes particularly relevant where there are complex socio-cultural issues to navigate, such as the function of tribute and exchange, or the provision of kickbacks as a socially accepted norm. Here too, evidence of respondents supporting staff navigate these difficult and sensitive issues is scarce.

### *Provision 2: Ethics or anti-corruption assistance or advisory services*

33. **A number of respondents have developed interactive ethical guidance or advice for staff to accompany codes of conduct.** The purpose of these ethical and advisory services or anti-corruption assistance is to guide and support staff on how to manage the risks of corruption. The Recommendation calls for a safe, confidential, independent and timely delivery of such services.

34. **Only half of respondents have dedicated ethical advisors, fraud liaison officers, focal points in the form of an Ethics Committee or a specific unit to whom staff can turn to discuss or raise ethical dilemmas or to flag suspected cases of corruption.** In addition, accessibility to these services and/or entities, as well as awareness and visibility campaigns around them vary greatly, potentially affecting their use. Several respondents, however, report that ethical assistance is available to all, i.e. ministry and agency staff; through distinct or common units; for advice, prevention and awareness raising, policy-making and/or follow-ups on reports of integrity breaches. In such cases, trainings, seminars, and intranet sources often widely communicate around this assistance. Other respondents do not have a general service, but their human resource management units provide assistance on a case-by-case basis and upon request.

35. **The other half of respondents do not have active ethical advisory services, relying solely on codes of conduct and related documents to support staff.** For instance, some respondents have adopted ethics charters, disciplinary statutes, anti-corruption action plans or integrity and prevention of corruption acts to guide ethical conduct. Whilst these can set rules and principles, access to live and interactive ethical services offer a real-time personalised service that could prove more useful for assisting staff to manage complex situations or get clarifications as needed on acceptable behaviour. The lack of dedicated assistance is a missed opportunity to engage with staff on potential grey areas and how to address them, particularly in country contexts.

36. **Further, where they exist it is unclear the extent to which ethical or advisory services and anti-corruption assistance are used by staff.** Staff often seem to rely on informal relationships with trusted colleagues to discuss ‘grey areas’ and seek advice. It was reported on a number of occasions that, when ethical services exist, distance - both physical and contextual - between country offices and headquarters precludes their optimum use by country-based staff.

### *Provision 3: Training and awareness raising*

37. **Training and awareness raising are the basis for building effective capabilities on corruption risk management.** They contribute to explaining, clarifying and putting into context “the rules of the game” referred to in provision 1, and provide the basis for the proper understanding, prevention and detection of corruption by staff.

38. **Although training staff on anti-corruption is core to a great majority of respondents (over 90%), less than half of them tailor their training to different staff categories, contexts and/or levels of risk.** This is a crucial deficiency. Staff at donor agency headquarters and staff in country offices bear varying responsibilities in the



implementation of an Adherent's development co-operation strategy and policies, and operate in widely differing local contexts. This leads to staff exposure to a series of common yet also potentially diverging risks, and levels of risks, of corruption. Failing to adopt a tailored approach to training limits the potential efficiency and relevance of the training provided, out of step with the Recommendation, which provides that Adherents and the EU should "tailor the extent and specialisation of training to the exposure to the corruption risk of each role". U4 Anti-Corruption Resource Centre and Sweden provide good practice examples of tailored training (see Box 4.1.). Additionally, the United Kingdom counts with a Fraud Liaison Officer in each of its ODA spending posts, with a view to deliver in-house training tailored to country contexts.

#### Box 4.1. Tailoring training to fit the specificities of staff functions and contexts

Below are two examples of anti-corruption training tailored to fit the varying needs of staff engaged in development cooperation activities:

<u>U4 Anti-Corruption Resource Centre</u>	Targeted training by Sweden
<ul style="list-style-type: none"> <li>• U4 serves as a good training resource for development practitioners.</li> <li>• It provides specialised online training and in-country workshops in various sectors susceptible to corruption.</li> <li>• U4 also maintains an anti-corruption helpdesk that U4 partner staff can contact for information on corruption or anti-corruption in development programmes, sectors, or countries.</li> </ul>	<ul style="list-style-type: none"> <li>• Sweden has developed a targeted training system.</li> <li>• Training is tailored to staff categories and their functions, to contexts and to the nature of their operations.</li> <li>• Training sessions are therefore different for new employees, controllers, or managers; for staff at HQ and for missions abroad; and for agency staff or that of implementing partners.</li> </ul>

39. **For some respondents, training is a one-off exercise.** For others, it spans several components, including initial general information sessions on corruption, complemented by targeted workshops and online training. Online training, which has likely increased during the COVID-19 pandemic, can be a useful add-on to in-person training and can reach many more staff. A particular challenge in seeing the results of training is in translating this acquired knowledge into operational practices. Some respondents provide scenario-based and country-context specific training as a means to facilitate the transition from theory to practice. Germany for example provides specific training for posts that are considered particularly risky; this includes e-learning opportunities and specific training from focal points as needed. Training usually covers staff ethics (including issues around gifts and hospitality); issues of solicitation, extortion and reporting of allegations of corruption; and the management of corruption risks. In fewer instances, about half of respondents, it also refers to respondents' international anti-corruption obligations or to other integrity concerns such as conflicts of interest, the difference between mistakes and irregularities, whistleblowing and reporting and red flags.

40. **In terms of outreach, half of respondents for which information is available provide training for key actors alongside their development co-operation staff.** These can include implementing partners and/or subcontractors as well as relevant officials. Box 4.2. below provides examples of respondents providing training to external actors.

### Box 4.2. Respondents providing anti-corruption training beyond their own staff

A number of respondents go beyond their own staff and train external key actors on issues of anti-corruption.

- **Australia**, for instance, works on training and raising awareness with partners, including providing them with a **toolkit on fraud control for funding recipients**.
- **Japan** organises an **annual Ethics Week in Tokyo** for Japanese government officials at large.
- **Canada** has also **offered training to staff beyond development co-operation**. Global Affairs Canada offers fraud risk management training to **civil servants** on red flags, how to handle suspected fraud cases, and steps to take if fraud is detected. Canada's High Commission in Ghana hosted an **in-country workshop**, delivered by U4, on anti-corruption, procurement, and budget tracking in the agriculture sector, which included participants from government, civil society, NGOs and donors. Furthermore, Trade Commissioners are trained on how to **support Canadian companies** to conduct business in a socially and environmentally responsible manner, which includes anti-corruption efforts and reporting requirements in line with globally recognised standards. This training is supplemented by anti-corruption reference materials to support Trade Commissioners in their work.

These examples highlight the **practical value of development agencies interacting and working with the private sector or business interests** where those entities fear being pressured to engage in corrupt or fraudulent acts.

41. **Informal contacts with trusted colleagues – often with experience occupying similar functions – can also be instrumental to discuss grey areas and get feedback and guidance on actions to take or considerations to make.** Common challenges for many respondents lie in providing timely, regular and comprehensive training in line with staff needs. Training does not cover all staff categories, or at least not equally. Local staff, and field staff to a lesser extent, are not systematically given the same training opportunities as headquarter staff, often due to resource and capacity constraints. One discernible trend and good practice example that can contribute to bridging these gaps is the creation of mentoring hubs or facilities.

## Building Block 2: Monitoring and control measures

42. **Monitoring and control measures are important contributions to ensuring the proper use of resources in development co-operation.** They serve as useful complementary tools for corruption prevention and awareness raising activities and include audits, investigations, corruption management frameworks and anti-corruption clauses and principles enshrined in ODA funding.

### *Provision 4: Auditing and internal investigation*

43. **All respondents for which information is available conduct financial audits.** These can contribute to ensure a proper and cost efficient use of resources and the adoption of remedial actions in the event of a breach of a contract/agreement. Additionally, they can support the improvement of systems through the systematic and timely follow-up of audit

findings. Audits are carried out through internal and external auditors, and respondents report using solely one or the other, or a combination of both, with potential consequences on the quality and focus of audit findings (see following paragraphs).

44. **About 45% of respondents go beyond financial audits, and thus more roundly contribute to risk-based management, going beyond the management of fiduciary risks to potentially address broader integrity issues, and the potential attainment of programme objectives.** Noteworthy is the internal control system developed by the Swiss Agency for Development and Cooperation (SDC), that incorporates programmatic and systemic risks alongside financial management (see Box 4.3.).

#### Box 4.3. Going beyond financial audits to manage corruption risks

Switzerland is one Adherent that goes beyond the use of financial audits to inform corruption risk management. The **internal audit unit of the Federal Department for Foreign Affairs (FDFA) of Switzerland** focuses, in specific units at headquarters and in offices abroad, on:

- Audits examining **financial elements as well as systems, processes, rules, norms applied, separation of tasks, accountability**, etc.;
- **Risk-oriented audits** based on nine criteria, including financial volumes and size of staff;
- **Corruption index** in countries of operation and information provided by other departments.

