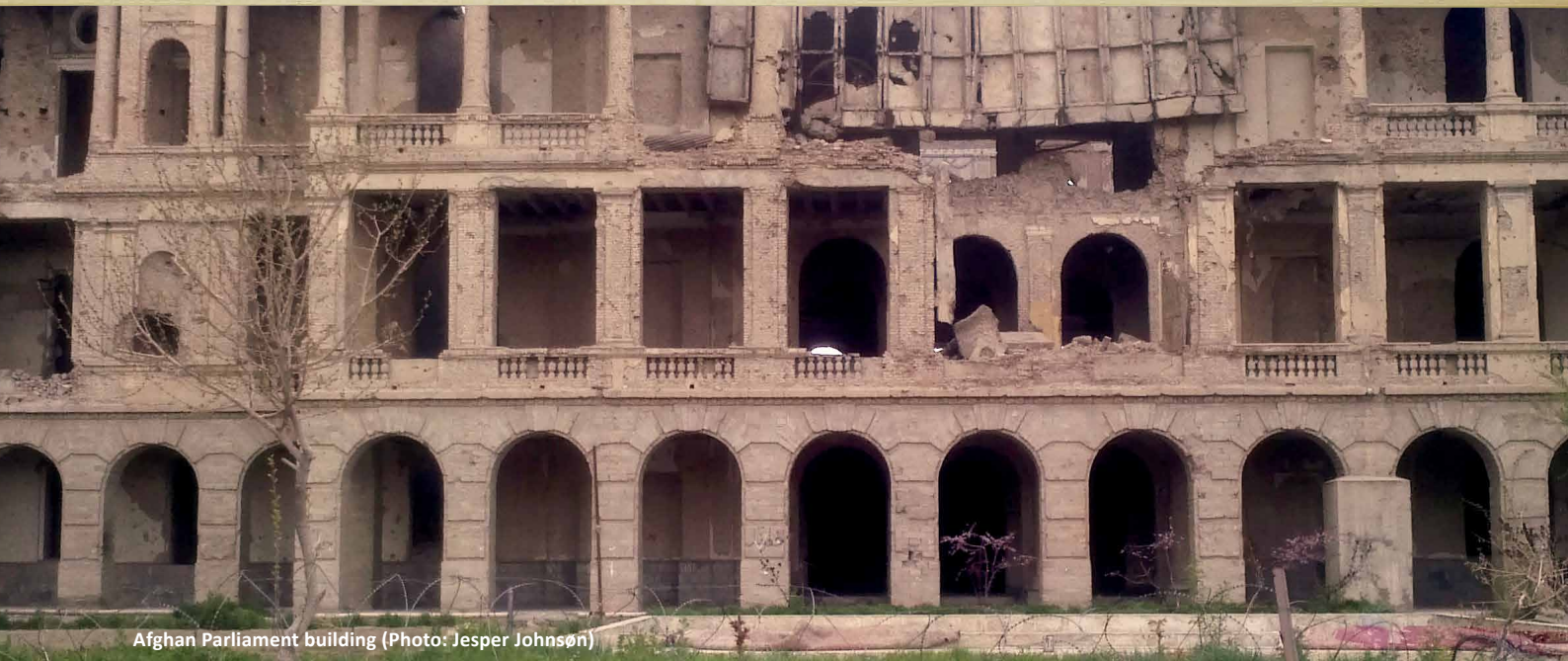


The New Deal as an anti-corruption tool? *Don't blame the policy, work with it*



Afghan Parliament building (Photo: Jesper Johnson)

The New Deal for Engagement in Fragile States provides a framework in which donors and host countries establish shared priorities for reducing fragility, with fragile states themselves taking the lead. Despite critics' concerns, a preliminary analysis finds no negative effect on anti-corruption programming. However, the policy's potential for improving control of corruption remains largely unfulfilled. The main challenge is to go beyond technical responses to politically smart engagement. The New Deal provides more space for political dialogue than the Paris Declaration, but aid agencies need operational guidelines on how to develop programming and link technical and diplomatic responses to corruption concerns in fragile states.



