

Satya Development International LLC (SDI)

Award Winner of the “Anti-corruption Collective Action Competition for Practitioners”

Type of Organization: Small Business (Limited Liability Company)

Country and Region: USA, Africa, South Pacific, Asia

Project Name: Capitalizing on a Proven Model for Combating Corruption in Africa from an Unlikely Source: Enhancing Business Participation in a Multi-Stakeholder Congo Basin Initiative to Broaden and Sustain Impacts

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I. Description of Initiative

A model for anti-corruption collective action *already exists* in one of Africa’s highest potential/high risk countries: the Democratic Republic of Congo. This initiative builds upon the model developed by Innovative Resources Management, an NGO founded by SDI staff that is no longer combating corruption. The initiative brings together stakeholders from business, civil society, NGOs, government and think tanks. Its focus is to strategically capitalize on the successful five year (2003-2007), USAID-funded anti-corruption project *Strengthening the Capacity of Civil Society and Business to Promote Sustainable Economic Growth Along the Congo River and Its Tributaries* (known in DRC as “*Relance Economique*”) stifling business development and consumer demand. The initiative is premised on a hypothesis: *Business and Congolese civil society interests are complementary, so that expanded cooperative action combating corruption will create positive development outcomes.*

Conversely, the initiative assumes that unilateral ‘action’ by business combating corruption could perversely engender corruption *leakage*, as public administrators will seek “lost” rents elsewhere where oversight is weaker, and political will is more diffuse. If true, this could tarnish businesses’ public relations *if* other impacted stakeholders documented any apparent causality.

The initiative will re-validate the strategy of assessing the economic costs of “*tracasseries*” (bribes and impunity) as the *entry point* for implementing collective action combating corruption in the DRC. We will identify what to adapt from the original model to enable a broader business base to work synergistically with other anti-corruption stakeholders, while determining the model’s replicability in the DRC, other Congo Basin countries, and elsewhere in Africa.

The initiative will add value by:

- ✓ Assessing through multi-stakeholder fora why “*Relance Economique*” was not replicated across the DRC given its documented success:
 - Was it because the full gamut of private sector actors, including telecommunication, mining and logging companies, was not engaged?
 - Was it because of normal donor programming cycles?
 - Was it because grand corruption was not its primary focus?
 - Was the link between administrative and grand corruption unconvincing?
 - Had preoccupation with elections taken over the governance agenda?
 - Was there a lack of consensus on results and lessons learned?
 - Was it because of scale, scope or cost?

- ✓ Determining how to optimally capitalize on the model by determining the following:
 - Will the GDRC support a new initiative at Presidential, Vice Presidential and key ministerial levels as it previously did from 2003-2007?
 - What is the optimal configuration *now* for collective action, given the overwhelming success that *multi-stakeholder, grassroots driven anti-corruption committees* (CLATs) had in oversight and advocacy for increased accountability from 2003-2007?
 - How can “corruption leakage” be addressed in any new initiative?
 - How can private sector, thought leaders, parliamentarians, donors and NGOs best coordinate to leverage resources and achieve a *tipping point* in successfully combating corruption in the Congo Basin?
 - Is this a viable model for Africa, and with what modifications, particularly involving business?
 - Determining if synergies are possible with one local inter-governmental agency – CICOS – that has reportedly used the model in combating bribery constraining riverine commerce.

II. Contribution, done by the initiative, to reduce corruption in its operating environment

Relance Economique, contributed to reducing corruption at multiple levels by developing innovative methods, multi-stakeholder partnerships, and facilitating strong local and national political engagement. A summary of contributions includes the following:

- ✓ It implemented objective research on the *types* of corruption, and the *economic costs* of each type of corruption including: the frequency of corruption events; orders of magnitude of corrupt practices impacting specific stakeholder groups; and transaction costs in monetary and temporal terms in Bandundu, Equateur, Orientale, Maniema, and Kinshasa provinces.
- ✓ It facilitated *legalization* of 82 *multi-stakeholder anti-corruption committees* (known by the acronym “CLATs”) operating in five provinces under provincial authorizations, while preparing another 100 plus “proto-CLATs” with basic information on how they too could take the lead locally in fighting corruption through their legalization.
- ✓ It facilitated reductions in illegal operation of unauthorized government services in ports from sixteen to four services, leading to increased economic activity.
- ✓ It established a model for donors and government for how administrative corruption can be successfully combated in the DRC using a grassroots driven, multi-stakeholder approach that involved the private sector (Congolese companies, transporters, and producer groups), professional trade associations, NGOs, church groups, communities, individuals (including key local thought leaders *and* individual public administrators wishing to transform stagnating rural and urban economies due to the stranglehold of bribery and other forms of corruption on business and development).
- ✓ It provided a realistic anchor in five provinces for approaching *emerging decentralization programming* from the perspective establishing a credible local platform for oversight of: development planning; local budgetary process and compliance; interface between elected parliamentarians and public administration at provincial and national levels.