Further, FDFA ensures (i) **systematic follow-up** on audit recommendations, tied to specific calendars agreed in the recommendations; and (ii) **adaptation of management and risk processes** in accordance with audit findings.

45. **Although all respondents conduct audits, only two-thirds of those reporting mention utilising them for corruption risk management.** The focus and specific features of audits have an impact on their ultimate usefulness in terms of managing corruption risks. Internal auditors often focus on providing assurance to accounting officers that internal control systems work effectively, rather than auditing the management of programmes or programmes themselves. Some investigation units report that very few corruption cases are detected through audits as against other detection and reporting mechanisms, which again speaks to their utility. In addition, the quality and impartiality of audits can vary and cases rarely ever come from audits commissioned by implementing entities or partners, but rather from special audits commissioned by an Adherent's agency.

46. **The potential for audit findings to provide feedback and learning from identified circumstances of fraud and corruption remains largely unexplored.** With few exceptions, there is limited collaborative engagement at the organisational level between audit teams and project or programme staff despite its potential to improve systems and enhance corruption risk management practices across the programme cycle. There is common agreement among respondents that programme managers need to better interpret audit reports, findings and recommendations, and that audit findings could better enable effective risk management. Similarly, auditors themselves, including external auditors such as Supreme Audit Institutions, might potentially benefit from exchanging with programme managers around the dynamics and constraints of programme management. This could contribute to more effectively support and guide operational staff on corruption risk identification and management. Audits can be instrumental in identifying

financial leakages and contribute to detect internal control weaknesses that can serve as warning signals or red flags in managing corruption risks. To do so, special consideration could more readily go to the drafting of the terms of reference to optimise the value of audits in identifying weaknesses and corruption vulnerabilities. Respondents could also more effectively signal to their staff how to respond to audits, deal with findings, and enhance their quality, if the quality of the audit itself is at issue.

47. **Some respondents have developed initiatives to bolster the potential use of audits and uptake of their findings.** This includes respondents taking steps to extract lessons learned from audits, although this does not yet involve systematically disseminating these lessons widely throughout their organisation, nor incorporating lessons learned to enable corrective actions and prevent the same issues from arising in future. Others hold regular “Audit Open Days” to enable exchanges and enhance understanding of audits between different categories of staff across agencies. Finally, development co-operation partners are exploring how to capture the big picture of integrity risks resulting from audit findings using algorithms and IT solutions. The World Bank Group, for example, is undertaking a systematic review to better detect trends, major risks and weaknesses emerging from audit findings. Another opportunity for learning considered by several respondents involves conducting in-depth reviews of problematic projects to discern what went wrong and why.

***Provision 5: Active and systematic assessment and management of corruption risks***

48. **Risk management frameworks, tools and guidance usefully complement internal controls in supporting integrity in programme implementation and assisting in institutionalising these approaches.** The Recommendation states that Adherents should develop a systematic process for identifying, assessing and mitigating corruption risks, and to do so in ways that considers different types and levels of risks, and integrates corruption risk assessments in country and sector analyses, programme planning and management cycles.

49. **Most respondents make ex-ante corruption risk assessments an integral part of their project or programme preparation.** Risk assessments, including corruption risks, are often integrated in their country strategy processes and programme management systems, and several respondents have introduced guidelines or tools such as risk matrices, red flags for corruption risk identification or risk escalation systems to guide the process. Several respondents, such as the United States, the United Kingdom and Belgium, have developed tools to assess the capabilities of partner governments and other recipients to administer funds. USAID, for example, uses a Public Financial Management Risk Assessment Framework prior to deciding whether funds will transit through host government systems, as well as routine country-level anticorruption assessments to determine domestic capacities – and commitment - to fight corruption in allocating development aid. Similarly, DFID/FCDO carries out business case risk assessments, and Belgium developed specific guidance in 2019 to support staff in assessing partner capacities, i.e. by identifying red flags, approval and risk mitigation processes (Deloitte, 2019<sup>[3]</sup>).

50. **Although, some respondents have introduced a more comprehensive approach, risk assessments are often limited to fiduciary risk identification and management.** Some respondents have adopted a structured approach to managing corruption risks, recognising political and power-related risks as potential drivers of corruption (see Box 4.4.).

#### Box 4.4. Adopting a broad approach to managing corruption risks in development co-operation interventions

- **Capturing multi-faceted and forward-looking corruption risks**

Norway's GMA (Grant Management Assistant) commendably captures multi-faceted and forward-looking corruption risks, clearly spelling out how to identify, analyse and mitigate different corruption risks. Risks covered by GMA include nepotism, extortion, bribery, conflicts of interest, discrimination against individuals or groups, unequal access to and control over resources, unequal formal rights and opportunities for women as well as the regulation of greenhouse gas emissions.

- **Defining anti-corruption as a systematic assessment area**

For Sweden, anti-corruption is one of five systematic assessment areas of project appraisal and follow-ups are done to review and update this assessment, particularly in relation to programme objectives, budget and partner capacity to deliver proposed interventions.

**51. Respondents commonly report difficulties in using their risk assessments to formulate effective risk mitigation measures and adapt these during implementation.**

Also unclear is the extent to which risk assessments translate into different mitigation and/or programming strategies or approaches. Respondents also speak to limitations in follow-up and revision of risk matrices, when these exist. Several respondents report having different tiers of corruption risk assessment - at country, sector, project and institutional level, although the distinctions, linkages and feedback loops between these different levels of interaction are often indistinguishable.

**52. Most respondents appear to give disproportionate importance to ex-ante risk assessment over corruption risk management during implementation.** Striking a balance between risk identification and mitigation in project or programme design with risk mitigation and management during implementation is difficult. Respondents are confronted with the need to better balance their attention between risk management at the stage of programme design and inception, and the adoption of adequate (and perhaps frequently changing) risk mitigation measures during implementation, while at the same time preserving development objectives. This is especially true for the monitoring of risks over time to address changing levels or types of risks. For example, although risk matrices are widely used and could serve to follow-up and monitor existing and/or new risks, there are question marks around their utility. Do they render the assessment and monitoring of risks too rigid and would a more politically-informed risk management system be more effective? Efforts are underway by several respondents to ensure that risk assessments at the country level inform the design of interventions, the modalities selected and the use of partner systems. For the most part, however, these practices remain in their infancy.

**53. Innovations are emerging among respondents on corruption risk management.** Several respondents have adopted strategies that go beyond traditional due diligence to include *Know Your Customer* (KYC) approaches and/or politically exposed persons (PEP) analysis for example. Switzerland in particular has recently updated its guidance on partner risk assessments to integrate a PEP-assessment. It aims to guide corruption risk management and better manage the risks of undue influence by PEPs. These can include political influence and the use of collaboration to benefit, directly or indirectly,

the PEP; or reputational risks due to the particular history or affiliation of the PEP. The United Kingdom is also innovating in its use of third party monitoring both as a means to regularly track the effective and efficient use of resources and to enable feedback loops for learning and innovation to inform programmatic adjustments.

54. **Ensuring balanced and effective sharing of risk between donors and partners is necessary though difficult.** Several respondents assess the fiduciary management capabilities of their implementing partners before transferring funds or conveying project responsibilities, working collaboratively with them, when and as needed, to improve their systems (see provision 10). Yet, by far the more common practice among respondents is to conduct an ex-ante assessment of due diligence and financial management capabilities, and then to transfer full responsibility to those partners to manage substantial and often times highly sensitive risks in programme implementation, often with little to no risk management support from the donor. This despite the highly asymmetric capabilities that exist between donors and their implementing partners.

55. **An important insight regarding risk management between implementing partners and respondents, is for the latter to refrain from developing excessively onerous systems that are beyond their own capabilities.** Excessively demanding arrangements lead either to tokenism or to outsourcing in order to manage the administrative burden, both of which can undermine agency staff's understanding and management of the risks at stake.

56. **“Active and systematic assessment and management of corruption risks” remains an ambitious objective for many respondents, despite the increased visibility and attention given to the corruption risk management agenda.** In a majority of cases, respondents work to (i) identify risks and opportunities in the attainment of specific development objectives and (ii) assess the likelihood and impact of risks. However, they often fail to ensure that these first two steps properly: (iii) inform and shape the adoption of specific mitigation measures, and (iv) support the implementation and monitoring of potentially new or evolving risks. These latter two steps remain a challenge for many.

