ANTI CORRUPTION

9 techniques to fight corruption in developing countries
“The worst affected from corruption is the common man [& woman].”

Kailash Kher
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In Pakistan teachers are often absent which results in poor education. In Khyber Pakhtunkhwa province we are implementing a Department for International Development (DFID) project that is helping the government with an ambitious monitoring programme.

Over 28,000 schools are now monitored by the provincial government every month, which has resulted in £660,893 in salaries being recovered from absentee teachers and an extra 6,000 teachers being present. This is a good example of how transparency – shining a light on the problem – can prevent corrupt practices.

- Reopening of 400 schools in entire Khyber Pakhtunkhwa province since 2014;
- Punitive action was taken against 8,000 teachers by the Government including termination, call for explanation and pay deduction in the last two years;
- 300 teachers were terminated or went on voluntary retirement because they were not fulfilling their duties;
- A school reopened in Mardan after 10 years of staff drawing out salaries when the school was closed.

One of the reasons teachers do not turn up for work is because they were appointed on a patronage basis. We have supported the provincial government in addressing this problem by outsourcing teacher recruitment to the private sector, enabling the recruitment system to become merit-based and free from political interference.
In February 2015, Kenya’s Ministry of Mining launched the online mining cadastre portal which provides an electronic platform to enable Kenya’s mining industry to engage with the Ministry. The online mining cadastre enhances the governance of the mining sector by implementing a modern, transparent web-based mineral management system for granting and managing mineral rights, to enhance growth and investment.

The cadastre facilitates the electronic submission and management of applications for granting licences, renewals and other business processes; submission of digital documents to meet reporting requirements; and online payment of fees via credit card or mobile money applications.

Previously, the mineral license application process was paper-based, inefficient and vulnerable to corruption. Through DFID support, Adam Smith International upgraded the system to an online transactional portal. The cadastre system enhances efficiency, transparency and predictability by modernising and streamlining mineral title application and management; increasing mining company compliance; reducing overlaps and boundary disputes between mineral rights holders; and developing a current database of mineral rights.

http://map.miningcadastre.go.ke/Map/

If responsibly developed and extracted, Afghanistan’s mineral wealth will underpin and catalyse future economic growth. Growth triggered through the extractive industries sector is widely perceived as the best available solution to tapering external donor aid. However, Afghanistan is ranked as one of the worst countries with regards to controlling corruption.

Under the DFID funded Extractives Sector Support Programme, Adam Smith International has facilitated the publication of all Afghanistan’s mining contracts (300) and has trained 132 contract managers and mine inspectors to monitor compliance. A traditionally opaque sector, corruption in mining has the ability to fuel instability and permanently damage the environment. However, through increased transparency and institutional capacity to identify and address corrupt practices Afghanistan is moving a step closer towards harnessing its substantial mineral wealth for the benefit of its current and future citizens.
Automating tax collection

Taxpayers hoping to pay less and tax administrators hoping to earn more can easily lead to bribery and corruption in the tax office. Our support to the Afghanistan Revenue Department has helped to reduce the opportunity for corruption. This has built public trust in the tax system and increased efficiency of revenue collection. A robust risk differentiation framework supported by centralised laws, policies and procedures means that taxpayers are treated fairly and equally rather than being harassed or subject to negotiation on their tax liability.

The implementation of an automated tax administration system has moved taxpayer information from being hidden in a desk drawer to being recorded electronically and only accessed by the people who need it. This is a major cultural shift, increasing transparency and efficiency of operations. All of this has been supported by extensive taxpayer awareness and education activities making citizens more aware of their rights and responsibilities to reduce their vulnerability to corrupt practices. An increase in equity, transparency, efficiency and predictability of the tax system has enabled an increase in revenue collection from £153 million to £1.4 billion since our support began in 2004.

Minimising closed-door negotiation

The Strengthening Revenue Policy and Administration project in Somaliland is working to build the capacity of the tax and customs administration within the Ministry of Finance. For tax, efforts are being made to formalise taxpayer registration and returns processing, and to semi-automate the tax collection process, thereby minimising the scope for discretionary practices such as payment by closed-door negotiation. For customs, we are helping to build the professionalism of customs officers and to strengthen the goods clearance process, as well as the valuation of imports and exports. This will increase the transparency of transactions between customs and the private sector, and reduce the scope for opportunistic practices.
The accomplice to the crime of corruption is frequently our own indifference.

