



DFID's Anti-Corruption Strategy for Ethiopia

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 Ethiopia 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 Ethiopia

4. The World Bank's report 'Diagnosing Corruption in Ethiopia' (2012)¹ finds low official tolerance for corruption and minimal policy level corruption. It also finds that petty corruption around service delivery is less of an issue than in other countries at a similar level of development, although perception surveys indicate that petty corruption remains widespread, particularly in certain sectors (eg courts, police, customs and land administration). Fighting corruption in the public sector was one of the major themes of the last ruling party conference, and is a major element of the government's Growth and Transformation Plan (GTP). Ethiopia's score in

¹ Plummer, J (ed): Diagnosing Corruption in Ethiopia: Perception, Realities and the Way Forward. Washington DC: World Bank. June 2012).

Transparency International's Corruption Perceptions Index (CPI) has slightly improved over the last ten years, but remains low – at 33/100 (this is slightly above average within the region).²

5. With a total budget of £1.018 billion for the three year period 2012/13 – 2014/15, DFID Ethiopia manages one of the biggest DFID aid programmes. Over 80% of DFID Ethiopia's budget is focused on Millennium Development Goal (MDG) targets in Health, Education, Poverty and Vulnerability. Progress towards the MDGs is largely being delivered through support to proven, nationwide government-led programmes. The impact of these programmes is maximised through complementary efforts to strengthen service delivery and accountability at the local government level. This approach is based on strong evidence that, in Ethiopia, delivery through government systems is the most effective way of delivering results at scale and obtaining value for money. In newer areas of focus, such as wealth creation, climate change and peace-building, DFID is developing innovative, impact-focused partnerships with the private sector and NGOs, to complement DFID's on-going dialogue and work with the Government.
6. Delivery is through a combination of aid instruments and a mix of channels to maximize impact and value for money. The breakdown of funding through these various channels is: sector budget support (46%), other financial aid (28%), commercial service providers (11%), humanitarian assistance (8%) multilateral agencies and NGOs (4% each). The commercial service providers with which DFID works are experts contracted following rigorous and transparent international competitive tendering. They provide dedicated specialist local and international expertise (for example, in climate change, safety and justice, livelihoods) that would otherwise be unavailable to either the government or DFID.
7. 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.
8. In Ethiopia, DFID will continue to ensure integrity and value for money through the above, and in areas such as:
 - increased use of independent audits, including specialised audits focusing on higher risk areas like procurement;
 - ongoing field level supervision and verification of programme implementation by DFID Ethiopia staff including additional monitoring capacity in Somali Region State; and
 - making greater use of social accountability in government-led service delivery programmes.

Supporting efforts to reduce corruption in Ethiopia

9. Over the next three years, DFID will support Ethiopia in tackling corruption by:

² Transparency International Corruption Perception Index. <http://cpi.transparency.org/cpi2012/>

- Developing a more robust evidence base on the prevalence of corruption in Ethiopia, bringing greater clarity where evidence is currently mixed.
- Commissioning research and analysis to deepen DFID's understanding of corruption risks arising from the Ethiopian development model - including the expansion of extractive industries such as oil and gas - and identifying areas for action.
- Supporting GoE and semi-autonomous institutions to engage and cooperate with international initiatives combatting corruption, such as transparency initiatives in the Extractives and Construction industries (eg Extractive Industries Transparency Initiative EITI and Construction Sector Transparency Initiative CoST).
- Continuing to support existing measures directly through the Federal Ethiopian Anti Corruption Commission (FEACC), and indirectly through support to public financial management, public sector reform, transparency and accountability initiatives – including through civil society.

More information

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

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