57. **Some respondents are taking a more nuanced approach to corruption risk management, by understanding how and when to strike a balance between achieving development results, and the risk of corruption.** Effective risk management is linked to maximising the achievement of objectives. This implies focusing on the most relevant and detrimental risks; considering mitigation measures (including capacity-strengthening, risk sharing, responses at country – not just project – level and jointly with partners); putting the costs and benefits of risk management into perspective; taking a portfolio perspective to balance high and low risk interventions; and ensuring that risks are understood and accepted by key stakeholders (OECD, 2021<sup>[4]</sup>). The use of risk-based approaches is key to informing – and maximising - these processes. Switzerland, for example, applies less strict audit requirements to organisations it considers as “trusted partners”, and where risks are deemed lower, due to previous partner assessments or to the nature of the partnership, etc. The development of a corruption risk typology, collaborative engagement among development co-operation actors on corruption risk assessments, and more regular exchange of information, are among just a few strategies that could also enhance corruption risk management among respondents.

***Provision 6: Measures to prevent and detect corruption enshrined in ODA contracts***

58. The Recommendation provides, in particular, that provisions should be included in ODA-related contracts to prevent and detect corruption. These aim to deny funding to all companies or individuals convicted of corruption.

59. **A vast majority of respondents have clauses to prevent and detect corrupt activities in their agreements/contracts.** In some cases, the clauses have been introduced as a result of respondents' obligations under the 2016 Recommendation and as a direct response to relevant WGB recommendations.<sup>13</sup> Most respondents have standard clauses in their grant/loan agreements with partners on preventing and detecting corruption. Moreover, for the most part, respondents explicitly require their partners to adopt the same clauses. Some respondents report tailoring these clauses to better suit the actual specific programme and the type of support given, but it is unclear the frequency with which this occurs, their form or the impact this might have on the capacity to manage corruption risks.

60. **Although a majority of respondents use self-declarations by partners asserting they have not been subject to any conviction for fraud or corruption-related misconduct, these are almost impossible to verify.** Most respondents report that applying these clauses is challenging, as it is impossible or extremely difficult to verify the accuracy of information and self-declarations. Comprehensive registers of convictions often do not exist. In addition, overall, donor agencies lack the capacities – and resources – to do meaningful verifications. Notable exceptions are the FCDO/UK and Lithuania's Central Project Management Agency (CPMA), which appear to conduct rigorous verification processes for self-declarations through an open source compliance check.

61. **Debarment lists often inform the exclusion of partners and contractors, although the use of these lists could be further strengthened.** In particular, several countries do not use these lists as due diligence practice and therefore run the risk of contracting with partners and contractors potentially excluded by other donors from such processes. Increased use of digital tools for due diligence when assessing partners and the use of more post-contract controls, samples and spot checks, is also notable. Respondents use debarment lists produced by international organisations and/or by their own institutions to target and exclude from potential co-operation activities entities previously involved in corruption cases.

### **Building Block 3. Reporting and sanctioning of cases**

62. Mechanisms for reporting and sanctioning incidents of corruption allow for the provision of information to development agencies and actors in the event any problems or suspected wrongdoings emerge, and are therefore important in managing allegations of corruption. The Recommendation calls on Adherents to put in place systems to respond and sanction identified incidents of corruption, doing so through “effective, proportionate and dissuasive” systems. Framed in this way, the Recommendation recognises that the nature and extent of responses can vary depending on the specific characteristics of the case. Safeguarding development assistance and ensuring its credibility is contingent upon a meaningful response to identified incidents of corruption.

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<sup>13</sup> See Korea Phase 4 WGB evaluation, Iceland Phase 4 WGB evaluation, Latvia Phase 3 evaluation and Lithuania Phase 2 evaluation.



*Provision 7. Reporting/whistleblowing mechanism*

63. **Almost 70% of respondents have adopted reporting mechanisms that staff, implementing partners and the broader public can use to file reports.** About half of respondents (55%) operate a general reporting mechanism for suspected fraud or corruption that internal staff, external partners or stakeholders, and the wider public alike can access. Approx. 15% have also developed distinct mechanisms for target groups that run in parallel and a further 30% do not possess any reporting mechanisms at all.

64. **Almost across the board, respondents have confirmed the importance of ensuring accessible channels for reporting and quality analysis, as well as timely investigations and communication.** That in mind, some respondents are working to raise awareness about their respective reporting mechanisms and to promote their accessibility and potential use by beneficiaries and partners (Box 4.5.).

**Box 4.5. Enhancing visibility and use of reporting mechanisms**

Among the measures taken to enhance the visibility and efficacy of existing reporting mechanisms are:

More prominent use of agency websites	Requirement of suppliers to inform staff and partners about reporting systems	Broad dissemination of reporting mechanisms
<ul style="list-style-type: none"><li>• introducing relevant links and access details to the reporting system</li><li>• regularly featuring information about reporting mechanisms</li></ul>	<ul style="list-style-type: none"><li>• reaching out to all staff and partners delivering Adherent programmes</li><li>• sharing contact details, i.e. mailbox and hotline number, throughout the delivery chain</li></ul>	<ul style="list-style-type: none"><li>• communicating widely on the reporting function for the benefit of partners and beneficiaries</li><li>• i.e. printing information on staff's business cards (i.e. what is in place, how/where/what to report, etc.)</li></ul>

65. **Reporting mechanisms have led to documented corruption cases for several respondents, thereby signalling their importance for risk management.**<sup>14</sup> However, almost half of respondents have not yet had any reported allegations of corruption or fraud and only one has had allegations of foreign bribery. Given the environments in which ODA operates, no or low levels of reporting raises questions about the rigour of corruption risk management frameworks and efficacy of reporting mechanisms. Reports of suspected fraud and corruption are not a concern *per se* for agencies, rather they are evidence that the systems put in place to detect and manage incidents of corruption are working well.

66. **With the aim of further strengthening their reporting mechanisms, several respondents identified disincentives for reporting that should be addressed in future work.** These disincentives include: fear of the personal consequences of reporting (especially if anonymity cannot be guaranteed throughout the process or due to concerns about retaliation and the lack of safeguards against this); lack of incentives to look for fraud; fear that reporting will damage the reputation of aid, reduce funding and/or involve penalties; and not knowing who to report to or seeing this as someone else's responsibility. Further, recovery of fraud losses tend to be covered by first-tier partners (through their own reserves), thereby reducing their incentives to report fraud if they anticipate either not

<sup>14</sup> The terminology used by Adherents to refer to those individuals filing reports varies from "informants", to "complainants" or "whistle blowers", etc. For ease of reference, this monitoring report will use the terms "reporting systems" and "internal vs. external reports".

receiving support by the upstream provider or donor to recover funds, or some sort of sanctions.

67. **Respondents indicate that most reports come from implementing partners and that only a minority of investigated allegations of corruption result from reports filed by internal staff.** This is not surprising given the scale of ODA disbursed through partners – often well over half of total bilateral ODA - and highlights the considerable importance of reporting systems being known and accessible to implementing partners, not just the staff of development agencies.

68. **It is unclear the extent to which identified cases of corruption, and any resulting reports, inform the design and implementation of respondents' development operations.** Analysing, using and communicating on reports and incidents of corruption can play an important role in strengthening the design of projects, and developing and tailoring corruption risk management strategies. Exposed cases can contribute to new learning on specific or systemic weaknesses and help identify potential mitigation measures that could be adopted.

69. **There is a clear divide among respondents over the role and potential value added of communicating – internally or externally – about corruption cases, and just over half of respondents engage in active communication around reports and investigations.** Of those, half update internal staff only, and half share information and results both internally and externally with other donors or partners. The variety of country contexts contribute to explaining these differences. Domestic legislation, including on access to information and data protection, have shaped the appetite of relevant agencies to communicate about reporting processes and outcomes.

70. **To publish or not, and the degree and nature of the information to share, remain dilemmas for most.** Respondents who communicate about corruption reports and investigations find it contributes to building trust, with staff, citizens at large and relevant oversight bodies. It sends the message that the donor is committed to addressing integrity issues and is keeping pace with new or emerging developments in the field. By contrast, those that are more conservative about sharing information on cases, do so out of a concern that it could accentuate existing negative attitudes towards development aid, for example, by generating or exacerbating poor perceptions of ODA, by inspiring potential perpetrators, or by exposing the identity and integrity of persons involved (both physical and legal). See Box 4.6. below. Further, in those limited cases where respondents produce lessons learned from previous corruption cases, these are often limited to the investigation team only, and rarely shared more widely across the organisation (see also provision 4).

#### **Box 4.6. Communicating on corruption reports and investigations to strengthen and improve the system**

A number of respondents actively communicate on reports and investigations of corruption for the purposes of accountability and collective learning.