Bess Myerson
To enable evidence-based data gathering, real-time transmission of data and to eliminate redundancies in paper-based data entry processes, the Khyber Pakhtunkhwa Government supported by DFID’s Khyber Pakhtunkhwa Education Sector Programme (KESP), designed the Independent Monitoring Unit which utilises a smart phone app for school-based data collection process and reporting. A network of 550 data collectors have been hired and trained on the mobile application.

The Independent Monitoring Unit offers data reflected in real-time on a web-based dashboard and provides reporting portal access for the education providers. The dashboard highlights summarised information on the data. The Unit has revolutionised decision making processes through the availability of real-time, accurate and robust province wide information.

The app features:

- Multiple integrity checks that have been installed in the mobile application to ensure data authenticity and to reduce human errors;
- A GPS system that sends information on location coordinates. This feature was added to ensure that the data monitors physically visit the school before uploading information;
- E-signature requirement from the head teacher of a school before uploading the questionnaire. Once signed, the monitor does not have an option to edit;
- Camera to upload any necessary pictures, for example, of closed schools or missing facilities.

Access to this level of data has resulted in the following policy actions:

- Recording absenteeism of students and teachers has resulted in teachers’ absence rate reducing from 30% to 18% and the students’ absence rate reducing from 48% to 21% as a result of continuous monitoring from the IMU.
- Over 300 teachers have been removed from service for being absent from duty and £660,893 has been recovered from absentee teachers.
- Around 900 non-functional schools have been made functional with targeted funding for missing facilities and reopening of schools.
In Nigeria, one problem facing labourers on rural roads is workplace corruption—workers either not being paid their salaries, supervisors taking a cut from employees’ pay, and ‘ghost workers’ or double registration inflating the bill and dragging down salaries. When the Nigeria Infrastructure Advisory Facility (NIAF) partnered with the Government of Nigeria on a rural roads maintenance programme, we developed a mobile app to ensure strong governance, transparency and better monitoring and evaluation. The app involved:

- Enrolment, payment and monitoring of beneficiaries—using fingerprint recognition linked to tablet devices—which checked who was benefiting;

- GPS tagging to ensure a) staff were actually where they should be during working hours and b) roads/key locations are tracked and displayed on the GIS/map section of the web-portal.
The Growth and Employment in States (GEMS3) project has helped local Nigerian Governments to introduce ‘point of sale’ technology alongside transparent tax rates to limit double taxation and revenue leakage.

The same terminals that are used in shops to pay by card were re-purposed for use by tax collectors in markets. Traders normally pay cash and get a hand-written receipt. Naturally, tax collectors had an incentive to over-collect and most of this cash went missing amid widespread harassment of tax payers.

With the new technology, traders can pay by card or cash and the transaction is automatically logged and a receipt printed as proof of payment. Over 20 local governments have adopted the system, which allows citizens to walk into a certified bank and pay taxes directly into the government account.

By June 2015, a total of £1.9 million has been saved by traders as a result of reduced bribery. Whilst the legislation is universal the primary beneficiaries are small traders, many of them women.

“We call it the No Cheating Machine. I am now saving N1000 when I sell at the market.”

Bridget Iyaji Odeh, Garri Seller
Changing incentives
The Nigeria Infrastructure Advisory Facility programme has demonstrated the strong anti-corruption impact of reform programmes in infrastructure. The programme has worked as the lead development partner with the Federal Government of Nigeria on the reform of the power sector, a role which has incorporated acting as lead technical advisor on the privatisation of the distribution and generation companies.

The former National Electric Power Authority suffered considerably from inefficiencies as a result of the patronage system: for 12 years it did not hire a single new engineer, and massive underinvestment in the power sector led to falling generation and distribution capacities. Such efforts to increase capacity by injection of funds failed due to corruption and mismanagement. For example, President Obasanjo’s Government injected over £6.2 billion of state investment into power but the quantity generated did not increase by a single kilowatt.

DFID's support, through NIAF, has helped end the patronage system and put in place efficient, market-based management through privatisation. Put simply, the new owners have no incentive to steal from themselves. Already the results are impressive; generation has reached an all-time record peak.
With DFID and Adam Smith International assistance, Nepal has recently negotiated the two largest investments in its history, whilst ensuring transparency and compliance with international standards. The negotiations embedded a process for other mega hydro-export deals scheduled to follow. Previous cases were often scuppered by competing rent-seeking efforts on the part of politicians/bureaucrats.

