



# DFID's Anti-Corruption Strategy for Somalia

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 Somalia 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 Somalia

4. Often referred to as the **most fragile state** in the world, Somalia has been without a functioning government for more than 20 years, making it one of the longest instances of state collapse. In recent years, Somalia has consistently ranked bottom of Transparency International's annual corruption index<sup>3</sup>. Somalia also performs extremely poorly on the World Bank's Worldwide Governance Indicators. In particular, Somalia was ranked in the lowest quartile in terms of political stability, government effectiveness, rule of law and control of

<sup>3</sup> In 2012 Somalia was ranked **174 out of 174 countries**, in 2011 it ranked 182 out of 182 countries, in 2010 it ranked 178 out of 178 countries and in 2009 it ranked 180 out of 180 countries

corruption (four of the six indicators) for the last five years<sup>4</sup>. The self-declared and relatively stable Somaliland government in the northeast has functioning Public Financial Management systems (PFM) but still faces serious weaknesses.

Corruption in Somalia manifests itself through the misappropriation of state funds, as well as 'petty corruption', such as the use of informal payments for the provision of basic services<sup>5</sup>. The election of the new Somali Government in 2012 presents an opportunity for the country to reverse its underlying state failure and tackle corruption.

5. DFID's Somalia's budget is **£243.9 million** for the financial years 2012/13 to 2014/15. The programme is managed from the British Office for Somalia in Nairobi, Kenya. DFID uses a **variety of channels** and partners to implement programmes. The funding channels chosen are based on thorough analysis of capability for achieving the best results. Due to the fiduciary risk involved, the UK does not currently channel any money through the Government of Somalia. Instead, funding is provided in the following ways:

- A large proportion of funding is channelled through international organisations such as the United Nations (68%). The UN in turn provides a proportion of the funding to international and local non-governmental organisations (NGOs) to implement DFID programmes eg delivering humanitarian relief.
- DFID also funds international NGOs (18% of funding) in areas such as health and humanitarian response.
- Commercial service providers (14% of DFID funding) act as fund managers for programmes helping to strengthen local governance and security. 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 government or 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 Somalia, DFID will continue to ensure integrity and value for money through the above, and in areas such as:

- Additional systematic assessment of relative risks across programmes, to focus staff resources where risk management is needed most.
- Helping Somali citizens to understand what they should get from DFID-supported programmes and providing ways for them to report back on what they receive eg in the delivery of humanitarian assistance.

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<sup>4</sup> World Governance Indicators for Somalia available at [http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp) - last accessed January 8, 2013

<sup>5</sup> U4 Report – Expert answers on corruption in Somalia.

- Robust monitoring and evaluation, adopting innovative approaches to monitor programmes in remote and insecure parts of Somalia including through the use of third party and beneficiary monitoring, mobile and satellite technology.

## Supporting efforts to reduce corruption in Somalia

7. Over the next two years, DFID will support the Somali government in tackling corruption and 'following the money' through to the intended beneficiaries. DFID will do this through:

- Supporting Somali leadership in this area through the international conference on Somalia scheduled to take place in London in May 2013. The conference will be an opportunity to help the Somali Government: consider policies and robust systems for government revenue collection; develop a strategy for public financial management and support its plans to establish control over revenue and expenditure management.
- Strengthening public financial management systems. The provision of technical assistance at the federal level to operate in an accountable and transparent manner by: preparing timely and accurate budgets; increasing domestic revenues; and increasing the trust and confidence that Somali citizens and the international community have in the system. Additionally, technical assistance to Somaliland will enable them to undertake capacity, institutional and organizational assessments and develop a strategy for reform.
- Ensuring that local level services are delivered impartially and equitably to all Somali citizens by clarifying and improving the legal framework for the provision of such services by local government, improving the capacity of local government, and expanding the delivery of sustainable services to citizens. Supporting better access to information and transparency for all Somali citizens, e.g. helping local governments to consult communities about their budgets and to publish their performance targets and information on services.
- Identifying opportunities for citizens to be able to hold Government accountable for corruption, and increasing the willingness and capacity of Government to be able to respond.
- Supporting the international community's work to co-ordinate approaches to corruption. This will include exploring options for responding to cases of grand corruption, financing analysis and evidence on corruption in Somalia and its impact, and considering support to joint donor initiatives.
- The backing of global and regional initiatives on corruption, including scoping work to recover money being laundered through the UK, and actions to address bribery.

### More information

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

Media enquiries: [pressoffice@dfid.gov.uk](mailto:pressoffice@dfid.gov.uk)

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