

BMZ



Federal Ministry
for Economic Cooperation
and Development

50 Years

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Preventing corruption – promoting transparency: What is German develop- ment policy doing?



Corruption – its causes and effects

Corruption and a lack of transparency in public revenues are obstacles to development, undermining poverty reduction and democratic participation. Public resources are squandered instead of being used to promote sustainable development for all. The World Bank Institute has estimated that bribery alone is costing the world 1 trillion US dollars every year.

Corruption creates legal uncertainty. By inflating costs, it holds back the development of the private sector, distorts competition and deters investors. Corruption weakens political institutions and ultimately calls into question the legitimacy of the state.

Disadvantaged sections of the population, particularly women and children, are worst hit. It makes it much harder and more expensive for them to access public services and resources. Corruption can be fuelled by inadequate control mechanisms and a lack of transparency and accountability. Country-specific factors also play a part: often it is precisely a country's rich reserves of natural resources such as oil, gas, minerals or timber that spawn large-scale corruption and intransparency. In areas like infrastructure or the health sector, corruption can also stand in the way of development. The NGO Transparency International has found, for example, that corruption seriously compromises people's right to health.

Corruption is generally defined as behaviour by people entrusted with public or private responsibilities in which they abuse their duty in order to gain improper advantage. Corruption can take various forms, including bribery, embezzlement, misappropriation of funds, nepotism and patronage.

What is German development policy doing?

The German government is operating on three levels to prevent corruption and achieve transparency:

International Coordination

- 1.** Through its active involvement in the United Nations (UN), the World Bank, the G8 and the OECD, the German government supports the establishment and observance of international anti-corruption standards. It is particularly committed to promoting transparency in the extractive industries and other corruption-prone sectors.
- 2.** The German Ministry for Economic Cooperation and Development (BMZ) is helping its partner countries to ratify and implement the UN Convention against Corruption (UNCAC). This Convention sets the international framework for anti-corruption efforts.
- 3.** Since corruption is particularly prevalent in resource-rich countries, the BMZ is supporting international initiatives to bring greater transparency to the extractive industries. The aim of the Extractive Industries Transparency Initiative (EITI), which Germany part finances, is to ensure publication of company payments and government revenues in resource-rich developing countries. Germany has also been working closely with Transparency International since its inception in 1993.
- 4.** In the Paris Declaration on Aid Effectiveness of 2005 and the Accra Action Plan of 2008, donors and recipients entered a mutual and two-fold commitment. Partner countries and donors must be accountable both to each other and to their own citizens. Governments in the partner countries are to be made more responsible, thus resulting in improved standards of governance.

5. When donors channel funding through governments' budgets, it is ensured that those governments have the necessary institutional capacities to prevent any misappropriation of funds or corruption.

6. With regard to cooperation with other donors, special mention should be made of the U4 Anti-Corruption Resource Centre in the Norwegian city of Bergen. It is a web-based dialogue and knowledge platform that Germany supports both politically and financially.

Contributions made through German bilateral development cooperation

7. Germany is helping development-oriented partner governments to rid government institutions of corruption and make public administration transparent, effective and responsive to the public's needs. Some 70 public sector reform projects are currently being funded across the world as part of Germany's Technical Cooperation. These projects are aimed at promoting standards of integrity, efficient human resource management and procurement and systems of public finance, particularly by establishing courts of audit and tax and customs administrations. A vigilant civil society is a vital element in fighting corruption – in the developing countries, at international level and also in Germany and Europe. Relevant initiatives are being supported through development cooperation.

8. Since 1997, all official records of government negotiations with our partner countries have contained an anti-corruption agreement. In our political dialogue, we also draw on the various international and regional anti-corruption conventions and transparency initiatives.

Preventing corruption in Germany

9. In order to be able to credibly campaign for the prevention of corruption and the establishment of transparency in development policy, Germany must also conform to internationally agreed standards. Under the International Aid Transparency Initiative, for example, Germany has committed itself to make available easily accessible and understandable information on how development funding is being used. The issue is also extensively regulated in German law. Corruption is a criminal offence, even if committed by a private individual in a foreign country. In 1999, Germany ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and in 2003 it signed the UN Convention against Corruption (which then came into force in 2005). German civil service law also contains provisions to ensure the neutrality and integrity of German public officials. Office-holders may not accept gifts or rewards; the receiving or offering of favours or bribes are offences punishable under German criminal law.

10. All federal authorities are also subject to the German government's Directive on the Prevention of Corruption in the Federal Administration (in the current version of 30 July 2004), which sets out a variety of measures: the appointment of resource persons for corruption issues, internal auditing, job rotation, the system of greater scrutiny and the duty of senior executives to oversee, control and set a good example. The German implementing organisations also apply the provisions of this directive correspondingly.

Further information

- BMZ Strategy 178: "Promotion of good governance in German development policy", 2009:
www.bmz.de/en/service/infothek/fach/konzepte/konzept178.pdf
- BMZ resources on good governance, democracy, corruption and EITI: www.bmz.de/en/issues/goodgovernance/index.html
- Anti-corruption materials:
www.gtz.de/en/themen/politische-reformen/korruption/885.htm
- U4 Anti-Corruption Resource Centre: www.u4.no
- EITI – Extractive Industries Transparency Initiative:
www.eitransparency.org
- United Nations Office on Drugs and Crime: www.unodc.org
- Transparency International: www.transparency.org

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