

Role of Donor Community in Anti-Corruption and Pro-Integrity Reforms in Pakistan

By Mukhtar Ahmad Ali. CPDI-Pakistan

1. Introduction

Corruption is viewed as both the cause and effect of bad governance. It poses a serious threat to sustainable development, fairness of democratic process and promoting equity and social justice in any country. In addition, the domestic corruption has international implications, especially in the context of globalization and growing interdependence. It is, therefore, extremely important that the problem of corruption is taken seriously. However, the nations' ability in countering this menace is impaired by the culture of secrecy, lack of democratic accountability, weak civil society engagement, and limited international cooperation.

The problem of corruption is both endemic and grave in Pakistan. It is evident from the findings of various studies and surveys conducted on the subject. For instance, in 2006, Pakistan was placed at a dismal 142nd position out of 163 countries surveyed, with a Corruption Perception Index (CPI) at 2.2.¹ Over the years, successive governments claim to have made 'serious' efforts to curb the problem of corruption. Some of these efforts have been actively supported by the donor community through various mechanisms including loans for specific 'reform' initiatives, grants or provision of technical support. However, these efforts have had little impact in terms of improving the public perception vis-à-vis the menace of corruption.

¹See the website of the Transparency International at <http://www.transparency.org>

Against the above background, this paper presents an overview of the role of international donors in the fight against corruption in Pakistan. It analyses the successes and failures of various government initiatives, especially in relation to the role that the donors played in facilitating or supporting such initiatives. It also focuses on the role of donors in terms of supporting civil society initiatives aimed at creating awareness and monitoring government activity to reduce the incidence of corruption.

2. Donor Community and the Problem of Corruption: An Overview

Since early 1990s, the donor community has been playing a proactive role for promoting good governance, which included emphasis on greater efficiency, transparency, liberalization and reduction in corrupt practices. This was a significant departure in approach from the past wherein the donors would stay away from engaging in politically sensitive matters that lied at the core of promoting good governance. In the following years, the donor interest in fighting corruption and promoting accountability, transparency and integrity has steadily but considerably grown. It seems that the donors' interest can be partly explained by the concerns related to domestic impediments for foreign direct investment, money-laundering, organized crime and global terrorism. In this context, it may be appropriate to refer to the International Conference on Financing for Development in Monterrey (March 2002) where leaders from developing and developed countries agreed on the principle of "mutual Responsibility and accountability," underlying a global deal in which sustained political and economic reforms would be matched by increased support from the donor community.²

Many benefits of active donor role in support of national efforts against corruption are enumerated. For instance, it is argued as follows:

A particular area where international organizations add value to national efforts lies in their ability to access and share cutting edge, innovative and effective international "good" practices in anti-

² UNDP Anti-corruption Practice Note, See at www.undp.org, Feb., 2004.

corruption as well as resources an expertise. One primary area where international partners can intervene is in supporting and monitoring national and local capacity building efforts to analyze the nature and extent of corruption, stimulating home grown and context specific solutions through participatory processes and enhancing these with lessons and experiences from other countries and regions. International partners can also facilitate access to and use of appropriate information communications technology in the fight against corruption, as an integral part of a country's institutional reforms. International organizations (donors) also have a critical role to play in supporting the ratification and implementation of global and regional treaties ... that attack both the demand and supply sides of bribery and corruption, and provide the impetus for international cooperation in this struggle.³

There is also a growing recognition in the donor community that the success in achieving the Millennium Development Goals (MDGs) will depend on the “quality” of governance and the level of effectiveness, efficiency and equity in resource generation, allocation and management. Consequently, it is understood that efforts to combat corruption directly support goals of eradicating poverty and promoting human security for all and contribute to the UN's global agenda of assisting countries in achieving the MDGs.⁴

3. Fight against Corruption in Pakistan and the Role of Donor Community

3.1. Initiatives by the Donor Community

Nearly all multilateral and inter-governmental donors in Pakistan have been contributing, in multiple ways and at various levels, to the anti corruption efforts in the country. These contributions include, among others, technical assistance for improved policy frameworks, capacity building of local governments, support for modernization of organizational infrastructure and use of ICTs, assistance for civil service reforms, and grants to civil society

³ Ibid.

⁴ Ibid.

organizations for initiatives aimed at promoting transparency, accountability and good governance.