The Fourth High Level Forum on Aid Effectiveness, held in Busan, Republic of Korea, in 2011, endorsed the New Deal for Engagement in Fragile States.¹ This followed several years of discussions between donors and the G7+, a group of fragile and conflict-affected states, on the practice of development in fragile states. The New Deal provides a conceptual lens on the pathway out of fragility through five Peacebuilding and Statebuilding Goals (PSGs). The policy also promotes principles to guide engagement with fragile states and the relationship between donors and host countries, abbreviated in the acronyms FOCUS and TRUST.²

Four years later, the New Deal has been praised by donors and developing countries as marking a sea change in the

international approach to fragile states. Yet assessments of its impact are more sober in their conclusions.³ With regard to anti-corruption, some donors and civil society actors have expressed concerns that elements of the New Deal framework may make it more difficult for donors to implement anti-corruption programmes and to raise corruption in their dialogue with governments. Critics point to the absence of any explicit references to corruption in the New Deal documents, especially in the PSGs. They also suggest that the emphasis on use of country systems and country leadership may impede anti-corruption efforts. These critiques echo those that were voiced when the Paris Declaration on Aid Effectiveness was developed in 2005. However, corruption is arguably an even greater challenge in fragile states than in other aid-receiving countries; thus the New Deal should devote even more attention to the integrity and accountability of power holders than other policies addressing donor-recipient relations.

The New Deal should devote even more attention to the integrity and accountability of power holders.

This brief examines three questions. First, do the New Deal documents and country fragility assessments acknowledge the importance of corruption control for reducing fragility? Second, has anti-corruption programming changed in New Deal countries because of the policy? And finally, how can corruption be addressed in the context of the high-level political dialogue that is to accompany the New Deal, taking into account lessons from experience with the Paris Declaration?

Clear access points for preventing corruption

It is true that the key New Deal document makes no reference to corruption, or to related terms such as bribery or graft. Neither the PSGs nor the FOCUS and TRUST rubrics directly identify corruption as a risk; nor do they explicitly incorporate anti-corruption efforts into the responses to fragility.

Nonetheless, all five PSGs refer to areas of state activity that are clearly affected by corruption: legitimate politics, access to

justice, security, economic foundations (jobs and livelihoods), and management of revenue and services for accountable and fair service delivery. The policy document recognises that “an engaged public and civil society, which constructively monitors decision-making, is important to ensure accountability” (International Dialogue 2011, 2).

Moreover, the peacebuilding and statebuilding indicators that have been proposed as part of the New Deal process do reflect a concern with corruption as an obstacle to achieving the PSGs and to moving out of fragility more broadly.⁴ As shown in Table 1, the draft indicators for two of the five PSGs make direct reference to corruption. In addition, the indicators include related concepts such as impunity of judicial and security personnel, perceptions of fairness in tax collection, and quality of regulatory and budgetary frameworks.

Furthermore, while the TRUST principle emphasises greater use of country systems, it also highlights the need for transparency and accountability on the part of fragile-state governments. This includes the need to strengthen local financial management systems. The New Deal has been used at times as a vehicle to promote open budgets. These key aspects of the New Deal are traditionally central pillars of donor-supported anti-corruption efforts.

In brief, the policy framework points to an awareness of corruption risks during the negotiations and identifies clear access points for donor-supported anti-corruption efforts, even though corruption is not explicitly mentioned in the New Deal document itself.