- **In Denmark, corruption cases relating to development co-operation activities are always reported to the Ministry of Foreign Affairs (MFA) and published on the MFA website,** with reference to the amounts involved, characteristics of the case and any penalties or consequences that may result. Transparency about what Danida is doing to tackle corruption is well received

by Parliament, the media and citizens, and considered instrumental in building confidence and trust in development co-operation.

- **Sweden began compiling statistics on corruption in 2007 and Sida publishes an annual report on corruption cases.** Key attributes of the report include information on how Sida – and its agreement partners - become aware of suspected cases; the number of cases registered yearly; their geographical distribution; what the cases are about (i.e. the types of suspected irregularities, including embezzlement, misuse of funds, SEAH, conflict of interest, bribes, theft, harassment, other and unknown); and the number of cases closed in a given year, including confirmed cases of irregularities and sanctions.
- **The United Kingdom also communicates on reports. A case closure form is completed when an investigation is over.** Forms are anonymised and include a section on lessons learned to share information and ideas for improving programme management practices. A new Fraud Response Plan has been developed, which will also introduce a revised process for lesson learning around corruption. Newsletters are also used to inform staff about the types of corruption activities that have been detected (see provision 1 and communication around codes of conduct and ethics).

71. **Several respondents have taken significant steps to adopt or enhance their reporting and whistleblower protection mechanisms.** European agencies, in particular, are working to align their mechanisms with the new EU Whistleblower Directive by the end of 2021. This should help ensure that adequate protections from retaliation are in place, in line with the 2016 Recommendation, taking into account that, for all EU member state Adherents, national protection mechanisms also apply to whistleblowers reporting corruption in ODA. The transposition could further help streamline and strengthen EU member state Adherents' reporting mechanisms and procedures, including through acknowledgment of receipt of reports and commitment to provide feedback to reporting persons within a given timeframe, and ensuring reporting mechanisms are broadly accessible, address disincentives to report, and ensure safe reporting.

### *Provision 8: Sanctioning regime*

72. **Anti-corruption clauses can set the tone against fraud and misconduct and are adopted by most respondents.** The content of such provisions typically covers termination, suspension and reimbursement, as well as other civil and criminal actions (see provision 6). A vast majority of respondents have adopted these clauses on a systematic basis, and one of them referenced this as a measure recently introduced, following adoption of the Recommendation. Respondents typically also incorporate audit obligations within the contract itself, requiring recipients to facilitate the audit process. These clauses are important both for the message they give and for identifying a prospective course of action to offset corruption risks in the implementation of the contract.

73. **Sanctions are an important pillar of any corruption risk management framework,** and the 2016 Recommendation calls for an effective, proportionate and dissuasive sanctioning regime.<sup>15</sup> Penalties, such as freezing or suspending funds and

<sup>15</sup> In the context of this Recommendation, the terms “sanctions” and “sanctioning regimes” refer to the penalties and/or measures that development agencies can take vis-à-vis partners (public and private, domestic and foreign) to respond to incidents of corruption. This should not be misunderstood as relating to international (i.e. political and/or economic) sanctions

disbursements, are typical immediate or short-term donor responses to identified incidents of corruption during programme implementation.<sup>16</sup> Longer-term measures tend to require corrupt funds to be tracked down and returned. Other complementary measures may also be adopted. These include external reviews of loss, international independent audits to clarify the flow and use of funds and provide recommendations, political dialogue with partners, third-party legal engagement, and the production of documentation and workshops to follow-up with staff on matters of concern to prevent similar incidents in the future. Most respondents report having clear and impartial processes and criteria for responding to and sanctioning corruption, although it is unclear how often actions are taken and/or penalties imposed, and based on what criteria.

74. **Development actors often operate in contexts of conflict or fragility, weak governance and complex socio-economic realities.** These environments are not corruption-free and entail a careful balancing by donors to clearly address corruption risks while remaining committed to attaining a project's overall development objectives (see provision 9). Information shared by some respondents, and the broader practice of several development actors, including multilateral development banks, show that developing effective, proportionate and dissuasive sanctioning regimes relies on a two-fold approach. Donors need to give firm signals to staff, partners and beneficiaries that corruption will be addressed and responded to, making clear that every allegation of corruption will be investigated and appropriate criminal sanctions will be sought, while simultaneously considering the implications for the operations of the donor (Box 4.7.).

#### **Box 4.7. Emerging good practice on how to promote effective, proportionate and dissuasive responses to confirmed cases of corruption in the context of ODA**

A number of respondents have adopted negotiated resolutions as tools to encourage co-operation and the adoption of effective preventive controls.

- In the **United States**, for example, federal agencies may, at their discretion, enter into an **administrative compliance agreement** with a company to resolve debarment concerns related to corruption and other crimes. Those agreements can include provisions to enhance the companies' ethical culture and corporate governance process.
- **Members of the DAC/ACTT** developed some guidance in 2020 on [Rapid Reactions to Corruption: Coordinating donor responses](#) (OECD, 2020<sub>[2]</sub>) (see Box 4.8.) to support donors, and in particular staff on the ground, to present **coordinated messages in response to significant allegations of corruption in their countries of operation**. This coordination is key to the effectiveness of responses.
- **Multilateral development banks** have also adopted negotiated resolution systems to address corruption allegations and **allow public or private entities to co-operate in exchange for reduced sanctions**. Although multilateral development banks are not Adherents to this Recommendation, their practice can inform Adherents of possible ways forward to ensure effective, proportionate and dissuasive responses. One example is "conditional non

that governments and international organisations might take against given countries as part of concerted action to address threats to international peace and security.

<sup>16</sup> This was clearly evidenced in responses to the 2018 DAC/ACTT survey on corruption risk management.

debarment” measures: i.e. temporary decisions not to debar an organisation involved in a case of corruption if the latter: (i) agrees to and delivers certain obligations within a fixed time; (ii) commits to a “gap analysis” by external experts”; and (iii) monitors implementation of related remediation measures. These measures are meant as an opportunity for organisations to improve their systems and be supported in doing so. They apply to entities that express the desire to engage in meaningful reforms, take immediate remedial action, are self-critical and open to change, and fully accept the facts, etc.

The adoption of negotiated resolutions goes in line with respondent reports that **termination is seen as a last resort** and that alternatives should be sought first and include some of the elements below:

- Consideration of whether the entity or person in question is **ready to cooperate** in addressing a confirmed case of corruption;
- Consideration of **how and who revealed** the incident of corruption;
- Consideration of whether the **misconduct is intentional or a consequence of weak controls**;
- Definition of the **severity and magnitude** of the case; and
- Reflection on **the response’s potential impact on beneficiary populations**.

These elements can also assist donors as potential criteria to develop effective, proportionate and dissuasive responses.

When **termination is decided**, a few respondents report that it is preceded by an analysis of the consequences on the target group and that, if necessary, other channels for programme implementation are considered.

## Building Block 4: Working together in different contexts

75. **The final provisions of the Recommendation give particular emphasis to the importance of development actors gaining a sound understanding of their environments of operation**, and to work to identify innovative and collaborative approaches to corruption risk management including through joint responses to corruption, to enhance the efficiency and effectiveness of anti-corruption efforts.

### *Provision 9: Joint responses to corruption*

76. **Enabling effective joint donor responses to corruption is a complex task, and has been a preoccupation of the DAC/ACTT for the best part of a decade.** As discussed in the previous section, responding to incidents of corruption requires careful management of potential tensions and trade-offs, between fiduciary or reputational risks, alongside the attainment of development objectives, which raises the stakes and introduces the prospect of having to manage competing donor interests or concerns. Despite these challenges, respondents broadly agree that enhanced coordination between development actors (both donors and partners) and joint responses, where possible, would improve the coherence and effectiveness of anti-corruption efforts. A more coordinated approach would enable discussion – and coherence – on the content and scope of planned interventions, thus fostering synergies and joint actions, limiting duplication and inconsistencies in responses taken by donors, and learning from past mistakes.

77. **Joint responses to corruption are very uneven in practice.** In line with the findings of the 2017 Compendium and benchmark study (Hart, 2017<sup>[5]</sup>), a majority of respondents mention coordinating responses on a case-by-case basis, with only three respondents engaging in joint donor responses as a matter of policy.

78. **To address coordination challenges, operational guidance was developed under the leadership of the DAC/ACTT in June 2020 to support donors to formulate joint responses to corruption in recipient countries.** The resulting guidance (OECD, 2020<sup>[2]</sup>) serves as a practical tool to support Adherents and the EU in taking a coordinated approach to address allegations of significant incidents of corruption. Its purpose is to prevent slow, contradictory or ill-informed reactions (Box 4.8.).

