



# DFID's Anti-Corruption Strategy for Nepal

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## 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 Nepal 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 Nepal

4. Corruption in Nepal is a serious problem. As Prime Minister Baburam Bhattarai recently said: *'I can say it without hesitation that corruption is rampant at top political and bureaucratic levels and this is the most serious problem at present'* (**Anti-Corruption Day, December 2012**). In 2012 Transparency International (TI) ranked Nepal 139th out of 176 countries on the Corruption Perceptions Index (CPI)<sup>1</sup>. The World Bank's Control of Corruption Indicator shows a worsening trend since 2002<sup>2</sup> and Transparency International's

<sup>1</sup> Transparency International Corruptions Perception Index 2012 <http://cpi.transparency.org/cpi2012/results/>

<sup>2</sup> Worldwide Governance Indicators <http://info.worldbank.org/governance/wgi>

regional survey shows most Nepali's feel corruption has increased over the last three years<sup>3</sup>. The lack of local government elections since 2002 and dissolution of the Parliament (Constituent Assembly) in May 2012 also means that oversight and accountability institutions are lacking. The Commission for the Investigation of the Abuse of Authority (CIAA) and the Office of the Auditor General (OAG) have both been without permanent Heads for the last 6 years.

5. DFID Nepal's budget is £269m for the three year period 2012/13-2014/15. The choice of funding channel is determined after an in-depth assessment of the risks in each sector. Funding will be delivered in the following ways:

- 35% through ring-fenced Government of Nepal channels in support of health and education services and more effective local government, with strong safeguards in place including oversight of procurement and measures to strengthen financial management systems.
- 40% through commercial service providers such as for building roads, small business development and providing advice to Government on economic growth. These projects are contracted following rigorous and transparent international competitive tendering. DFID uses national and international technical assistance only when dedicated, specialist expertise is required that would otherwise be unavailable to either the government or DFID.
- 15% through national and international non-governmental organisations to improve accountability of local service and for community justice programmes.
- 10% through multilateral organisations such as the United Nations for support on elections and disaster preparedness, and the World Bank and the Asia Development Bank for strengthening public financial systems and anti-corruption programmes.

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 Nepal, DFID will continue to ensure integrity and value for money through the above, and in areas such as:

- Building on a strong track record of community monitoring and oversight so that people themselves can monitor and report on how funds are used. DFID Nepal's work in this area to date has been cited as good practice by ICAI.
- Increasing the coverage of DFID Nepal's innovative Risk Management Office, contracted to monitor and assess operational risks, including corruption and fraud.
- Expanding existing provision of training on fraud and corruption detection, ensuring that it reaches all DFID staff and partners. This is another area that has been cited as good practice by ICAI.

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<sup>3</sup> Daily Lives and Corruption: Public Opinion in South Asia, Transparency International, 2011

## Supporting national efforts to reduce corruption in Nepal

7. Over the next three years DFID will support the Nepali government and its citizens in their existing efforts to tackle corruption through:
- Working closely with the British Embassy to strengthen diplomatic and development dialogue in Nepal on corruption – with particular focus on implementing the United Nations Convention Against Corruption (UNCAC), taking forward Financial Action Task Force (FATF) recommendations on Anti Money Laundering, and appointing non-partisan, competent heads of anti-corruption and national audit agencies.
  - Improving public financial management and procurement systems and anti-corruption measures at national, local and sector levels through a £4m investment with the Asian Development Bank and World Bank.
  - Supporting measures that enable civil society to better monitor and report on how funding is spent, and improving citizens' access to information through the use of Right to Information Campaigns and by providing training to the media.
  - Increasing the evidence base on corruption in Nepal, including joint monitoring of corruption levels with other development partners.
  - Seeking entry points for policy dialogue and support to address corruption in new programmes, for example in the police and justice sector, and public administration reforms.
  - Advocating for and supporting national and local elections to increase democratic accountability at national and local levels.

### More information

More information on the Nepal country programme and Operational Plan is available on the DFID website at: [www.dfid.gov.uk/nepal](http://www.dfid.gov.uk/nepal)

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