In order to understand the role of donors, it would be appropriate to have an overview of some main initiatives supported by various donors. These initiatives are as follows:

World Bank:

In recent years, the World Bank has also supported a number of projects aimed, directly or indirectly, at improved governance, greater efficiency and reduced incidence of corruption in various sectors. These projects focused on sectors such as (a) reform of the CBR, (b) banking sector reforms, and (c) improved financial reporting and auditing. These projects aim to restructure the government departments, support introduction of modern technologies such as ICTs, and strengthen monitoring systems. The objectives of the Project for the Improvement to Financial Reporting and Auditing (PIFRA) include: (a) to improve public sector accounting and financial systems; (b) to provide a basis for enhancing public sector accountability; and (c) to support improved institutional capacity for economic policy-making and management.

The Asian Development Bank (ADB):

The ADB has been working in various sectors since 1950s in Pakistan. However, projects including accountability and anti-corruption dimensions have been only a recent development; although many capacity building initiatives may also be characterized for being indirectly aimed at addressing the problem of corruption. As for the capacity building initiatives, these include, among others, the (a) Capital Market Development Program, which is meant to improve the capacities of the securities market and facilitate reforms of pension funds and insurance; and (b) Enhancing Capital Market Depth Program, which builds capacity in order to promote the development of domestic debt markets and institutional investments.⁵ Other ADB projects relate to fiscal decentralization, civil service reforms, access to justice and promotion of good governance. Some of these come within

⁵ See www.adb.org

the scope of the Bank's governance and anti-corruption policies.⁶ The access to justice program, which is supported by the ADB, includes components such as access to information, accountability, police reforms and judicial reforms, which retain the potential of reducing corruption and abuse of authority in the country. Recently, the ADB has supported the planning phase of NAB's restructuring.

It may also be appropriate to refer to the ADB/OECD Anti-Corruption Initiative for Asia-Pacific, which was formally endorsed by participants of the Forum on Combating Corruption in the Asia-Pacific Region in Seoul, Korea in December 2000. The objective of the ADB-OECD Initiative is to help countries of the region which wish to do so to build up effective anti-corruption mechanisms and to lay the foundations for the sustained fight against corruption. The action plan was approved on May 28, 2002 by no less than 32 countries including Pakistan. The Initiative aims at promoting an integrated approach to policy-making. By bringing together major stakeholders and by pooling regional efforts, the ADB-OECD Initiative aims to help and advise in institution building and the formulation of reform strategies; to encourage partnerships between governments and civil society and their exchange of approaches and sharing of experiences; and to promote international donor coordination. As such, it bases its activities on four principles of action, which include country ownership, regional cooperation, civil society involvement and international coordination.⁷

Department for International Development (DFID):

The United Kingdom's Department for International Development (DFID) is also one of the leading international donors operating in Pakistan. Its current interventions are largely focused on the provinces of NWFP and Punjab, while it is also providing assistance to various federal programs. Among others, it has supported the (a) reform of Central Board of Revenue; (b) community empowerment within the framework of local governments; and (c) participatory poverty assessments, which aim to give voice to the poor in policy debates. Despite that there is relatively weak focus on governance in overall terms, some of the DFID supported programs aim to improve governance, which could help in reducing the

⁶ See <http://www.nrb.gov.pk>

⁷ Ibid.

incidence of corruption as well. The DFID had also supported the process of developing the National Anti-Corruption Strategy (NACS) in 2002.⁸

The United Nations Development Programme (UNDP):

In Pakistan, the UNDP is one of the leading agencies involved in governance reforms. In recent years, its interventions have particularly been focused on (i) devolution support; (ii) strengthening governing institutions; and (iii) economic governance. In these areas, the UNDP has supported and implemented a range of initiatives ranging from technical assistance to awareness raising and capacity building. The UNDP has also helped produce and introduce learning guides and courses on corruption issues for UN and national staff in the Asia-Pacific region. The effort aims to help promote good governance by detailing anti-corruption strategies and by training staff to prepare culturally sensitive projects that can help spot and deter corruption.

3.2. Impact of Donor Supported Programs and Related Challenges

As noted above, despite various donor programs having direct or indirect focus on improving governance, building capacities and reforming government institutions, the public perception about the scale and gravity of the problem of corruption has not improved in any meaningful manner. It is evident from the surveys that have been conducted in recent years, as well as from the media reports and feedback received by independent observers. This leads us to ask the question: whether the much publicized government efforts and donor programs have failed to make any useful impact in terms of addressing the problem of corruption? There is no simple answer to this question, as it requires an in-depth analysis of various sectors and aspects, as well as other factors that play a role in the success or failure of anti-corruption efforts. The following paragraphs, however, present some thoughts on this question.