#### Box 4.8. Main components of the Operational Guidance to support the formulation of joint donor responses to corruption

The guidance is based on lessons learned from past incidents of corruption and provides a list of illustrative questions and potential steps to consider when coordinating the formulation of a joint donor response to corruption.

**Three critical phases for a strong collective response involve actions to:**



The Operational Guidance, [\*Rapid Reactions to Corruption: Coordinating donor responses\*](#), supports donors, and in particular staff on the ground, to present a coordinated message in response to significant allegations of corruption in their countries of operation (OECD, 2020<sup>[2]</sup>).

79. **Another objective for DAC/ACTT members is to guide donors in how best to return to operations following the withdrawal or suspension of funds.** Having produced operational guidance on formulating joint donor responses to corruption, and given the sometimes complex dynamics of reengaging in a country after a significant incident of corruption, several respondents have suggested the development of additional guidance to support donors to navigate “how to return” to operations after the withdrawal or suspension of funds. The aim of such guidance would be to take stock and acknowledge what has happened, and to reflect on how best to move forward with collective reengagement in a coherent way, turning prior integrity incidents into opportunities to more comprehensively address corruption vulnerabilities in and with partner countries.

80. **Much could be achieved through improved information sharing.** Respondents have different approaches to sharing information with others. Nevertheless, opportunities



exist to inform peers and provide early warning of suspected or alleged incidents of corruption and/or red flags in ways that ensure data protection, protect ongoing investigations, and avoid fuelling negative press. The Recommendation recognises the role of information in fostering accountability and transparency and encourages Adherents to communicate on the rationale for and nature of responses to corruption. This remains, however, only actively done by a minority of respondents. Efforts are ongoing to improve this (Box 4.9.).

#### **Box 4.9. EU development agencies: a duty of information-sharing coupled with a Network to exchange around joint action**

For EU-funded programmes, Adherents have a duty to share information should allegations of corruption surface. Additionally, the newly created Network of EU Investigative Units of External Aid Agencies, which held its first meeting in November 2020 under the leadership of the European Anti-Fraud Office (OLAF), aims to provide EU development agencies with a forum for discussing how anonymised information on corruption cases could be shared, and for training and knowledge sharing purposes, so as to facilitate joint action and responses.

81. **Donors struggle to create links between their international anti-corruption commitments and corruption risk management activities, particularly in partner countries.** Although the Recommendation calls on Adherents to localise their international commitments to fight corruption, for the most part, respondents have not yet operationalised this element of provision 9. In many cases, disconnects remain between global anti-corruption commitments and the content of development co-operation activities. For example, several members have adopted a robust stance on the transparency of beneficial ownership globally and at donor-country level, but, for the most part, donors are yet to translate such commitments into development co-operation programmes or practice.

82. **Localising global anti-corruption commitments remains uneven and could be put more squarely on respondents' agendas.** A few respondents are taking steps to address this gap (see Box 4.10 below and Box 4.11 in provision 10).

#### **Box 4.10. Efforts to align policies and international commitments on anti-corruption with development co-operation actions**

- Given the global transnational and multi-dimensional nature of illicit finance and corruption, **creating links between countries at source and those of destination, in terms of the proceeds of crime, is hugely important.**
- Several respondents report taking steps to better address the **links between making pledges to fight corruption at the international level and the domestic actions taken,**

**including through development co-operation at country partner level**, following the adoption of the Recommendation.

Two examples illustrate efforts to translate global commitments into development co-operation activities:

Enhanced due diligence	Explicit support to IFF-related policies
<ul style="list-style-type: none"> <li>In the conceptualisation stage of development co-operation projects, <b>Germany</b> (in this instance KfW Development Bank) and <b>Switzerland</b> both conduct thorough assessments and analysis of partners, in a manner consistent with Know Your Customer (KYC) or Politically Exposed Person (PEP) approaches (see provision 5).</li> </ul>	<ul style="list-style-type: none"> <li><b>Germany</b> is also actively <b>supporting countries in Africa, Latin America and Western Balkans to implement IFF-related measures and standards</b>, and holds a biannual ministerial dialogue in Germany to discuss policy coherence around these issues.</li> </ul>

83. **Some respondents mention opportunities to better connect anti-corruption efforts at the project-level with broader political dialogue maintained with partner countries at the country level.** Coherence between the macro and micro-level engagements of respondents in supporting partners to address corruption risks and/or vulnerabilities could be improved. Strengthening the exchanges and information-sharing between the different arms of a country's anti-corruption efforts, and enabling cross-learning initiatives, could improve the coherence and impact of anti-corruption efforts.

***Provision 10: Take into consideration the risks posed by the environment of operation***

84. **A better understanding of the environment of operation is a necessary precondition for a risk-based approach to corruption, as it serves to identify potential risks, and to define what to do and how to manage these risks in partner engagements.** Areas of relevance include, for example, an analysis and understanding of the prevailing types of corruption, the interests and incentives at play, as well as the sectors and/or populations most affected, as these matters can influence, but also be influenced by, development co-operation activities. Important considerations also include the aid modalities to use, with whom to work (in terms of partner institutions) and the risk mitigation measures to adopt, all of which can be informed by effective political economy or institutional analysis.

85. **For many respondents, an analysis of risks posed by the environment of operation is undertaken in the development of a country strategy, and yet this rarely influences operational design or implementation.** Half of respondents systematically carry out contextual, political or institutional analysis in the preparation of their country programmes and operations to inform donor engagement, and another quarter do so on an *ad hoc* basis. Often times, these are of high quality but, in many cases, follow-up is poor. It is also difficult to observe how such analysis filters through into programme design and management, in terms of risk identification and mitigation measures. Overall, respondents speak to the difficulty of translating these analyses into tailored responses. Where diagnostic instruments are also adopted in the implementation of donor projects or programmes, for example through 'follow the money' types of approaches, these are yet to yield material impacts, and often lack the unique expertise required to assure their efficacy.



Efforts are ongoing by several donors, including Germany and Switzerland, to develop operational guides to assist staff in taking more practical steps to develop in-depth analysis as well as to design and implement relevant interventions and programmes.

**86. Opportunities are being missed to conduct joint analysis, or share existing analyses among in-country donors.** Many respondents still work in isolation where there are potential opportunities for collaboration between agencies, as suggested by provision 9. Responses to the 2018 DAC/ACTT corruption risk management survey revealed that only a third of respondents are working together and sharing joint analysis in country contexts. Respondents acknowledge that existing practices could be improved, including by undertaking of joint donor corruption analysis at country level, systematically and openly sharing the findings of bilateral investigations with other partners, and coordinating messages and responses among donors. This acknowledgment rests on the overall positive co-operation with other donors and partners, through multilateral frameworks for example.

**87. Siloes and discrepancies – and missed opportunities to collaborate - also exist between entities at Adherent country level,** i.e. within an agency, as well as between an agency and its domestic departments. There is a potential for health and anti-corruption specialists, for example, to work more and better together, as illustrated during the COVID-19 crisis. Several respondents have flagged that they are working hard to develop more integrated approaches to fighting corruption.

**88. Respondents show strong levels of awareness of the need for domestic policies to align with their development commitments, and yet there remains limited evidence of these.** The impact of donor support and anti-corruption measures heavily depends on policy coherence at the global, domestic and partner country levels. The Recommendation recognises the role that donor countries play in facilitating international flows of corrupt money or in harbouring those ill-gotten gains and invites Adherents to address this. Adherents are encouraged to engage all of their relevant government departments delivering development co-operation to ensure domestic policy coherence on issues related to or affecting the management of corruption risks, so as to reduce the potential that these countries themselves become destination countries for the proceeds of corruption and money laundering from developing countries. A number of respondents report working closely with relevant ministries to enhance domestic coherence in fighting corruption and IFFs and enable strong alignment of anti-corruption activities with their development goals and priorities. However, the mechanisms and analytical tools adopted to achieve this are not always clear.

**89. Addressing policy coherence at the global, domestic and partner country levels is core to future progress in managing the risk of corruption in development co-operation.** Global efforts can only be advanced by accompanying measures at the domestic level. This is particularly true of illicit finance, which is global and transborder in nature. Box 4.11. below highlights several innovative measures adopted by respondents to enhance policy coherence in their fight against corruption and IFFs.

#### Box 4.11. Working domestically to reduce incentives for corruption and ensure policy coherence between national policies and development objectives

Several respondents cited new or innovative measures designed to tackle the links between domestic and transnational networks of corruption.