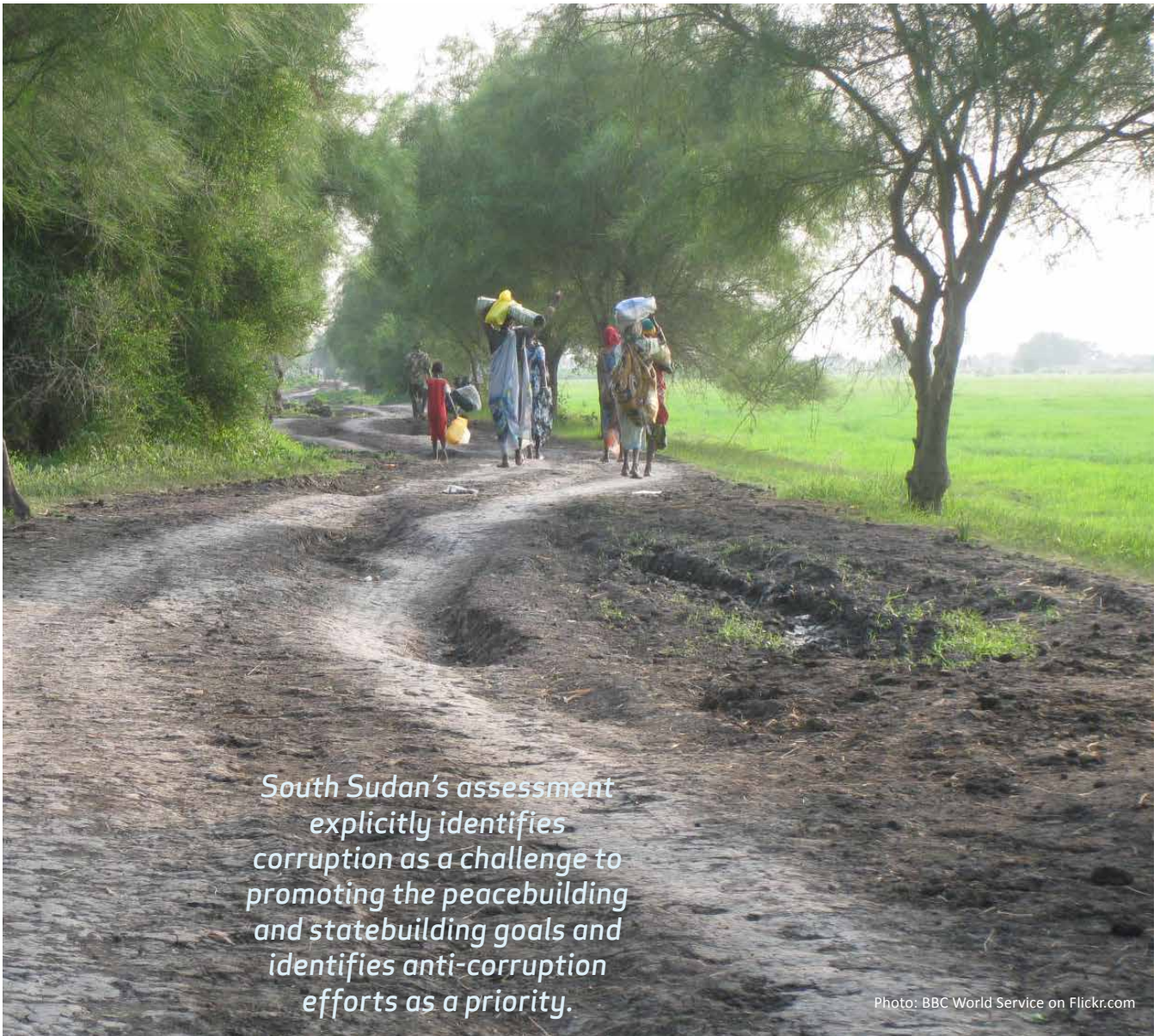
Fragility assessments and anti-corruption

To assess whether the New Deal has been an obstacle to anti-corruption efforts in practice, it is important to consider its operationalisation at the country level. The fragility assessments, which are supposed to provide an analytical baseline for programming, form the starting point of the FOCUS approach. The country-specific peacebuilding and statebuilding indicators identified in these assessments show the extent to which the New Deal has incorporated corruption concerns.

