



DFID's Anti-Corruption Strategy for Pakistan

January 2013

Introduction

1. Corruption can broadly be defined as the abuse of entrusted power for private gain. The word can cover a whole range of abuses. On one level it can refer to the risk of taxpayers' money in DFID programmes being fraudulently spent or stolen. On another level it can refer to corruption within a country and its institutions, with the negative impact that this has on development prospects. DFID sets the highest standards for the manner in which its own money is spent. Through its development programmes, DFID also works to reduce the prevalence of corruption in each of its partner countries.
2. In November 2011, the **Independent Commission on Aid Impact** (ICAI) reviewed DFID's approach to tackling corruption. It found that DFID had a good awareness of the fraud risks and seeks to safeguard UK funds through appropriate choices of funding channels and programme design, and often played a leading role within the donor community on anti-corruption work. It did however recommend that in any country assessed as having a high risk of corruption, DFID should develop an explicit anti-corruption strategy. As part of its response, DFID is producing anti-corruption strategies for each of its main partner countries. This strategy sets out how DFID will (a) safeguard UK taxpayers' money and (b) support efforts in Pakistan to reduce corruption and its impact on development over the next three years.
3. The UK Government is committed to **transparency, results and value for money**. To make it easier for taxpayers and citizens in its partner countries to 'follow the money', DFID now publishes details of all its new programmes and of all transactions over £500 on the DFID website (<http://www.dfid.gov.uk>).

Protecting UK Aid funds in Pakistan

4. Four fifths of Pakistanis view corruption in their government as widespread.^[1] In 2012, Transparency International ranked Pakistan 139 out of 176 countries (with 1 being the least corrupt).^[2] The World Bank's Control of Corruption indicator^[3] shows Pakistan on a slight negative trend since 2007.

^[1] Gallup poll <http://www.gallup.com/se/ms/154259/Pakistan-Troubled-State.aspx>

^[2] Transparency International Corruption perception Index 2011 <http://cpi.transparency.org/cpi2011/results/>

^[3] Worldwide Governance Indicators <http://info.worldbank.org/governance/wgi>

5. DFID Pakistan's planned spend is £971 million between 2012/13 and 2014/15. DFID uses a variety of channels and partners. The funding channels chosen are based on thorough analysis of effectiveness and potential results. The UK does not provide General Budget Support to the Government of Pakistan. Instead, funding is provided in the following ways:
- Commercial service providers (30%). These are experts contracted following rigorous and transparent international competitive tendering. They provide dedicated specialist expertise – local and international - that would otherwise be unavailable to either the Pakistani government or DFID. They may also transfer funds to local and international NGOs to deliver services on their behalf.
 - International organisations such as the UN and non-governmental organisations (20%). These organisations advocate for reform and work with communities to improve livelihoods, manage local resources and demand better services from government.
 - Government-related channels (50%). This includes Sector Budget Support programmes (i.e. contribution to the overall budget earmarked to achieve objectives within a particular sector, e.g. health or education) and funding through trusted intermediaries such as World Bank Trust Funds.
6. DFID has a range of **standard controls and measures in place to protect UK aid**. These include rigorous risk assessments and monitoring requirements for all projects and programmes. Regular internal and external audits add a further level of assurance that money is spent on the purposes for which it is intended. DFID is continually strengthening its risk management procedures, and has recently brought in additional measures including: more detailed fraud and corruption risk assessments in programmes; enhanced pre-funding 'due diligence' checks on partners; and specialised training for staff. Where there is suspicion of corruption and fraud DFID will always follow up; and if fraud or corruption is uncovered DFID will always take action and work to recover UK taxpayers' money.

In Pakistan, DFID will continue to ensure integrity and value for money through the above, and by:

- Robust DFID programme management, financial management and fraud prevention. Regular scrutiny by the DFID senior management team of financial management and fraud prevention activity.
- Analysis of corruption and fraud risks in the areas DFID works and the way UK funds are transferred and accounted. Introducing an additional systematic assessment of the relative risks in our different programmes, so that we focus staff resources where risk management is needed most.
- Ensuring that our business cases and annual reviews contain detailed analysis and actions to address accountability and transparency issues.
- Careful selection and monitoring of partners who implement our programmes, especially where we assess the corruption risks to be highest.
- A continuous audit process to assess programmes' vulnerability to fraud and corruption, advise on prevention, and track how implementing partners spend the money. Independent evaluations and DFID staff field visits to inspect programmes. More frequent audits of high risk programmes.
- Helping Pakistani citizens to understand the benefit they should get from DFID-supported programmes and providing ways for them to report back on what they receive.
- Use of new technology, for example payments by mobile phone, which allows money to be transferred directly to families, bypassing the go-between who may otherwise take a 'cut'. This method has been used to help families with the costs of sending their girls to school.

Supporting efforts to reduce corruption in Pakistan

7. Over the next three years, DFID will support the Pakistani government in tackling corruption through:
- Building political commitment to increase accountability, for example by supporting Pakistan's Public Accounts Committee and supporting the Election Commission. This will include calling more frequently for corruption to be tackled in regular direct dialogue with government, including in discussions at federal, provincial and individual programme level.
 - Supporting better access to information and transparency, for example helping provincial governments to consult communities about their budgets, publish their performance targets and information on services, and helping to establish ways for people to give feedback - including on value for money.
 - Improving public financial management, for example by supporting provincial governments on budgeting, reporting and independent auditing. This allows citizens to have a say in what is important for them, to check the quality of services being delivered and helps money to go where it is most needed.
 - Identifying and supporting initiatives outside government that strengthen the voice of citizens in reporting concerns and demanding action on corruption, and supporting initiatives inside government that build the capability and responsiveness of provincial and district governments.
 - Supporting the international community's work to co-ordinate approaches to corruption. This will include pushing for practical actions by Pakistan and its partners, drawing on the review of the UN Convention against Corruption which began in June 2012.
 - Backing global and regional initiatives on corruption, including scoping work to recover money being laundered through the UK and strengthening action to address bribery.
 - Developing and maintaining regular monitoring and analysis of the corruption situation, and commissioning work where evidence is missing.

More information

On the country programme is available on the DFID website at: www.dfid.gov.uk/pakistan

Media enquiries: pressoffice@dfid.gov.uk

Follow us in Twitter and Facebook.

DFID Pakistan, British High Commission, Diplomatic Enclave, Islamabad

© Crown copyright 2013

Copyright in the typographical arrangement and design rests with the Crown. This publication (excluding the logo) may be reproduced free of charge in any format or medium, provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by the Department for International Development 2013.