- **The UK’s Unexplained Wealth Orders (UWOs) as an investigative tool in the fight against IFFs.** In line with the evidence that corrupt individuals use OECD countries to move and store their illicit finances, including for example in the real-estate sector, the UK has taken the innovative step of adopting UWOs. UWOs grant law enforcement agencies new civil powers to look into the origins of an individual’s assets so as to assist in identifying, investigating, and seizing property suspected of being linked to proceeds of crime, in particular where other jurisdictions are not cooperative. Introduced in January 2018, UWOs reverse the burden of proof, requiring a person to explain the origin of assets that appear disproportionate to their income. They have been used successfully to recover assets – with the first successful UWO, dated October 2020, resulting in a total of almost £10 million being handed over to the UK National Crime Agency (OECD, 2021<sup>[4]</sup>), although independent analysts underline limits to their use, including challenges and high costs involved.
- **The identification, freezing, confiscation and return of stolen assets** also plays an important role in addressing the international drivers of corruption. However, how can confiscated assets be returned to support sustainable development, while preventing them from being stolen or misused again? Both **Switzerland** and **France** have taken recent steps to address this issue. In particular, Switzerland has engaged in constructive dialogue with concerned governments to ensure assets confiscated from politically exposed persons (PEPs) do benefit local development or strengthen the rule of law when returned. Examples include the financing of a social security programme in Nigeria. Similarly, in July 2021, France adopted new provisions for returning stolen assets and proceeds of crime, including the creation of a “restitution mechanism” where the proceeds of the confiscated assets will be stored before their restitution, in the form of development co-operation programmes, in the countries of origin.
- **Central coordinating agencies and mechanisms to assist in the fight against corruption.** The **European Union aid agency** reported working closely with other Directorates and agencies to tackle problems of corruption and integrity. In particular, the agency coordinates with the departments for taxation, customs, financial stability and capital markets on issues related to international tax governance, anti-money laundering and to counter terrorist financing. The **UK created the Joint Anti-Corruption Unit** in 2015 as a co-ordinating hub at the centre of government to ensure coherence on anti-corruption, coordinate and drive the implementation of the UK’s Anti-Corruption Strategy.

90. **Working together for policy coherence also refers to bridging gaps between the public and private sectors, and fostering responsible business conduct (RBC).** A majority of respondents mention taking steps to foster RBC among their domestic actors operating in ODA-recipient countries. Liaising with the private sector is a common feature of respondents’ outreach to raise awareness and accompany firms in managing corruption

risks at headquarters and on the ground (see Box 4.12.), although more could be done to address facilitation payments and other corruption vulnerabilities throughout the value chain.

#### Box 4.12. Supporting responsible business conduct

Most respondents work closely with private and public actors engaged in developing countries to ensure responsible business conduct (RBC) practices. Initiatives to support and accompany the private sector to better understand the risks of corruption and how to address these include the following:

Portal to support SMEs	Holistic approach to public and private sector investments
<ul style="list-style-type: none"> <li>• <b>Denmark</b> has developed an <b>Anti-Corruption Portal for Businesses Operating in Emerging Markets</b>, through its MFA. This portal provides SMEs with country specific information, general legal information and tools to combat corruption.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Norway</b> is working to ‘<b>Deliver as One</b>’, which involves an <b>informed, and multidisciplinary, risk-based approach to public and private sector investments in partner countries</b>. Specific anti-corruption measures adopted as part of this agenda have included, for example, spot checks of Norwegian energy sector investments to manage the risks of malfeasance in private sector projects.</li> </ul>

91. **Finally, an important part of taking into consideration the risks posed by the environment of operation occurs at the level of partner engagement.** How and to what extent donors support developing countries (both implementing partners and partner governments) to address existing vulnerabilities and develop corruption risk management capabilities is important (see Box 4.13). Working in fragile contexts or where governance and institutions are often weak, respondents recognise that some of their partners will require support to strengthen their own internal operating systems to tackle corruption. The importance of partner capacity building is a growing concern. Some respondents have already included peer-to-peer support and technical assistance as central elements of their support to sister organisations and/or implementing partners in an effort to enhance their capacities to manage corruption risks. Reported collaboration includes financial support and guidance to develop and strengthen systems; tailored activities, focusing for instance on developing specific policies, functions and/or routines, and related follow-up on the compliance of these; as well as general outreach and awareness raising activities.

### Box 4.13. Working with partners to strengthen their corruption risk management systems, skills and capacities

Several respondents report that a core dimension of their anti-corruption support is engaging with partners to strengthen their systems and capacities to address corruption vulnerabilities. Activities to support partners are tailored to their needs and capacities. Among some of the highlights reported are:

- Norway's support **to the Office of the Auditor General in Uganda**, is an illustration of collaborative partnerships, as between the Office of the Auditor General in Norway and the Auditor General in Uganda, for mutual knowledge and learning on the development and delivery of audits in the extractive industries (including developing customised petroleum audit manuals, understanding of petroleum contracts/agreements, and risk assessment exercises); support to the performance audit directorate; and overall audit planning and risk assessment.
- Sweden's efforts to **directly reinforce the capacities and systems of implementing partners** on public financial management and broader corruption risk management, in the context of its sectoral operations, is another example of this collaboration and partnership approach.
- Germany's support to a **peer-to-peer (P2P) learning alliance of African anti-corruption authorities (ACAs)**. Since 2019, professionals from three African ACAs have been sharing challenges and successes in their work. Oriented towards change and dedicated to problem solving, this initiative aims to identify individual and institutional gaps and strategies to overcome these difficulties. With inputs from external experts, peers develop their capacities in the field of corruption prevention, investigation and asset recovery and are empowered to contribute to the development of their respective institutions. Following the principle of ownership for sustainable development, the African Union Advisory Board on Anti-Corruption will assume the secretariat function for the P2P Learning Alliance from German Development Co-operation in October 2022.

92. **Effective anti-corruption strategies in developing countries rely on Adherents, as development co-operation actors, understanding their environment of operation** including the politics and incentives driving corruption, and to implement coherent, savvy **and adaptive strategies for corruption risk management in their engagements**. Across respondents, initial steps have been taken to better understand their environments of operation and to draw links in their engagements across sectors, and public and private sector interests. Yet, for the most part these efforts remain partial. Analysis does not always inform operations, minimising their utility, and there is not yet clear evidence of coherent, coordinated and collaborative approaches among different development actors. Based on the above, and for the purposes of this report, more could be done to encourage joint analysis and information sharing among development actors.

## 5. Summary and conclusions

93. **The review of the implementation of the 2016 Recommendation shows that respondents are moving to develop or enhance their management of corruption risks as well their response to actual instances of corruption in development co-operation.**

The analysis shows that the provisions of the Recommendation are relevant and broadly applied across respondents. Overall, respondents show concern for improving their management of corruption risks, with a notable increase in awareness and a gradual shift - in intent if not yet in practice - away from corruption risk management systems that are heavily concentrated on internal financial controls and due diligence towards more informed risk-based management approaches. Such an approach, which entails analysing risks with a view to focus - often scarce - resources where risks are highest, have the benefit of being less burdensome on lower risk sectors or activities, thereby allowing for a sharper emphasis on areas considered as higher risk.

94. **The evidence and insights gathered from respondents indicate that some of the provisions and policy recommendations have been applied in a comprehensive manner.** This is reflected in the adoption of institutional frameworks, such as codes of conduct, ethical guidance, training, and the use of anti-corruption clauses in contracts and agreements. The same is true of the use of financial audits in development programmes and of corruption assessments to inform the design of country strategies and interventions.

95. **Other areas have seen a growing importance geared toward the development and adoption of practices that align to the Recommendation.** These include the increasing use of mechanisms to report incidents of corruption, albeit not always accompanied by adequate protections for those who report, and the adoption of innovative practices, such as third party monitoring, to manage corruption risks.

96. **However, there are also provisions that are not yet implemented across the majority of respondents.** Corruption risk management during programme implementation, for example, as well as assisting implementing partners to manage corruption risks in their own operations, and aligning global anti-corruption commitments to domestic policies and localising international engagements at partner country level are also still limited. Similarly, the management of corruption risks is still too often limited to ex-ante fiduciary risk management, and there is scope to enhance both the detection and reporting of corruption in development co-operation. Overall, an informed risk-based and systematic approach to corruption risk management remains a challenge for many, hence the lack of detection and reporting across the board.

### Implementation

97. **A majority of respondents have made progress in aligning with the Recommendation's provisions on preventing corruption** (see Building Block 1, provisions 1-3). In particular, respondents broadly adopt the institutional frameworks or instruments recommended, and show strong commitment to training in raising awareness and preventing corruption. Recent progress in this field is notable, as several respondents have strengthened their prevention frameworks since 2016 and the adoption of the Recommendation, including through the development or revision of codes and guidance, or active communication and reminders of them.