Six New Deal countries have completed full fragility assess-

Table 1. Corruption-related indicators in draft peacebuilding and statebuilding indicators Source: International Dialogue 2013, 7-17

PSG	Direct corruption-related indicator	Indirect corruption-related indicator
Legitimate politics		Satisfaction with the electoral process
Security	Public confidence in competence and integrity of security institutions	Frequency of salary payments in police force
Justice		Public confidence in performance and fairness of justice institutions Ratio of public officials tried and convicted to reported cases
Economic foundations		Existence and quality of regulatory framework for natural resource management Perceptions of participation in and benefits from natural resources
Revenues and services	% of population that reports paying a bribe to obtain public services	Quality of public financial management and internal oversight mechanisms



ments as of mid-2015: the Comoros, Democratic Republic of Congo, Liberia, Sierra Leone, South Sudan, and Timor-Leste. In addition, Somalia completed a “light” fragility assessment in 2013. These assessments all recognise, to a greater or lesser extent, the importance of corruption control. For example:

- Timor-Leste’s fragility assessment makes a few references to administrative corruption, and its country-specific indicators refer to the impunity of political elites and officials (Government of Timor-Leste 2013).
- South Sudan’s assessment explicitly identifies corruption as a challenge to promoting the PSGs and identifies anti-corruption efforts as a priority (Government of South Sudan 2012).
- Sierra Leone’s assessment identifies corruption as a challenge in the security and justice sector; corruption

features prominently in the indicators as well (Government of Sierra Leone 2013).

Corruption, then, does figure in the country-specific analysis of aid agencies and in some responses of fragile-state governments. The question remains what effect this may have on the actual programming of individual aid agencies.

No signs of negative impacts on volume of anti-corruption programming

The New Deal is a relatively recent policy initiative. Any analysis at this early stage can only offer cautious findings. That said, we find no indications that the scope of anti-corruption programming is constrained in New Deal countries as compared to other countries.

Figure 1 (right) shows donor spending on anti-corruption institutions in selected New Deal countries. This captures

only direct anti-corruption programming, such as support to anti-corruption authorities and development of national anti-corruption policies. It does not include programmes with indirect effects on corruption, such as public financial management reforms or support to civil society organisations not directly concerned with corruption. Negative effects of the New Deal, if any, can be expected to principally affect direct anti-corruption efforts. However, as Figure 1 shows, there is no obvious correlation between the implementation of the New Deal and spending on anti-corruption institutions: only in the Democratic Republic of Congo (DRC) has spending declined since 2011. In the other countries it has increased (Liberia, Sierra Leone, Timor-Leste) or fluctuated without a clear trend (Afghanistan and South Sudan).

The policy framework points to an awareness of corruption risks during the negotiations and identifies clear access points for donor-supported anti-corruption efforts.

A related trend is donors' growing emphasis on fiduciary corruption risks to their own funds.⁵ In providing aid to fragile states, donors are making limited use of host country systems for public financial management and service delivery. No G7+ country currently has an agreement with donors on targets