First of all, it may be noted that, until now, donor organizations generally prefer not to develop, support and implement programs and projects, which aim to directly address the

⁸ National anti corruption Strategy 2002, see at www.nab.gov.pk

menace of corruption. At times, it appears that they are even reluctant to use the word “corruption”, which is perhaps considered as politically insensitive. Instead, the terms such ‘leakages’, ‘inefficiencies’ or ‘transaction costs’ are used. Recently, however, some donors have begun to develop and support programs aimed at promoting transparency and accountability, which implicitly recognize the problem of corruption albeit within a broader framework that seeks community empowerment, democratic development and improved service delivery. The point remains that there have been fewer interventions directly focused on the problem of corruption, and hence it is hard to see or assess the direct benefits of these programs in terms of their impact on corruption.

Despite that there has generally been a little change in public perception, there are sectors wherein improvement in terms of traditional forms of corruption⁹ is visible. One such example is that of the banking sector, which has also witnessed significant liberalization and privatization over the past decade. Any reduction in the incidence of corruption in this sector, however, may be attributed to donor-supported liberalization and privatization; and not necessarily to any specific anti-corruption effort. Within this sector, however, complaints of corruption in the Zirai Tarqiyati Bank (ZTB) continue to remain frequent, although the entry of other private banks in the agricultural finance has reduced the smallholders’ dependence on ZTB. In any case, whatever improvement has taken place in the sector is primarily owing to fundamental restructuring; and does not offer a success story of a particular anti-corruption strategy aimed at reducing the incidence of corruption in a government department.

Donors have also supported a large number of capacity building programs across many sectors. In recent years, these programs have especially covered the local governments, financial institutions and regulators. In the context of local governments, these programs may have been successful on many counts but there is no evidence of any significant impact in terms of dealing with corruption. In fact, most of related modules and materials may be

⁹ However, the policy of liberalization and privatization is also criticized for various reasons including what may be described as new forms of ‘corrupt practices’ involving exploitation of consumers of various products and services.

termed as inadequate in view of their limited recognition of the adverse implications of the problem of corruption. In view of this, there exists the need of mainstreaming anti-corruption methods and techniques in the capacity-building initiatives across the sectors. Such mainstreaming in the context of local governments could have lead to implementation of transparency mechanisms built into the local government system. The result is that, while problem of corruption in local governments is well-recognized, the awareness and capacity required to effectively address it remains minimal in the local governments.

At times, donor supported reform initiatives result in the adoption of laws, rules and procedures that could ensure greater transparency and provide a basis to promote accountability. However, these improvements are not necessarily complemented through appropriate public awareness campaigns. The consequent information gaps at least partly explain the weak implementation of such rules and procedures by the government departments. These are also partly responsible for the relatively limited role that the civil society is able to play in a timely manner. Related examples include Police Order 2002 and various rules related to local governments such as Budget Rules 2003.

In some cases, legal reforms have been implemented as a result of certain 'policy actions' agreed by donor agencies with the government. One such example is that Freedom of Information Ordinance (FOIO) 2002, whose enactment was a condition for the release of funds under an agreement with the ADB. This was seen as a significant reform for promoting transparency and accountability in the government activity. However, powerful interests within the government see it as a threat to their traditional secretive style of working. In this background, in order to fulfill the condition agreed with the ADB, the government promulgated the FOIO 2002, but included too many exemptions to make sure that it did not lead to any significant change. It seems that the ADB took it as a 'policy action' taken and proceeded to the release the funds. Not much consideration was given to the fact that the new law was not strong enough, and was not likely to have any impact unless implemented. There exist many examples of such engagements, which are well-conceived in macro terms but make little impact in view of lack of proper follow up.

The World Bank Project for the Improvement to Financial Reporting and Auditing (PIFRA) offers a great potential for efficient handling of accounts, stronger and timely monitoring, ensuring transparency, and addressing the problem of corruption. However, despite the fact that many years have passed since it started, it has had a limited impact in view of significant bureaucratic resistance resulting in inexcusable delays and a large number of implementation gaps. Given the current attitudes and the pace of progress, it is hard to expect that it would ever achieve the envisaged objectives. Some observers have the impression that the World Bank has dumped the loan on the government, and has little interest in ensuring that it is actually and fully implemented. A similar situation exists in relation to the much trumpeted Access to Justice program, which has suffered from significant delays and manifestly poor performance on many counts. On the other hand, some improvements have been made, such as the implementation of case tracking systems, which implicitly reduces opportunities for corruption.

