

Corruption and Development Cooperation: Some Illustrative Comments on the Disease and the Remedies based on Experiences from Nepal

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Abstract

The paper looks into the association of development cooperation with the problem of corruption and recommends measures for rectifying the situation. Three types of corruption are identified: grand corruption, corruption of domestic origin in the recipient countries, and corruption that is internal to donor policies and practices. It is the domestic corruption that is most difficult to tackle because of its character and linkages with the various societal processes including the political process. Governance reform is a good vehicle to approach this area, but the success will depend partly on the ability of the donors to clean up internal corruption and, more importantly, upon the will and the commitment of the political leadership in recipient countries.

There are recent developments in the international domain that must be capitalised as we consider measures for reform in the specific context of a country like Nepal. The paper suggests measures that are categorised as preventive/systemic and curative/punitive. Under each category, we can develop and design measures that will help remedy the situation in four principal areas. They are the institutional side, the ethical parametres in the administration of individual projects, the skill/knowledge gap and the problems in the donor establishments.

The scale of bribe-paying by international corporations in the developing countries is massive. Actions by the majority of governments of the leading industrial countries to curb international corruption are modest. The results include growing poverty in poor countries, persistent undermining of the institutions of democracy, and mounting distortions in international commerce.

Peter Eigen, Chairman, Transparency International

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A. Introduction

If development cooperation is indeed to make a dent on the entrenched problems of poverty, deprivation, debt and degradation in the developing countries, it is important that it addresses the issue of corruption, with greater intensity and commitment, than it does the substantive sectors of development. In Nepal's case, as in the case of many similarly placed developing countries, the performance in the latter area cannot improve without doing something about the corrosive effects of corruption. Fortunately, there is a great deal of consensus on this matter within the country and among its development partners.

The public debate on the subject is growing by the day. The donor community has entered the debate unequivocally and has now incorporated the issue in its policy and working agenda. The need is to find ideas, programmes and tools that lend substance to the debate and produce results that the ordinary people (the tax-

payers in the donor countries and the potential beneficiaries in the recipient), the real support base of anti-corruption movement, find meaningful.

There are recent developments in the international domain that we must capitalise as we consider measures for reform in the specific context of a country like Nepal. Then there are additional steps and measures that must be taken up to remedy the problems that have a more domestic origin. Here too the development partners have to look for a role that can facilitate the process. In doing so, they need to be extremely sensitive about the legitimate domain for such efforts -- domain defined not legalistically as what is and is not an appropriate area for donors' intervention, but more functionally in terms of the long term effectiveness of the measures they may initiate. This is the main area that I submit certain for discussion in this Session. Before I do that, let me begin by putting the problem in the context.

B. Association of aid with corruption in Nepal

Foreign aid has been associated with Nepal from the time the country started to consciously pursue development as an objective of the state. Like in other countries, the inflow of foreign aid embodied objectives that varied from strategic (political and commercial) to humanitarian. Nonetheless, one could easily see that, in Nepal's case, humanitarian concerns outweighed the strategic motives of the donors. This was reflected in the number and variety of the donors and the character of development programmes they supported -- with very little defence or security related implications, if any, even in the cold war era. There was not much to be gained in the short and medium term from commercial opportunities either. In the innocence of early years, no one dared exploit foreign aid to enrich individuals personally in the recipient county. The only criticism it drew had to do with the way it seemed to favour a section of bureaucrats, engaged in foreign aid financed projects, with higher salary and perks.

In the early decades, Nepal was able to use available foreign resources, financial as well as technical, in building some social infrastructure as well as institutional capacity for designing and implementing development policies and programmes. A semblance of development administration, including necessary institutional settings, was created more or less from scratch. A large number of Nepali youth received education and training in various disciplines related to development. They interacted with expatriate advisors and their peers overseas that exposed them to a "modern" developmental outlook. They kept abreast with the latest developments in development thinking and practices relevant to related disciplines.

In the aggregate and from the standpoint of the actually available institutional capacity for sustained development efforts, however, there is unfortunately little to show now as a measure of satisfaction or a source of inspiration. There are various reasons for this that we need not go into -- they are available in numerous books and reports written on the subject. The important thing to remember is that the government of Nepal, under various regimes since the 1950s, has more or less failed in its development campaign so far. Furthermore, rightly or wrongly development cooperation is usually associated with this failure.