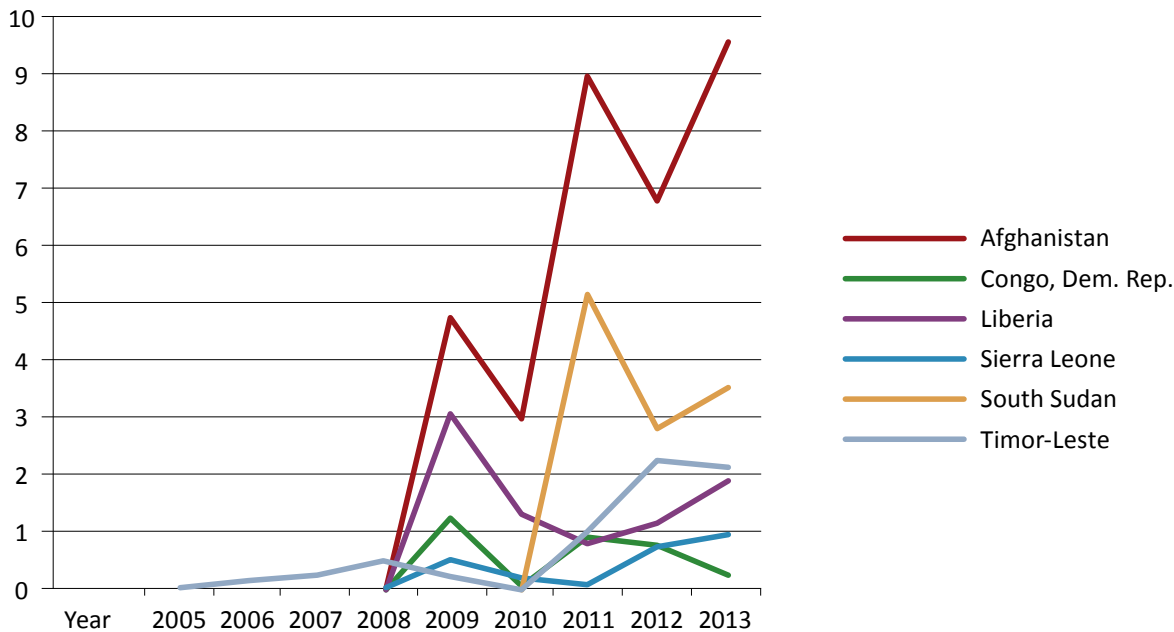
and priorities for strengthening these country systems (International Dialogue 2014b). Contrary to commitments in the New Deal, use of country systems has declined in some of the participating countries: in the DRC, it fell from 12% to 0%, and in Timor-Leste from 17% to 7%, between 2010 and 2013 (OECD/UNDP 2014, 129). In contrast, the use of pooled funds, which donors see as a way of sharing risks while seeking to gradually strengthen country systems, has increased markedly, in particular in G7+ countries (International Dialogue 2014b).

Despite this recent emphasis on own fiduciary risks and less use of country systems – which we would argue is not a consequence of the New Deal policy – there is no evident tendency to decrease direct anti-corruption programming. This suggests that the New Deal so far has not led to a decrease in the volume of technical responses to corruption.

The challenge of political dialogue

The increasingly technical focus of New Deal implementation in terms of both process and substance, with only a limited emphasis on political dialogue, has been highlighted in a recent review and seems to go beyond the anti-corruption field (Hughes et al. 2014). While political dialogue is in principle a central element of the New Deal, dialogue around corruption can be difficult, especially when it comes to political corruption involving elites, government agents, and their close associates. The challenge of political dialogue complicates all anti-corruption efforts, and the effect of the New Deal has so far been neither positive nor negative in this regard. More

Figure 1. Anti-corruption assistance to six New Deal Countries (US\$ millions)



Note: Includes all spending reported to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) under CRS Purpose Code 15113: "Specialised organisations, institutions and frameworks for the prevention of and combat against corruption, bribery, money-laundering and other aspects of organised crime, with or without law enforcement powers, e.g. anti-corruption commissions and monitoring bodies, special investigation services, institutions and initiatives of integrity and ethics oversight, specialised NGOs, other civil society and citizens' organisations directly concerned with corruption." Data on spending are available only through 2013.

Source: OECD DAC International Development Statistics database

can and should be done. However, rather than asking what is wrong with the New Deal as such, one should ask what else is needed to make the policy work effectively in this area of anti-corruption.

Aid agencies are conscious that politics matters for state-building and development, yet serious barriers to political engagement remain (Unsworth 2009). Recently, the notion that politics cannot be ignored has received renewed attention in policy and academic circles. Calls for “politically smart, locally led” development have been supplemented with useful case studies. For instance, partners implementing the State Accountability and Voice Initiative (SAVI) in Nigeria were provided with generous space for innovation. Still, aid agencies may be inspired to think politically, but the results will depend upon them also working politically.⁶

Compared to the Paris Declaration, the New Deal provides more space for political engagement, including on anti-corruption issues. However, in the case of the Paris Declaration, parallel policy tracks provided ways of operationalising the agreement, something the New Deal currently lacks. A set of “principles for donor action in anti-corruption,” developed by the OECD, served as a useful complement to the emphasis on local ownership in the Paris Declaration (Devine, Trivunovic, and Mathisen 2010, 5; Hechler and Tostensen 2012). These principles highlighted the obligation of countries to fight corruption, for example through the United Nations Convention Against Corruption (UNCAC). The UNCAC was seen as a way to operationalise the Paris Declaration and ensure that although host countries were in the driver’s seat, they were also aware of their commitments in the fight against corruption (Hechler 2009).