Many areas where corruption directly affects the common people remain generally neglected in the anti-corruption or initiatives aimed at promoting accountability. Such areas include the revenue department, public works, police, health, education, irrigation, municipal services and agricultural credit. At times, the link between reduced corruption in these sectors and improved human and economic development is not adequately understood, which may partly explain the limited donor attention on anti-corruption efforts. It may also partly explain why public perception generally remains unchanged, despite improvements in sectors like banking and telecommunications.

There exist government agencies in the country that are mandated to enforce anti-corruption laws. Other than the National Accountability Bureau (NAB), these include the Federal Investigation Agency (FIA) and provincial anti-corruption departments. With the exception of NAB, these agencies are under-funded and lack the required capacities to perform their job. While it is true that enforcement alone is not the answer, there is no denying the fact that stronger and effective enforcement is an essential component of any anti-corruption effort. In the context of Pakistan, it also needs to be understood that NAB alone, however well-resourced it may be, cannot meet the enforcement requirements. In view of this, there is

a need to strengthen the FIA and provincial anti-corruption departments, and donors may be able to play a role in this regard. Such engagements have so far been weak, and may be desirable in the future. However, in designing such engagements, it would be crucial to ensure that these institutions evolve into politically neutral, professionally sound and accountable organizations.

Weak implementation of many projects can be attributed to limited engagement of civil society organizations in terms of undertaking appropriate monitoring, public awareness and advocacy work. This weakness is evident from the conspicuously absent civil society monitoring in the case of projects such as access to justice or PIFRA. It is the civil society, which is manifestly pro-reform and, therefore, must be in a leading role in demand and champion it in the face of vested interests with considerable stakes in the status quo. In the context of access to justice project, one would have expected a proactive role of bar councils and organizations working on human rights. However, it appears that, while civil society organizations have not been proactive, the designs of these projects could also be refined to encourage and facilitate civil society participation. Donors in Pakistan are not very active in promoting “demand” for corruption reform among civil society. One reason for that is that many find it easier, for structural reasons, to give large grants or loans to the government rather than make smaller grants to NGOs with higher transactions costs for the donor agency. Those donors that do support NGOs hardly ever provide core funding, which means that many activities are project-based and relatively short-term. Most NGOs lack the resources to undertake anti-corruption initiatives that are not specifically budgeted for with project funds.

4. Conclusions

Since early 1990s, the donor community has played a significant role in promoting reforms aimed at efficiency, transparency and good governance in Pakistan. However, the impact of these reforms has been relatively limited, with the exception of some sectors where these involved successful liberation and privatization. In general, the reform initiatives have suffered from frequent delays and implementation gaps, which may be attributed to resistance by vested interests in the government and limited civil society engagement in terms of influencing the designing and implementation of donor programs. Considering that

implementation of such programs is the responsibility of the government, the donors cannot be completely blamed for implementation gaps. However, donors could play a more informed role by appropriately ensuring the inclusion of aspects like civil society monitoring and advocacy in the project designs. It seems that such efforts are lately being made but their implementation and impact is yet to be seen.

In view of the above, the following suggestions may be considered by the donor community:

- More direct focus on anti-corruption programs;
- Greater civil society engagement in terms of monitoring and advocacy of major governance sector reform projects;
- Priority focus on sectors where corruption has a direct impact for the common people i.e. police, revenue, health, irrigation, etc;
- Mainstreaming of anti-corruption tools in various capacity building programs;
- Strengthening of FIA and provincial anti-corruption departments;
- Appropriate follow up of ‘policy actions’ agreed with the government;
- Support for stronger access to information and transparency movement in the country;
- Support for stronger mechanisms for public information on key reform initiatives.

Finally, it is critical that donors send a clear message that they will not tolerate corruption in their own ways of working, or among their own staff. There are countless examples of donors ignoring rules because “that’s the way it’s done here” or failing to adequately punish staff who are found guilty of favoritism, bribery or other corrupt offenses. Ensuring that relevant information, including funding decisions and project evaluations, is easily accessible to the public would also send a strong message that donors are holding themselves to the same standards they demand of their partners.