Avoidance of corruption rested on two major factors: (i) building up a professional institution, the Investment Board, staffed by a properly remunerated team who were not susceptible to corrupt practices and (ii) designing an international project development agreement in a way that made traditional rent seeking behaviour impossible, and gaining government approval for it (the terms of this agreement then had to be applied, making corrupt arrangements much more difficult to be inserted).

In a highly corrupt environment one option is to create a new, non-corrupt institution that sits outside the general system. However, this is only worth doing when the rewards are sufficiently great to justify the costs. Moreover, preventing that institution over a period of many years from becoming subject to corrupt forces can be a challenge.

The mineral sector in Sierra Leone was badly managed by a weak Ministry of Mines & Mineral Resources and struggled to attract the high-calibre technical staff required to enforce compliance in the exploration and mining industry. Corruption was rife and significant investors critical for growth stayed away.

New legislation pioneered by Adam Smith International provided a modern legal and regulatory framework for the industry and introduced appropriate capacity to administer and monitor compliance through the creation of an effective government agency, the National Minerals Agency, to significantly improve minerals sector governance and revenue.
Changing the rules
Extortion through ‘nuisance’ taxes runs high in Nigeria due to a lack of transparency over tax codes and regulations at state and local government levels. The GEMS3 project has assisted seven Nigerian states to pass laws which regulate tax collection that most affect the poor. In Kano, harmonisation laws have reduced the number of rates and levies from over 200 to under 20 and greatly decreased the ability of tax collectors to extract money for their personal use.

This has shifted tax collection from an opaque process with no basis in law, to a process where the rates and collection methods are lawful and transparent and the rights and responsibilities of the state and taxpayer are clearly defined by a process backed up by intensive training and awareness campaigns.
Power does not corrupt. Fear corrupts... perhaps the fear of a loss of power.

John Steinbeck
The Tamkeen project supports emerging local governance structures to deliver basic services and promotes transparency, participation, and accountability in governance. The grants they provide enable communities to plan and implement projects. The purpose is to help moderate opposition areas meet their basic needs and to strengthen an emerging system of civilian local governance. If Tamkeen can deliver services that are accountable and transparent, it will generate a demand for good governance and create an enabling environment for legitimate governance when it is formally developed.

We have helped form “Tamkeen Committees” to work alongside existing councils. Each committee receives a grant and training in community participation, budget prioritisation and project design and implementation. All services are owned by each committee, council and community. This makes corruption much less likely, as the services are chosen by the community.

Tamkeen has partnered with 27 communities inside Syria to deliver projects in health, infrastructure, education, livelihoods, and governance. Despite enormous operational challenges, Tamkeen has fully disbursed grants worth over £3.8 million inside Syria, all of it compliant with rigorous financial procedures ensuring that the projects chosen are funded in a transparent, accountable, and participatory manner. Despite difficulties related to remote management, and disbursing all funds through Hawala brokers, reconciliation resulted in a discrepancy of less than £69.

There has been major impact on encouraging communities to adopt more transparent and financially robust processes. For example, in Darret Ezze the Local Administrative Council now publishes available vacancies announcements, regular financial and progress reports via its Facebook page, official website, billboard in the community and the local mosque.
Many areas in Somalia are inaccessible to monitoring teams from our Somalia Stability Fund project, so we implemented a hotline and beneficiary feedback system to ensure UKAID money is well spent. The free hotline offers Somalis the chance to voice their opinions on investments made by the Fund. The hotline was advertised and disseminated to each beneficiary community so they can autonomously text, or call in their opinion and voice any concerns. All incoming data is collated, analysed and uploaded onto the Stability Fund website to ensure transparency and accountability. This is a vital management tool, which allows the Fund to make informed investments and share lessons learned. The system receives over 400 messages every month which directly impacts programming. It also identifies inappropriate behaviour, which the Fund quickly acts on.

www.stabilityfundfeedback.so
Mitobini Primary school in Tana River County was located very close to Kenya’s largest river, the River Tana. The school, with total enrolment of 152 children, was often closed when there were floods. Since the entire school was made of temporary structures, learning was often disrupted. Last year, the school was permanently relocated to higher grounds following massive flash floods.

“We all rejoiced following the relocation. We thought that we’ll finally do away with semi permanent structures and learning under trees,” says the school head boy Abdinasir Ali Wako. Unfortunately, there was no help and we started learning under trees again. There are only three temporary structures in the school, which are not also conducive for learning. Majority of children learn under trees” added the 13 years old class five pupil.