The New Deal does not refer to these principles, nor to UNCAC. This is understandable, as UNCAC was not designed to suit the special characteristics of fragile states. Unfortunately, this leaves decision-makers at the country level with very little guidance. An effective response would benefit from multilateral action to promote consensus on which anti-corruption strategies are effective in fragile states, how they can be politically smart and locally led, and how aid agencies can best coordinate their anti-corruption programming in these contexts.

A set of “principles for anti-corruption in fragile states” should be developed and agreed multilaterally to increase consistency in programming and political engagement and to promote joint responses to corruption cases. These principles should be based on the acknowledgement that anti-corruption activities in fragile states will necessarily differ from those in other countries. They should have the edict “do no harm” at their core: that is, they should focus not only on reducing the donors’ own fiduciary risks, but also on minimising the stresses that can increase fragility (Johnston and Johnson 2014).

Individual agencies should also work on developing adequate internal guidance for country teams working on anti-corruption in fragile states. Such guidance must focus on strengthening national integrity systems in a way that is not destabilising. Moreover, to be truly effective, the guidance should be based

on a whole-of-government approach in order to take advantage of the synergy between technical programming, diplomatic engagement, and security interests. Translating effective multi-lateral responses into results on the ground requires a separate process of change management and policy coordination within each aid agency.

Entry points for anti-corruption programming and dialogue

Although the New Deal agreement does not refer explicitly to corruption, it offers multiple entry points for anti-corruption programming and for political dialogue. Donors continue to run a wide range of anti-corruption programmes in New Deal countries, despite a general tendency to focus increasingly on their own fiduciary risks.

To be truly effective, guidance should be based on a whole-of-government approach to take advantage of the synergy between technical programming, diplomatic engagement, and security interests.

Nevertheless, clear guidelines and more action are needed to promote political dialogue on corruption. The dilemma that critics of the New Deal highlight – the tension between the need for government ownership, on the one hand, and the need for external pressure on accountability issues, on the other – is long-standing and precedes the New Deal rather than resulting from it. Working on governance in fragile states is an inherently political activity. Acting politically, however, is likely to be contentious, generating tensions among donors and between donors and host governments. It raises issues of sovereignty, fuels allegations of neocolonialism, and risks entangling external actors in the messy internal political struggles of states. Still, the lessons from the Paris Declaration point to the need for explicit guidance on how to work politically in the area of anti-corruption.

To facilitate politically informed, agile, and flexible anti-corruption engagement in fragile states, the New Deal is not enough. Such an overarching policy framework cannot be expected to provide clear guidance on all fronts. The policy sets a useful direction, but its full potential for curbing corruption in fragile states has not yet been realised. Political dialogue remains a key stumbling block. The New Deal does not prevent donors from engaging politically, but it leaves it up to individual decision-makers to take the initiative and figure out the approach. Agencies’ country teams need better internal guidance on how to engage on corruption issues in fragile states, along with, ideally, a set of principles established at the multilateral level. Such additions would go a long way towards making the New Deal policy an effective anti-corruption tool.



U4 is a resource centre for development practitioners who wish to effectively address corruption challenges in their work. The centre is operated by the Chr. Michelsen Institute – an independent centre for research on international development and policy – and is funded by DFAT (Australia), DGD (Belgium), SDC (Switzerland), Danida (Denmark), DFID (UK), GIZ (Germany), Norad (Norway), Sida (Sweden) and The Ministry for Foreign Affairs of Finland. All views expressed in this brief are those of the author(s), and do not necessarily reflect the opinions of the U4 Partner Agencies or CMI/U4. (Copyright 2015 - CMI/U4)