Data from 2003-2007 shows that *fair market conditions can emerge in the DRC in transportation corridors where multi-stakeholder coalitions advocate for transparency and accountability of government services*. Where coalitions do not exist, barriers to market entry prevail, sustaining transaction costs and over 20% price markups required on goods and materials transported from rural areas to urban DRC markets. This is due to the multitude of *tracasseries* levied with impunity by unpaid government agents. Once Congolese stakeholders identified that supporting (CLATs) was key, multi-stakeholder consensus emerged that combating corruption at national, provincial and territorial levels, required a multi-stakeholder initiative that was particularly driven by grassroots groups.

Focus on CLATs and the economic aspects of corruption, an area all stakeholders in the DRC experience, produced stakeholder consensus on methods and objectives in combating corruption. It also provided a focus for what historically has been perceived as an intractable problem. Because CLATs *also* succeeded in addressing various types of corruption ranging from military rape and human rights abuses of citizens to administrative agency abuses in illicit rent seeking in transport entities, and began tackling public administration malfeasance in decentralized governance systems, the model provided a basis for supporting decentralization programming trends. And where the Congolese public otherwise had passively accepted the culture of corruption as one that could not change, a precedent was established for successfully fighting corruption.

III. Setup of the initiative

Implemented mechanisms to ensure success of project

For the years 2003-2007 a number of mechanisms ensured success:

- ✓ Analytical and decision-making capacity building mechanisms were key for multi-stakeholder coalition actions in five provinces involving: business, professional trade associations, civil society, NGOs, local government, national government (public administration and elected leaders).
- ✓ Appropriate technology communication infrastructure installation – high frequency radio (*phonies*) located publicly in key communities to anchor transparency and oversight –enabled communication *between* anti-corruption committees (CLATs) and between CLATs and project support staff to provide punctual inputs as needed.
- ✓ A navigable training facility enhanced access to remote areas.
- ✓ Adaptive management of anti-corruption programming helped CLATs: assess, act, and adapt to evolving circumstances to preclude corruption from occurring, or to appropriately react to *tracasseries*.

Costs of initiative

- ✓ Using information from the five years of work in *Strengthening the Capacity of Civil Society and Business to Promote Sustainable Economic Growth Along the Congo River and Its Tributaries* (“*Relance Economique*”) in five provinces, the initiative’s costs totaled approximately US\$3.4 Million. The activity delivered targeted technical assistance, was predominantly Congolese staffed, with CLATs providing pro bono services in both rural and urban areas.
- ✓ For any next phase *multi-stakeholder planning activity* in 2009-2010, capitalizing on then original initiative, \$500,000 would be needed to identify objectives, strategies and stakeholder roles in anti-corruption model capitalization.

Use of auditing and enforcement initiatives

- ✓ On the ground NGO self-monitoring and reporting by CLATs via *phonie* and written reports to IRM were adequate in most instances, yet clearly could be improved upon in a next generation activity.
- ✓ USAID evaluations were conducted after year 1, with annual site visits that did not constitute mid-term or final evaluations.
- ✓ The effectiveness of CLAT oversight and reporting of *tracasseries* in much of Bandundu, Equateur and Orientale provinces was such that significant local print media coverage, radio coverage as well as television accrued. This arguably created much momentum for the project enjoying annual funding supplements in the absence of a mid term or final evaluation.
- ✓ Expanding contact between CLATs and parliamentarians to improve oversight and administration action on the ground as needed by specific agencies and line ministries led to verifiable

improvements in local participation of elected parliamentarians, and initial oversight improvements of local public administration practices.

- ✓ Creating standardized monitoring and reporting mechanisms for all stakeholder groups, including business, to enable information sharing on the types of corruption activities noted by each group to enable identification of appropriate collective steps to manage the activity.