With financial assistance from DFID, Adam Smith International through German Agro Action constructed two classrooms in the school. “These are the fist permanent classrooms we have ever seen. For seven years, I have been studying either under a tree or in one of those temporary structures. We finally have a school and we’re proud of this”.

More transparent negotiation of construction contracts has ensured capital budget have gone further, to build similar permanent structures.
For a developing country, sustainable economic growth depends heavily on foreign direct investment. To access investment, countries need to have stable and international integration of domestic financial markets, and enhance the quality of their rule of law, among other investments. Uganda, which intends to transform its economy within 30 years, is no exception. Meeting this ambitious goal will require significant improvements in basic service delivery, especially education and health.

Yet financial crimes, most notably corruption and money laundering, continue to undermine growth. It ranks 139 out of 167 in Transparency International’s corruption perception index.

There are a number of steps that can contribute to reducing corruption, including making it harder for criminals to transfer and launder their money abroad. This money can be used to fund organised crime and terrorism, which has detrimental consequences beyond Uganda. The performance of a country in addressing and mitigating financial crimes is assessed by international organisations like the Financial Action Task Force and international cooperation networks, including the Egmont Group of Financial Intelligence Units. The assessments of these organisations weigh heavily in the perception of the country by foreign investors, international credit rating agencies, and lenders.

Strengthening Uganda’s Accountability Response Technical Assistance Facility (SUGAR TAF), a DFID funded project which works with the Government of Uganda to increase the risks for engaging in public sector corruption. Its support to anti-money laundering is channelled through the Ugandan Financial Intelligence Authority (FIA) which plays a key role in detecting and analysing risk. The project is:

- ensuring that Ugandan laws and institutions meet international standards against money laundering and terrorism financing;
- supporting the Ugandan FIA to carry out a national risk assessment;
- raising awareness about the importance of money laundering and counter financing of terrorism issues within the Government;
- supporting the application of the Ugandan FIA for membership in the Egmont Group to cooperate in the fight against money laundering and terrorism financing.

SUGAR TAF’s has already played a substantial role in preventing Uganda from worsening its position within the international financial system. Uganda’s application to the Egmont Group is now well underway.

Asset recovery is main-streamed throughout the project so detection encompasses the identification of assets, investigating the tracing of assets, and prosecution and adjudication on the recovery of assets.
In Malawi, the police are seen as the most corrupt public institution in the country, with 76% of people believing some or all police officers are dishonest. Only 12% of people report crimes to the police, assuming that the police response will be ineffective at best and predatory at worst. Relations with communities have suffered.

Adam Smith International is managing DFID’s Malawi Policing Improvement Programme. It is improving public satisfaction and the responsiveness and accountability of Malawi’s police service by strengthening professional standards and providing an evidence base to improve police leadership.

The project has created a new Professional Standards Unit (PSU) which is driving performance by a commitment to professional standards, accountability and respect for human rights. New PSU offices have been established in Malawi’s four policing regions, to ensure the new function is visible and accessible to communities across the country.

Adam Smith International advisors have worked with Malawi police counterparts to develop a comprehensive and tailored policy framework to guide the work of the PSU in investigating complaints against officers, a public complaints mechanism to improve access to the new function, and a new Code of Ethics to be carried by all 15,000 police officers to act as a reminder of the standards of behaviour expected of them.

The project has provided support to develop advanced interviewing techniques of PSU and Anti-Corruption Bureau (ACB) investigators. The training has equipped attendees with the skills necessary to conduct investigations involving senior officials who are themselves trained in interviewing techniques. The skills learned on this course have contributed directly to the investigation and arrest of a local police chief, an Assistant Commissioner and his deputy, a Senior Superintendent, involved in the theft of fertilizer intended for poor farmers and drinking excessively while on duty. The PSU investigators’ willingness and ability to interview these senior officers and their success in concluding their investigation promptly are evidence of impact and success.
The amount saved in Nigeria (GDP):

- 402M: Major transport project
- 23.5M: Island Power
- 16.2M: Alausa Power
- 20.29M: Mainland Power
- 1.92M: Lekki-Ikoyi Link Bridge O&M
- 82M: Second Niger Bridge
- 0.8M: Transport project
- 14.02M: Plycon Power
- 143M: Lekki Express Way
The Nigeria Infrastructure Advisory Facility (NIAF) has worked with Nigerian state and federal government agencies to secure cost savings of £691 million on capital investment in public-private partnerships. The cost over-statements which have been taken out thanks to the NIAF project teams represent non-commercial costs which go above and beyond a justifiable commercial basis for these transactions.

