



# DFID's Anti-Corruption Strategy for Mozambique

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 Mozambique 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 Mozambique

4. Transparency International (TI) ranked Mozambique 123<sup>rd</sup> out of 174 countries in its 2012 *Corruption Perceptions Index* (CPI). In 2011, TI's survey of public opinion on corruption in Southern Africa highlighted that Mozambican citizens reported the highest incidence of bribery in the region: 68% of people surveyed reported having paid a bribe in the previous year; 48% of people had bribed the police; 35% had paid a bribe for education services<sup>1</sup>. The World Bank's *Control of Corruption indicator*<sup>2</sup>, which is part of a large dataset of governance

<sup>1</sup> Transparency International, (2011), *Lives and Corruption: Public Opinion in Southern Africa*.

<sup>2</sup> Worldwide Governance Indicators [http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp)

indicators, showed a slight positive trend for Mozambique between 2006 and 2010, even though control of corruption appeared to have deteriorated in 2011.

5. DFID Mozambique's budget is **£230.1 million** for the period 2012/13-2014/15. DFID uses a variety of channels and partners to deliver these funds, chosen based on a thorough analysis of what will achieve the best results. Funding is provided in the following ways:
  - The majority of DFID Mozambique's portfolio (approaching 80%) is provided as financial aid to the Government of Mozambique. This includes support to the state budget for the implementation of the government's overall plans and priorities, as well as funding to specific sectors, including health and education, and to specific institutions, including the Central Revenue Authority.
  - A growing proportion of DFID Mozambique's portfolio (just over 20%) is being spent on projects to support the local private sector and to strengthen Mozambican civil society's capacity to work with, and hold accountable, state officials and service providers. This is delivered through a range of organisations, including civil society and private sector management agents. The latter are experts contracted following rigorous and transparent international competitive tendering. They provide dedicated specialist expertise – local and international - that would otherwise be unavailable to DFID.
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 Mozambique, DFID will continue to ensure integrity and value for money through the above, and in areas such as:

- Fiduciary Risk Assessments (FRAs) and Annual Statements of Progress (ASPs), which identify and monitor corruption and fraud risks for financial aid to government. These standard DFID tools review the quality and effectiveness of government systems, from financial management and procurement to internal and external controls, and are critical in deciding if and how DFID will provide financial aid, and what safeguards will be put in place.
- Additional, enhanced audits (procurement, value for money, amongst others) of programmes where necessary.
- Beneficiary monitoring of government services, through which communities and citizens can report on the quality of service provision in sectors such as health and education. This can help to identify misuse of public funds, including of financial aid.

## Supporting efforts to reduce corruption in Mozambique

7. Over the next three years, DFID will support Mozambique in tackling corruption through:
  - Engaging with Mozambican institutions to help the implementation of the new anti-corruption laws that have been approved by Parliament in 2012, especially the Law on Public Probity (LPP). This includes provisions on conflict of interest and asset declarations that should help prevent, detect and sanction cases where public officials use their official position to advance their private/commercial interests.

- Promoting Public Expenditure Tracking Surveys (PETS) to track how resources flow through the various layers of the state bureaucracy to the point of, for example, health and education service delivery. PETS help to identify any obstacles that impede the timely flow of funds to their proper destination, including misuse of public resources. They can be used to assess and improve the efficiency of public spending and the quality and quantity of services.
- Supporting civil society organisations working on anti-corruption, governance monitoring and advocacy activities. Supporting initiatives that strengthen the voice of citizens in holding officials to account for the delivery of public services and that establish effective channels of dialogue between citizens and government officials.
- Promoting reforms in the management of public finances, including through technical and financial support to the Central Revenue Authority and the Central Procurement Agency.
- Supporting the development of a strong, transparent and accountable extractive sector, with a focus on mining and gas, which may include technical assistance to a range of government institutions in the extractive sector.
- Working alongside the British High Commission in Mozambique to develop a common understanding of corruption in the private sector and how best to respond locally.
- Supporting the international community's efforts to better co-ordinate its approach to anti-corruption.
- Developing and maintaining regular monitoring and analysis of the corruption situation in the country, and commissioning work where evidence is missing.

## More information

On the country programme is available on the DFID website at: [www.dfid.gov.uk/mozambique](http://www.dfid.gov.uk/mozambique)

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