98. **At the same time, reviewing implementation of the Recommendation has also revealed some common challenges in preventing corruption.** For example, and despite

the wide uptake of codes of conduct among respondents, it is less evident whether and how these have changed behaviour or helped staff to navigate ‘grey areas’. Country contexts vary widely and where socio-cultural norms might impact integrity and anti-corruption issues, codes of conduct or codes of ethics can assist staff to grasp and address these ‘grey areas’. Evidence on how, and if, this is done is limited to date. In the same vein, not all trainings are equal: the quality and reach of training varies, and half of respondents do not comply with the Recommendation’s invitation to tailor their training to different staff categories, contexts and/or levels of risk. This is a crucial deficiency. Staff bear varying responsibilities and operate in widely differing local contexts. This leads to exposure to a series of common yet also potentially diverging risks of corruption. Failing to account for these differences through a tailored approach to training limits the potential efficiency and relevance of the training provided.

99. **In terms of monitoring and control, the review shows that respondents ensure their development programmes are audited and that most have developed risk management frameworks to complement these controls** (see Building Block 2, provisions 4 - 6). Corruption risk management includes tools like risk matrices, red flags for corruption risk identification, risk escalation systems, and corruption risk assessments as part of the preparation of projects and programmes, etc. Recent innovations are seen in the adoption of approaches that go beyond traditional due diligence to include *Know Your Customer* (KYC) and/or politically exposed persons (PEP) analysis. Debarment lists of national and multilateral financial institutions often inform the due diligence process, although the use of these lists could be further strengthened. In addition, most respondents systematically include clauses to prevent and detect corrupt activities in their development co-operation contracts and agreements.

100. **With regard to risk management frameworks, and despite progress made by a few respondents, frameworks often remain limited to ex-ante fiduciary risk identification and management.** Some respondents engage in several tiers of corruption risk assessment, but it is often unclear how the different tiers feed into and leverage each other. Also unclear is how these assessments translate into specific mitigation measures. This signals an apparent disproportionate importance given to ex-ante assessments over mitigation during implementation.

101. **Catalysing a shift from ex-ante monitoring and control to informed risk-based management is a particular challenge for respondents.** Balancing ex-ante internal controls and fiduciary management – which can bring significant transaction costs, with a more prudent, agile system of informed risk-based management would ensure a better balance is struck between integrity and risk management and the attainment of a programme’s development objectives. For example, the use of audits is systematic, but offset by the fact that more than half of these are purely financial audits, and by a third of respondents reporting not using them for corruption risk management.

102. **There is a missed opportunity in the use of audits as a tool to inform risk-based approaches to corruption risk management** through the delivery of systems analysis that might routinely inform programme design and operations. Complementary audits could include, for example, performance audits to review whether projects are implemented according to plan and reaching their objectives, or systems audits to identify weaknesses and risks in organisational and/or management issues, etc. The potential for audit findings to provide feedback and systemic learning from identified incidents of corruption also remains largely unexplored despite emerging efforts in this space. There is limited collaborative engagement between audit teams and project or programme staff despite its potential to improve systems and enhance corruption risk management practices across the programme cycle. Opportunities also exist for donors to better coordinate and harmonise

their auditing processes, particularly in those cases in which significant corruption risks arise, so as to avoid, for example, potential double funding of institutions and programmes.

103. **Overall, respondents perform well on reporting and sanctioning of cases of corruption when these are uncovered** (Building Block 3, provisions 7 - 8). Reporting mechanisms have been widely adopted, and are often broadly accessible, i.e. available to staff as well as implementing partners and the public. This broad accessibility is particularly relevant given the evidence currently shows that most reports are made by implementing partners, and not by internal staff. In addition, as provided for by the Recommendation, half of respondents actively communicate around reports and investigations.

104. **However, this positive trend in developing reporting mechanisms is offset by the fact that almost half of respondents have not yet had any reported allegations of corruption or fraud**, and only one had allegations of foreign bribery, raising questions about their practical efficacy in flagging corruption risks. The evidence and insights gathered throughout the monitoring process also point to potential disincentives to reporting among several respondents, compromising both their efficacy and uptake, in particular, the lack of adequate protections from retaliation for whistleblowers. In addition, the report identifies significant challenges around the publication of information on corruption incidents and the management of public communication campaigns.

105. **On sanctioning of corruption cases, most respondents use termination, suspension or reimbursement clauses in their contracts in the event of the discovery of corruption in their activities.** It is unclear however how often these actions are taken and/or what penalties are imposed.

106. **Implementation of the Recommendation is more nuanced regarding working together to address corruption risks in different contexts** (Building Block 4, provisions 9 - 10). Although a majority of respondents undertake an analysis of the risks posed by the environment of operation to inform country strategies, these are poorly followed-up on and it is difficult to observe how they filter through into operational design and interventions. Donors are missing opportunities – internally and vis-à-vis the broader donor community – to collaborate, leverage existing analyses, share and/or jointly carry them out. Similarly, more is needed in working to align global commitments on anti-corruption with national policies and actions and with development co-operation interventions. A select few respondents have made progress in addressing policy coherence and started to localise global anti-corruption commitments in their engagements with partner countries, but more decisive and systematic efforts could be taken to integrate these to ODA programming.

107. **The review of implementation of the Recommendation has revealed several good practices and innovations that could be replicated or scaled up and leveraged by other Adherents.** In particular, the following stand out as proposals for future focus:

- *The creation of mentoring hubs, and other informal channels of communication*, surface as one discernible trend and good practice example to provide timely, regular and comprehensive support to staff. Such effort could also usefully be dedicated to assisting staff to navigate ‘grey areas’ and complement efforts to further tailor training on anti-corruption.
- *Some respondents are taking steps to bolster the use of audits.* Some hold “Audit Open Days” to foster exchanges and understanding around audits between different staff categories across agencies; some are considering conducting in-depth reviews of problematic projects to discern what went wrong and why; while others are exploring how to capture the big picture of integrity risks resulting from a systematic review of audit findings using algorithms and IT solutions.



- ***Respondents and implementing partners are looking to move towards more effective risk-sharing approaches.*** Donors tend to transfer significant responsibility for corruption risk management to their partners, despite the imbalance that commonly exists between their respective capabilities, often leaving partners to manage considerable risks by themselves. A few respondents already assess and work to reinforce the corruption risk management capacities of their partners, but this remains marginal and is typically focused on fiduciary controls and management. Moving forward, reflection on the risk transfer and/or support to partners in managing corruption risks would be useful.
- ***Actively and systematically managing corruption risks remains an ambitious objective for many.*** The potential exists to move further away from a heavy concentration on financial due diligence towards informed risk-based management – to ensure overall focus on the attainment of a programme’s development goals. Further, the development of a corruption risk typology, collaborative engagement on corruption risk assessments, and more regular exchange of information, are among the strategies that could enhance risk-based management among respondents.
- ***Joint responses to corruption are highly ad hoc and respondents could benefit from complementary guidance.*** Practices around mutual engagement are highly uneven, and this lack of coordination is widely seen as an impediment to development effectiveness. In the vein of recent steps to facilitate the formulation of joint donor responses to corruption (OECD, 2020<sup>[2]</sup>), a related future objective could be the development of similar operational guidance to support donors return to operations following periods of withdrawal or suspension of funds.
- ***The reporting of allegations of corruption, and the communication on reports or investigations, can play an important accountability and collective learning function.*** Current elements are weakening the potential role of reporting mechanisms to further respondents’ corruption risk management systems. Some respondents mentioned an overall under-reporting of incidents, and the sense that a majority of reports relate to petty theft, not to the more substantial and severe cases of corruption. In a similar vein, sharing information and learning from prior corruption investigations, within and between donor agencies, can contribute to a more informed understanding of risks and better management of corruption vulnerabilities.

108. **The review of the implementation of this Recommendation has shed light on ongoing challenges relating to detecting corruption.** A number of respondents recognise that they consistently identify a lower aggregate of suspected cases of corruption than might be expected from the difficult environments in which most work.<sup>17</sup> Detection of foreign bribery through ODA has been also limited with only one Adherent reporting allegations of foreign bribery and few foreign bribery instances overall having been detected by development agencies.<sup>18</sup> Limited detection of cases and resulting under-reporting is closely related to the quality and rigour of corruption risk management frameworks and to the use and efficacy of reporting mechanisms.

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<sup>17</sup> This was underscored in the consultation meetings and in Monitoring Survey responses. Further, a [2012 review of DFID’s programme in Afghanistan](#) found that few reports were received by the central Counter Fraud Unit despite the high prevalence of corruption in the country. In 2021, an [independent review](#) found that in 2017-18 DFID detected fraud worth just £5.9m from its £10.3bn disbursements (i.e. 0.06% of total disbursements).