By removing such costs, the programme guards against bloated transactions that put money in the pockets of the corrupt at the expense of much higher end user tariffs mainly affecting the poor. The savings come from nine projects screened in association with both the National Savings and Investment Authority and also Lagos State. As NIAF support has come at different stages of the procurement cycle, the savings on each screened project have also come at different stages – everything from reducing inflated construction costs to negotiating down a re-purchase price on distressed assets.
Adam Smith International has undertaken a substantial body of analytical work to assess the fiduciary risk environment in Pakistan. These assessments – some of the first ever conducted - have provided a robust framework for measuring fiduciary and corruption risks and monitoring their significance as public financial management reforms and fiduciary risk mitigation measures are implemented by provincial institutions.

DFID’s Sector Budget Support (SBS) component of Khyber Pakhtunkhwa Education Support Programme (KESP), worth £181 million, carries considerable fiduciary risk on account of the challenges of ensuring that funds provided to the government are utilised effectively for the intended purposes and efficiently. Maintaining an up-to-date understanding of the key fiduciary risks and monitoring the implementation of agreed safeguards to address them are important ways in which Adam Smith International protects DFID’s investment.

One key initiative that Adam Smith International has spearheaded towards institutionalising ongoing fiduciary risk mitigation and anti-corruption is supporting Khyber Pakhtunkhwa’s education department to establish and strengthen an internal audit cell. The cell produced its first annual audit plan in 2015 and we are currently supporting its implementation. This has provided the education department greater insight than ever before on the actual use of its funds and is significantly strengthening the control environment for Government’s and DFID’s SBS funding.

Khyber Pakhtunkhwa’s education department pays cash stipends to students. Whenever cash is involved there is a higher risk of corruption. We conduct monitoring visits and survey beneficiaries to check that the stipends reach beneficiaries, and how they are spent.

Previous monitoring visits identified two districts (Swat and Hangu) as particularly well performing. They demonstrated efficient record keeping, coordination and communication with provincial coordinators. We have used these districts and their practices as role model examples for improvements across the province.
The Punjab Education Sector Project 2 (PESP) project has three key interventions that help increase transparency and prevent corruption at the district and at the provincial level:

**District Performance Management**

District performance management routines help us closely monitor the allocation, use and effectiveness of resources, and identify anomalies between resource allocation and district performance (high allocations compared to weak performance raise red flags).

We have strengthened the ability of school supervisors to performance manage their schools through a standard operating procedure checklist. Data from this checklist and from monitoring visits by monitoring and evaluation assistants is collated and presented at pre-district review committee meetings, during which the performance of his/her schools is measured against key performance indicators.

Schools that are lagging behind are flagged, and their supervisors are held accountable. School resources are also mapped and the utilisation and effectiveness of these resources is assessed. For instance, schools that claim to have used a large portion of their budgets, but have no outputs to show for them, are identified and questioned. All issues and performance lapses are identified and questioned.

**Budget Execution Reporting**

Budget execution reports are prepared every quarter to analyse district and provincial expenditure against allocations, the specific areas that were allocated funds, and the areas in which spending took place. These reports track funds as they are allocated, released, transferred to the organizations responsible for spending them, and used by these organizations.

As they map the process of funds release and utilisation, they identify inefficiencies. Any delays are tracked and attributed to steps in the process or entities responsible for causing delays. Quarterly reports are prepared for all 36 districts, for the province overall, and for the use of non-salary budgets by school councils. These are also compiled into annual reports.

Budget execution reports are discussed at the district level, and also with senior officers at the schools education department, bringing the attention of district and provincial managers to the allocation and use of funds, delays in burn rates, and efficiency and effectiveness of utilisation.

**Financial Management Cell**

PESP 2 is taking forward an initiative with the Schools Education Department for a Financial Management Cell (FMC). The Cell will:

- lead on an internal audit of department expenditures, tracking discrepancies, and identifying misappropriation and misuse of funds;
- transition the department towards output-based budgeting; with output-based budgeting, budgets are linked to outputs, outcomes and results instead of inputs, making it easier to assess the efficacy of funds. With this new budgeting paradigm, budgets will be developed carefully in line with their expected outputs. In addition, budget heads that are not yielding results will be scrutinised by the cell, and relevant personnel will be held accountable.
Adam Smith International is a global award-winning development consultancy that delivers real impact, value and lasting change through projects supporting economic growth and government reform. Our reputation as a global leader has been built on the delivery of transformative change in challenging environments.