For years 2009-2010, the following mechanisms, auditing, and enforcement initiatives will be required to test the hypothesis developed in Section 1 above:

- ✓ Creation of fora to reach consensus on the need (and content) for a multi-stakeholder approach *broadening business involvement* in a next phase.
- ✓ Creation of complementary, consistent advocacy messages across stakeholder groups.
- ✓ Creation of monitoring/reporting instruments for corruption indicators designed to all stakeholders' needs, considering both standardization requirements and stakeholder specificities.
- ✓ Networking with donors to identify subsequent funding opportunities.

IV. Achieved results / impact for businesses and society

Achieved results / impact for businesses and society:

The *projected* results for this initiative are based on results and impacts already achieved and documented below:

- ✓ Chatham House (http://www.chathamhouse.org.uk/files/9273_110407brownp.pdf and http://www.chathamhouse.org.uk/files/9270_110407brown.pdf)
- ✓ Stetson Law Review, (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=627684)
- ✓ The Naval Postgraduate School in Monterey, California (see http://www.csrns.org/logistica/public/docs/corruption_report.pdf, page 18)
- ✓ USAID Phase 1 Evaluation (http://pdf.usaid.gov/pdf_docs/PDACD740.pdf)
- ✓ Changemakers.net at Ashoka Foundation (see <http://www.changemakers.net/en-us/node/745>)
- ✓ FRAME ([http://www.frameweb.org/adl/en-US/224/file/70/fighting_Petty_Corruption_in_the_DRC_\(1-12\).ppt](http://www.frameweb.org/adl/en-US/224/file/70/fighting_Petty_Corruption_in_the_DRC_(1-12).ppt))
- ✓ Stetson Law Review, <http://justice.law.stetson.edu/lawrev/abstracts/PDF/33-3Cahn.pdf>, pp 16-17
- ✓ <http://www.u4.no/pdf/?file=/themes/ces/postconflict/odonnell.pdf>, pp. 27-28.

The primary beneficiaries and target groups in the original project included Congolese stakeholders living at provincial and territorial levels in five provinces. This involved inclusion of the following stakeholders: civil society, women, churches, commodity producers, private sector transporters, commodity traders, NGOs, church/Islamic confessions, public administrators including the provincial police, the national information agency (ANR), the national migration agency (DGM), judiciary system representatives, and the Congolese military (FARDC).

An effort to diversify the stakeholder base was made because by consensus, it was concluded that efforts to reach out to *all* stakeholder groups involved must occur if sustainable solutions were to be identified.

A summary of results of this anti corruption activity includes the following:

- ✓ Systematic data collection of “*tracasseries*” in principal Congo River ports of DRC to monitor compliance and leakage.
- ✓ Reduction of sixteen government services operating illegally in ports to four, as allowed by DRC laws and agency regulations.
- ✓ Installation and use of high frequency radio network network (“*phonies*”) linking CLATs to government, NGOs and private sector for real time reporting and monitoring.

- ✓ Legalization of 82 anti-corruption committees (CLATs) in five provinces of the DRC by 2007, and another ten “proto-CLATs” anticipating legalization.

Summary impacts include the following:

- ✓ Quantifiable reductions in corruption activities in most of the catchment areas in five provinces where the USAID funded project implemented by Innovative Resources Management operated, led to increased production of commodities for transport, increases in actual transport of commodities in areas where CLATs operated, reductions in *tracasseries*/bribes paid to state agents operating with impunity in secondary ports, reduced prices of products delivered in the port of Kinshasa and other urban markets, associated reduced corruption impacts on producers and private sector transporters.
- ✓ Functional multi-stakeholder CLATs that demonstrated ability to increasingly hold elected leadership and public administration accountable for their actions (and inaction).
- ✓ Quantifiable and qualitative increased demand for replication of services to catalyze CLAT formation in areas where programming was not occurring (primarily adjacent areas).
- ✓ Creation of CLAT platforms in five provinces that could anchor oversight/compliance in district/provincial development planning and budgetary processes as part of evolving decentralization programming.
- ✓ Increased stakeholder confidence to tackle the gamut of corruption activities including purported human rights violations in remote areas by civil servants or the military acting with impunity.

