# Aid effectiveness and corruption in developing countries

2005/2141(INI) - 06/04/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Margrietus **van den BERG** (PES, NL) on aid effectiveness and corruption in developing countries. (Please see the report of 20/02/2006.) It pointed to World Bank estimates that more than USD 1 000 000 million is paid in bribes every year throughout the world and the African Union estimates that corruption costs African economies more than 25% of Africa's GDP annually. Parliament called on the Commission to focus more specifically, in designing its development programmes, on issues of accountability and transparency, saying weak accountability mechanisms tend to facilitate corruption.

Parliament underlined the following:

- the need to support national parliaments in developing countries in their work as budget authorities by means of dialogue, information-sharing and capacity-building;

- the important role that a free and independent media can play in the fight against corruption. There should be greater EU support for projects assisting or strengthening such media in partner countries;

- the need to contribute to strengthening the legal system in those countries;

- the important role played by women also in the fight against corruption and the need for better education of women and girls;

- the importance of investment in the developing countries;

- the importance of the establishment of watchdogs by civil society in developing countries, requiring a system of checks and balances of their government; the Commission should reserve an appropriate percentage of budget aid for civil society watchdogs;

- the need for capacity-building in central and local institutions to combat corruption, especially in the light of the increase in aid given in the form of budget aid;

- the granting of budget aid must always be carefully preceded by fiduciary risk assessments on a case-by-case basis;

- budget aid should always be earmarked for a specific sector;

- there are major corruption risks involved in public procurement procedures and, consequently, transparent procurement rules and procedures should be promoted as a key priority.

Parliament called for more transparency in programmes for budget aid granted by the EU, including publication of the relevant information about the aid spent in the recipient country, and by involving parliaments and informing civil players in this process. The EU, as co-chair of the Public Expenditure and Financial Accountability Programme (PEFA), which provides a harmonized framework for assessing fiduciary risk in recipient countries, should include specific indicators to measure the level of corruption.

Parliament made several other recommendations, inter alia:

- Member States should promote a legally binding international instrument on the tracing and the marking of SALW and ammunition as soon as possible, and support regional initiatives to combat the illicit trade in SALW and their ammunition in the developing countries;

- there should be further enforcement of to the "Extractive Industries Transparency Initiative" in order to ensure the disclosure of information about payments between governments of developing countries and multinationals;

- Member States with financial centres must take all necessary legal and administrative action to ensure that illicitly acquired funds can be repatriated to the State of origin;

- the Commission and the Member States should establish an international system of blacklisting to prevent banks from lending large sums of money to corrupt regimes or individuals representing a government;

Finally, Parliament called upon the Commission and the Member States to ban public purchasing or procurement contracts with companies whose employees have been involved in corrupt activities with government ministers or officials or in any other way within a developing country, if those employees are not subject to disciplinary proceedings. Member States must refer such cases to the appropriate prosecution authorities.