<sup>18</sup> OECD (2017), The Detection of Foreign Bribery, Chapter 7.3.



109. **Evidence from donor responses to corruption cases suggests that donors tend to conflate two distinct issues that arise in such cases:** (i) responding to the specific wrongful activity that has been uncovered, and more broadly, (ii) consideration of how this should affect the ongoing operations of the donor. Treating these as a single issue has consequences. In reacting to a corruption case, donors have often felt the need to make decisions on an entire project or on the overall relationship with a partner government, beyond the particular corrupt action that has been detected. Such thinking may have the unintended effect of dissuading donor staff from reporting their suspicions because of the wider ramifications that are thought may follow on development co-operation activities as a whole.

110. **To strengthen incentives for reporting corruption cases, Adherents should consider separating their treatment of these two distinct dimensions.** Distinguishing between the criminal offence and the wider operational consequences on development co-operation and programming could reduce barriers to reporting. All respondents unequivocally accept that any suspected incident of corruption should be properly investigated and prosecuted, with recoveries being obtained where feasible. This is donors' often expressed obligation of 'zero tolerance' to corruption. The second dimension – how programming or operations should be modified – constitutes a broader level of response, with variable choices available. Here, donors should apply flexibility based on contextual factors, and in particular, on the developmental implications of their response and need to ensure they 'do no harm'.

111. **Some penalties that have been applied to date, such as full suspension of projects in the health or education sectors, have run counter to the notion of 'doing no harm'** by being extremely damaging to beneficiary populations and with unintended consequences for broader development objectives. Adopting a dual approach (see paragraphs 109 & 110) would help eliminate a number of ambiguities that have arisen from the current use of the 'zero tolerance' term, as set out in Box 4.14.

#### **Box 4.14. The current meaning and implications of the zero tolerance policy for managing corruption risks in development co-operation varies widely**

The meaning and interpretation of the zero tolerance policy varies from Adherent to Adherent, across government departments, and between agencies and the public. From "zero risk to corruption", i.e. not *taking* any risks, to "zero leniency towards corruption when discovered", meaning that all allegations are *looked into*, distinctions in interpretation have considerable implications for the design and implementation of development co-operation, as well as for tackling, responding to and sanctioning corruption from a development programming perspective.

In terms of implications for development co-operation, the zero tolerance slogan – and its multiple meanings – may well have been counter-productive. By conflating the legal and criminal offence dimension of the response with its development co-operation dimension, the zero tolerance approach has tended to complicate assessments of how to respond and may also in fact have served to deter staff from reporting suspicions because of the perceived potential magnitude of the consequences on development objectives.

In managing corruption in development co-operation, it is important for Adherents to fully commit to always investigating allegations of corruption and to pursue law enforcement action as far as it is possible to do. Keeping this dimension distinct from judgements about how programming operations should change in the light of the

episode will give donors flexibility in their programming response to reflect the local context, including broader development objectives. It could also help to encourage more staff to report suspicions, by focusing sanctions on the wrongdoer(s) as distinct from the programme as a whole.

## Dissemination

112. **Efforts to disseminate the Recommendation have taken place at multiple levels**, as explained in Part 3 of this report. The Secretariat has taken specific actions to raise the profile of the Recommendation and enhance knowledge around its content. This has included participating in, and organising, high-level international panel sessions and roundtables on the Recommendation. Respondents have also been actively engaged in dissemination activities, both through country peer reviews and related discussions and meetings, and through dedicated policy exchanges.

113. **These dissemination efforts will be continued and could benefit from more active relations with less engaged Adherents as well as with non-Adherents.** For example, engaging multilateral organisations active in the field of governance, anti-corruption and illicit financial flows could also serve to enable harmonisation and alignment on corruption risk management policies and practices; enrich knowledge and learning; and ensure more regular communication flows between bilateral and multilateral actors on these issues.

## Continued relevance

114. **This report on the implementation of the 2016 Recommendation shows that its objectives and the issues, challenges and good practices identified in the Recommendation remain relevant.** Two broad ambitions guided the development of the 2016 Recommendation: first, the identification of good practice approaches to foster corruption risk management and response to actual instances of corruption, and to support Adherents in this endeavour; and second, a commitment to seeing practice follow guidance and do this through a learning approach among Adherents. The Monitoring Survey carried out in May 2021 reveals that half of respondents consider that the 2016 Recommendation remains relevant and that no other actions are needed. The Recommendation is also considered as instrumental in having raised awareness of the corruption risks involved in development, and by two thirds of respondents as working primarily as a benchmark, helping to inform them on possible areas of improvement in their corruption risk management systems.

115. **That said, a number of areas stand out where further work could contribute to ensuring the continued relevance of the Recommendation** (see para. 107). Suggested areas for future consideration include issues that have gained increasing relevance in the field of corruption risk management in recent years, but that are not entirely or explicitly covered by the Recommendation in its current form. This assessment is shared by one third of respondents in the May 2021 Monitoring Survey, who considered that the Recommendation remains relevant but could benefit from further work or potentially from updates to the Recommendation's text.

116. **To ensure the continued relevance of the Recommendation, more work could, for example, explore:**

- ***Ways to better reflect the importance of taking a dynamic approach to corruption risk management***

More active engagement of staff, partners and businesses alike in the management of corruption risks would be useful as individuals and/or organisations that can affect, and be affected by, the environment of operations and the risk of corruption. Exchanging on and sharing tools developed to manage risks would be beneficial, allowing to break siloes, develop a more strategic use of existing tools and frameworks and in doing so, reduce the burden of managing corruption risks for each Adherent individually.

Disconnects can exist between headquarter perspectives and those of country offices and it is important to understand how generic rules developed in headquarters are made operationally-relevant to country level staff.

- ***A shift from fiduciary controls to risk-based management***

Current control and monitoring activities are essentially financial in nature and often fail to feed back into development programming processes to enhance respondents' corruption risk management systems. The Recommendation refers to auditing by distinguishing internal and external audit services, but references to different types of audits could usefully contribute to identifying corruption risks and informing risk-based management.

Corruption risk management is not about the absence of risks, rather it is about adopting a pro-active approach that acknowledges and mitigates risks to the extent possible, always looks into allegations of corruption and manages incidents of corruption to protect the integrity and accountability of ODA while ensuring the attainment of development objectives.

- ***Inclusion of delivery chain management and risk-sharing considerations***

This review of the implementation of the 2016 Recommendation has revealed a stark imbalance in risk-sharing as between respondents and partners, where most donors transfer the lion's share of responsibility for corruption risk management to their partners, often with little to no risk management support, despite considerable imbalances in their resources and capabilities. More fairly sharing risks between respondents and their implementing partners and supporting them as needed, could strengthen corruption risk management and enhance the effectiveness of development co-operation.

## Next steps

117. **Respondents are moving to develop or enhance their corruption risk management systems.** Efforts have been undertaken to more broadly, systematically and effectively address the risks of corruption in development. This is visible from the evidence and insights collected from respondents through their engagement in peer reviews, regular network meetings and dedicated thematic policy work shows that the provisions of the Recommendation remain relevant.

118. **Findings show that all respondents – even those most at the vanguard – have not yet fully explored or implemented all measures articulated in the Recommendation.** This is not surprising given the scope of the Recommendation and the

fact that Adherents have different histories, priorities, capacities and resources, etc. The Recommendation provides an opportunity for collective reflection and action through learning by doing and replication and scaling-up of existing good practice. An emerging trend is the need to shift away from managing corruption risks through excessive (and cumbersome) ex-ante internal controls towards more effective, adaptive and collaborative risk-based programme management. Sharing of information and better collaboration between donors can also help to reduce the burden of risk management.

**119. Furthering implementation of the Recommendation will enhance Adherents' ability to manage risks of and respond to actual instances of corruption in development co-operation.** The quality of development co-operation and the attainment of the 2030 Agenda depend on development co-operation actors working together on norms and standards, learning from each other, identifying good practices and developing innovative policies and methods to tackle corruption. Continued review of Adherents' implementation of the 2016 Recommendation would contribute to fostering this collective learning and Adherent progress and accountability. With this in mind, it is proposed that the DAC and the WGB continue to review the implementation, dissemination and continued relevance of the 2016 Recommendation and report back to Council thereon in ten years. This timeframe, which is longer than the initial reporting cycle of five years, would appear appropriate to ensure sufficient time is allocated to support Adherents foster and catalyse change and enhance their corruption risk management systems. An earlier report to Council, or a mid-term progress review or informal updates on the progress of implementation, could be prepared if any new developments in the area warrant it or if the results of the DAC and WGB's further exploration of the areas in which certain respondents identified a potential need for updates call for an interim report.

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