Endnotes

1. The main policy document, A New Deal for Engagement in Fragile States (International Dialogue 2011) <http://bit.ly/1e9ExNs>.
2. FOCUS = Fragility assessment, One vision and one plan, Create a compact, Use PSGs to monitor, Support political dialogue and leadership.
TRUST = Transparency, Risk-sharing, Use and strengthen country systems, Strengthen capacities, Timely and predictable aid.
3. Examples include a Brookings Institution policy paper (Hughes et al. 2014), as well as the International Dialogue's own New Deal Monitoring Report 2014.
4. Countries have so far been unable to agree on the final list of common indicators. Concerns about corruption are more explicitly reflected in a 2012 draft list of possible indicators than in a 2013 revised list (see International Dialogue 2012, 2013).
5. See, for example, a review by the Independent Commission for Aid Impact (2011).
6. See discussion papers from the Overseas Development Institute, including Booth and Unsworth (2014), Booth and Chambers (2014), and Rocha Menocal (2014).

References

- Publications of the International Dialogue on Peacebuilding and Statebuilding <http://www.pbsdialogue.org>.
- Booth, David, and Victoria Chambers. 2014. *The SAVI Programme in Nigeria: Towards Politically Smart, Locally Led Development*. London: ODI.
- Booth, David, and Sue Unsworth. 2014. *Politically Smart, Locally Led Development*. London: ODI.
- Devine, Vera, Marijana Trivunovic, and Harald Mathisen. 2010. *From Paris to the Anti-Corruption Project: Examining the Feasibility of Ownership*. U4 Practice Insight 2010:1. Bergen, Norway: U4 Anti-Corruption Resource Centre.
- Government of Sierra Leone. Ministry of Finance and Economic Development. 2013. *Fragility Assessment: Republic of Sierra Leone*. Freetown.
- Government of South Sudan. Ministry of Finance and Economic Planning. 2012. *Fragility Assessment: Republic of South Sudan 2012*. Juba.
- Government of Timor-Leste. Ministry of Finance. 2013. Summary Report: *Fragility Assessment in Timor-Leste*. Dili.
- Hechler, Hannes. 2009. *Exploring the Links between UNCAC and the Paris Declaration*. U4 Brief 209:25. Bergen, Norway: U4 Anti-Corruption Resource Centre.
- Hechler, Hannes, and Arne Tostensen. 2012. *Is Mutual Accountability Feasible? A Conceptual Discussion with Policy Implications*. U4 Issue 2012:11. Bergen, Norway: U4 Anti-Corruption Resource Centre.
- Hughes, Jacob, Ted Hooley, Siafa Hage, and George Ingram. 2014. *Implementing the New Deal for Fragile States*. Policy Paper 2014-02. Washington, DC: Brookings Institution.
- Independent Commission for Aid Impact. 2011. *The Department for International Development's Approach to Anti-Corruption*. London.
- International Dialogue on Peacebuilding and Statebuilding. 2011. *A New Deal for Engagement in Fragile States*.
- . 2012. *Progress Report on Fragility Assessments and Indicators*. Working Group on Indicators.
- . 2013. *Peacebuilding and Statebuilding Indicators: Progress, Interim List, and Next Steps*. Third International Dialogue Global Meeting, Washington, DC, 19 April.
- . 2014a. *New Deal Monitoring Report 2014*. Fifth International Dialogue Working Group Meeting on New Deal Implementation, Freetown, Sierra Leone, 17 June.
- . 2014b. *(Revised) New Deal Monitoring Report 2014*. Sixth International Dialogue Working Group Meeting on New Deal Implementation, Washington, DC, 10 October.
- Johnston, Michael, and Jesper Johnsen. 2014. *Doing the Wrong Things for the Right Reasons? "Do No Harm" as a Principle of Reform*. U4 Brief 2014:13. Bergen, Norway: U4 Anti-Corruption Resource Centre.
- OECD/UNDP. 2014. *Making Development Co-operation More Effective: 2014 Progress Report*. Paris.
- Rocha Menocal, Alina. 2014. *Getting Real about Politics: From Thinking Politically to Working Differently*. London: ODI.
- Unsworth, Sue. 2009. "What's Politics Got to Do with It? Why Donors Find It So Hard to Come to Terms with Politics, and Why This Matters." *Journal of International Development* 21 (6): 883–94.