In addition, with growing corruption surrounding the management of development (and governance in general), foreign aid, in perception as well as reality, is associated with the growth of this scourge as well. The increasing incidence and exposure of corruption in the developed world also lend credence to the argument that the poor or developing countries do not have a monopoly in corruption. This reasoning adds fuel to the allegation that corruption in the recipient countries could not have flourished as much as they have without the aid and abatement of collaborators at the donor side. There are studies by serious scholars especially on Sub Saharan Africa that point out specific linkages between aid and corruption

Luckily, now, the possibility of reversing the relationship and using development cooperation as an instrument for combating corruption is also growing. Measures are afoot at the national as well as international level. The states as well as the national and international civil societies are exercised by the importance of this crucial mission. A large number of recommendations are available from regional and international conferences and country-specific studies conducted by the donors, national experts and civic groups. Some successes have also been achieved especially at the international level in at least remedying to a degree the formal system. More needs to be done clearly. For actual impact in the field, what is done together by the donors and the recipient, will be greater importance.

The success at the national level, at least in the case of a country like Nepal, may depend upon our ability to draw lessons together from the past mistakes in this sphere. *If certain policies, practices and style of cooperation did not help in achieving development objectives, they may be just as ineffective, or even counterproductive, in the struggle against corruption, too.*

In this presentation, I basically try to outline the policies and approaches to development cooperation that might be better suited in the new context. Let me also hasten to add that sometimes, it is important to know *what not to do* together with knowing what to do. I will return to this point shortly. It is first necessary to understand the nature and incidence of corruption associated with foreign aid.

C. Character of corruption

As the better information about corruption in the world becomes available with the growth of anti-corruption sentiments and campaigns, we know now that corruption exists in varying degrees in the developed or the donor countries as well. There is significant domestic corruption in some of these countries which will naturally spill over to their international transactions as well. I must congratulate Finland for being nearly the least corrupt country in the world, surpassed in this respect by only one country, Denmark. But important donors like Italy and France rank 38 and 22 places below Denmark (or 37 and 21 below Finland) in corruptibility, according to Transparency International's Corruption Perception Index (CPI). Even the United States is ranked 18, below such countries as Hong Kong and Singapore in corruptibility.

The contribution of donor countries to corruption in the developing world is better reflected by Bribe Payers' Index (BPI) that captures the likelihood of bribe paid by the business houses of the exporting countries to the officials of the major importing countries. In a list of 19 countries, Italy and France again ranked 16th and 13th as bribe-payers with Japan occupying the 14th place. Interestingly, the United States that has had in its books Foreign Corrupt Practices Act since 1977, disallowing any of its companies from bribing public officials abroad, still ranked 9 together with Germany, and below such countries as the United Kingdom, Canada, Australia and some others. The character and complexity of internationally driven corruption is demonstrated most vividly perhaps by the case of Singapore. It is a country with little corruption domestically, but it ranks 11, below the United States and Germany when it comes to its propensity to bribe officials in other countries for selling its wares.

Let us now briefly take a look at how such corruption works. There are three types of corruption associated with the management and administration of development cooperation. The first is well known and has to do with the supply of "grand corruption", as reflected by the BPI. This is a high stake corruption with high level involvement of corrupt actors all around. Such corruption is often promoted and sustained by the intermediaries called "commission agents" in Nepal. But it is also alleged that the consummation of a corrupt deal is facilitated at times by collaboration between high level officials on both the recipient and the donor side. The embezzlement of aid funds meant for the poor but siphoned off to foreign banks may also be put in this category. This is the type of corruption that is now being addressed at the international level, inspired, one must say, by the pioneering initiative of the Transparency International.