A capitalization initiative will produce the following results and impacts:

- ✓ Fuller integration of major business stakeholders in activities
- ✓ Greater advocacy leverage for awareness and fund raising
- ✓ Creation of a business friendly enabling environment if implemented

A generation-2 model for Africa wide replication.

V. Replicability to other sectors/companies

With five years of results, the *Relance Economique* anti-corruption project model *could* be replicated across the Democratic Republic of Congo (DRC). It also can serve as a demonstration for neighboring countries where corruption constrains development.

Barring full replication, an alternative presented here is to capitalize upon and *adapt* the model as a basis for *broader inclusion of the range of business stakeholders*.

Success depends on whether donor and government will to address corruption is present. Experience shows that where broad based stakeholder coalitions demand accountability, concrete actions of elected officials and administrators can ensue.

From 2003-2007 there was clear demonstration that the strategy of leveraging economic growth/development indicators as the means to address culturally embedded, politically and administratively complex corruption practices, works. Once stakeholder groups understood the magnitude of the costs they bear by not publicly demanding accountability of leaders, transparency of public domain information, and oversight over public administration from elected leadership, Congolese stakeholders **did** prove themselves able to act in combating *tracasseries*.

There is no reason given this model’s experience that similar results could not be replicated across the DRC and Congo Basin. Political will from a major donor, along with donor investment in targeted technical assistance and facilitation, is required.

In a scenario with a \$3.3M budget operating in five provinces as in 2003-07, one could estimate that an effective nationwide program whose objective was to create an enabling environment for business nationwide, could operate for under \$10M. What is crucial however to remember here is that this program would have direct impact on results of *every single future sectoral activity* that business would engage in.

This would produce impacts as follows: (a) sustained advocacy for reforms throughout the public sector (b) establish a hands-on anchor in decentralized entities for immediate feed in to decentralized governance programming activities (c) effectively reduce illicit rent seeking on the ground.

The original program components could be improved as follows:

- ✓ Comprehensive provision of communication infrastructure at key “central places” linking urban centers and rural hinterlands.
- ✓ Provision of additional Congolese technical assistance to guarantee sustained timely support to remote rural CLATs in oversight of *tracasseries*, compliance reporting to GDRC services and external partners for government services practices, mining and logging companies activities (e.g. for social responsibility – *cahiers de charge* programming), the military etc.
- ✓ Provision of logistical (travel, per diem...) resources to support increased the TA noted above.
- ✓ Replication of use of a 200-ton barge as mobile training/monitoring facility.

Our assumption here, however, is that a more modest capitalization effort should be envisioned where replication focuses more on *upgrading the model, versus wholesale replication*.

The principal upgrading objective, given success in the first generation model of the original *Relance Economique* project, is determining *how* to create a conducive environment for business to become a full partner to gain added leverage and synergy. The absence of key business players in phase one from strategic industries was, arguably, a weak link. Key industries to involve include: telecommunications, mining, logging, and construction.

VI. What is new and innovative about this initiative

The initiative is innovative in eight ways:

1. It is *multi-stakeholder demand driven*.
2. It creates *common ground* between business and other stakeholders heretofore seen as adversaries.
3. It is *objective*; data and participatory stakeholder analysis of data on corruption events in commercial circuits directs programming.
4. It is *holistic*, identifying *why* business can engage in practical combat of corruption with other stakeholders, and facilitating *how* a multi-stakeholder initiative for improved accountability, transparency and reform is in *business's self-interest*.
5. It creates a basis for *marrying business self-interest with corporate social responsibility*, particularly for telecommunications companies, mining companies, and logging companies together with other DRC stakeholders from the private sector, civil society, churches, NGOs and representatives of public administration. This has rarely, if ever, been attained in the DRC.
6. It builds on a *proven model* for the hands-on fight of administrative corruption from five years of USAID/DRC-funded activities implemented through a U.S. NGO, Innovative Resources Management, which is no longer active in the DRC.
7. It creates a *logical basis* for linking multi-stakeholder coalition work addressing administrative corruption with “grand corruption” itself.
8. Its use of a 200-ton barge as a floating educational and advocacy facility, along with use of high frequency radios to link provincial multi-stakeholder coalitions, proved *technologically appropriate*.

The “*Relance Economique*” model enabled stakeholders to progressively, and innovatively, address issues of major national concern that are linked to grand corruption, including: (1) the link between non-payment of provincial administration salaries and incidence of corruption activities (2) how lack of

oversight by national administrators and politicians over the military and local administration relates to budgetary processes.

While a full cost-benefit analysis was not undertaken considering benefits to CLAT “catchment area” stakeholders by reducing transaction costs, this initiative produced *quantitative results* in five provinces addressing corruption impacts on: traders, transporters, urban consumers, agricultural producers that further reinforced participation and momentum in combating corruption through multi-stakeholder platforms. *The basis for why this should be improved and replicated nationwide will be demonstrated in this initiative.*

This initiative will demonstrate how objective, participatory analysis of the economic costs of different types of corruption relating to illegal rent seeking (*tracasseries*) on rivers, roads and ports can be inventoried, quantifying, and assessed for impact on business and other stakeholders to use as a basis for mobilizing coalitions to combat corruption nationwide.

With objective information, “*Relance Economique*” facilitated multi-stakeholder processes enabling self-constituted groups to develop strategies/actions combating corruption. *This will be expanded in this initiative.*

We will identify: (a) information support to increase transparency (b) analysis of options for potential collective action involving business and other stakeholders (c) specific trainings in:

1. advocacy
 2. collective monitoring and reporting of corruption indicators
 3. institutional and technical strengthening of anti-corruption committees (CLATs)
 4. creating inter-stakeholder synergies for enhanced communication efficiencies
 5. relationship building between elected parliamentarians, their constituencies, and business stakeholder groups
 6. awareness raising of parliamentarians of their oversight role over public administration
- awareness raising of stakeholder rights and obligations under the law.

VII. Why should other practitioners learn about your initiative?

Other practitioners should learn about the initiative because it is based on success indicators generated over a recent five year period in a country ranked 173rd of 179 countries in 2009 on the Heritage/Wall Street Journal Index of Economic Freedom, or 171st of 180 countries on Transparency International's 2008 Corruption Perception Index. That this was not a one or two year pilot activity, but an activity that received three rounds of repeat USAID funding from 2003-2007, is one indicator of success, and can provides rationale for *improving the model* by more fully integrating business as a stakeholder.

Along with a large body of qualitative and quantitative data generated over the period, newspaper articles, radio programs, and television programs were produced. The model was also presented at Chatham House in London in 2007 by SDI President Michael Brown (see http://www.chathamhouse.org.uk/files/9273_110407brownp.pdf and http://www.chathamhouse.org.uk/files/9270_110407brown.pdf), along with the Naval Post Graduate School in Monterrey California (see see http://www.csrns-nps.org/logistica/public/docs/corruption_report.pdf, page 18).

Because of its proven success, there has arguably been an opportunity cost in not replicating the model widely in the DRC and elsewhere in other Congo Basin countries experiencing similar situations. The components and methods for successfully combating corruption have been known and potentially replicable. With presidential elections in the DRC behind us, and with governance concerns in DRC remaining no less acute, now is an excellent time to revisit how demand-driven corruption programming in the DRC can create a broader enabling environment for business, while improving citizens' daily lives.

2. Practitioners should be made aware of core lessons learned after five years of programming to help shape future anti-corruption activities in the Congo Basin. The lessons learned under *Relance Economique* in the DRC from 2002-2007 include:

Using the economic costs of corruption as an entry point for bringing stakeholders together for collective reflection on root causes, and possible solutions, to fighting corruption in its manifold expressions proved strategic and successful.

Typologies of corrupt practices are a useful starting point for disaggregating corruption into operational units useful for measurement, monitoring, and catalyzing decision-making and action.

Multi-stakeholder coalitions to combat corruption in countries like the DRC is pivotal, as the problems embedded in corruption impact society and stakeholders across the board.

Broad based analysis and engagement in action planning is needed from multi-stakeholder alliances, as opposed to civil society only.

Involving local government representatives willing to participate, along with line ministries and key agencies whose staff are perpetrators of corruption, is crucial for gaining legitimacy and more importantly, identifying feasible actions to reduce corruption and sustain impacts.

Involving national leaders is fundamental.

Involving elected parliamentarians to support multi-stakeholder coalition advocacy is crucial to produce results and enhance the *raison d'être* of the multi-stakeholder coalitions.

3. International, private sector anti-corruption coalitions whose members wish to work in developing countries can learn why supporting grassroots coalitions is key to creating an enabling environment within which they can conduct business successfully to enhance their own bottom line.