The second category of corruption is of largely domestic origin and endemic across various section of the recipient society. It has to do with the morals and the morale of the bureaucracy, on the one hand, and the extensive networks of patronage embedded in the political regime structure of the countries concerned, on the other. More recently, such relationships and misbehaviour have inflicted the civil society institutions and actors as well. Development cooperation comes into the picture in this case for two reasons. First, the resources needed for sustaining the malpractice in politics, bureaucracy and the civil society come, to a large extent, from foreign aid. When aid flows continue despite misuse and outright embezzlement, the concerned donors get implicated automatically. Second, the officials and advisors accountable to the donors may contribute directly to the pernicious process by acquiescing to it or by even promoting it under the illusion that by playing the game as required "locally" they can achieve the "higher goal" of fulfilling their terms of reference. Such "careerist" and possibly misguided thinking perennially feeds corruption in politics, bureaucracy and the society at large. The tragedy is that an expatriate or local Chief Technical Advisor in charge of a foreign-aided project who tolerates or indirectly promotes unethical behaviour for the sake of "efficiency", if not personal security, also promotes corrupt officials and civil society agents as the *best performers*.

The third category of corruption has to do with internal corruption in aid agencies. We now know that the donors' headquarters or their project offices are not always free of malfeasance. There are cases that have started to come to light, thanks to some house cleaning initiatives taken by new leadership in certain cases. Similarly, cronyism for the promotion of personal or sectarian interest may be no less rampant and economically corrosive, in terms of their effects, in some international agencies than the patronage network in Nepal. The unacceptable condition especially in many of the United Nations agencies, affected as they are by politics as well as self-seeking behaviour of the high level functionaries are well documented.

A matter of greater concern to me, however, is about what may go on in the field offices and projects directly under the supervision of donor representatives, expatriate and local. Working in a local milieu but accountable to no one locally can be a good breeding ground for corruption especially in such fertile areas as procurement, personnel management and so on. Lack of local accountability also means a lack of transparency. Not much of what happens internally is a matter of public knowledge in many countries. If the individual donors have done any investigation of their own, they have kept the results to themselves.

Under the circumstances, we need to make sure that the strategy we adopt for cooperation in anti-corruption campaign is guided single-mindedly by the objective of the cooperation. In particular, we have to make sure that actions and inaction that we may embrace in the context of development cooperation does not jeopardise the credibility of anti-corruption discourse and the legitimacy of the measures that might be suggested for remedy. Lack of aid transparency is certainly a threat to the success of anti-corruption initiative in Nepal. If one or two donors can demonstrate good examples and good outcomes in this respect, it can have a welcome snowball effect all around.

Here it may be pertinent to recall a TI mission that visited Nepal at the invitation of the government of Nepal and the local TI chapter. The mission submitted a brief report to the Prime Minister on what might be done as a follow up. Not much has come of it so far. The mission chief also wrote a letter to the donor community through the Resident Representative of the United Nations Development Programme. The letter listed various issues requiring notice of the donor community. Not much has come of that letter either. In view of the importance and relevance of the points raised in that letter, I attach it to this paper as an Annex.

D. Initiatives for Reform

Of the three areas pertinent to corruption that may be addressed by the instruments of development cooperation, the first one, namely commerce-related grand corruption can now be remedied with the implementation of the OECD convention in earnest. This is an area where the donors can independently make a dent on the scourge. Though some cooperation from the recipient (importing) country will always be necessary, no amount of distortion in their policies and practices can be successful for a long period, when the supply of corruption gets choked at the source.

The third type of corruption, namely internal to the donor establishment, is also something that the donors will have to address on their own. Their success on this front is important for the success of what they might do elsewhere in cooperation with the government and civil society of the recipient country, in this case, Nepal. The corrupt elements in the society should not be given an excuse to gloss over their crime by pointing out misdemeanours in the donors' establishments.

Nor can the donors justify their tolerance of corruption by pointing out the non-existent relation with the host country culture.

The most difficult area for initiating and accomplishing reform is the second type of corruption – the corruption which is domestic in origin and pervading the whole agenda and outcome of development. It is in this area that the donors too try to make an impact by designing and implementing appropriate strategy and programmes. The emphasis on governance reform is a part of this process. The difficulty arises from the fact that corruption of this kind together with the grand corruption is linked to a significant extent to important societal processes including the political process and the way the political class conducts itself as a votary to a democratic polity.

In the Table below, I try to capture in a somewhat crude form the broad areas of reform that deserve consideration. In fact, some of them are already receiving attention. I divide the possible measures into two category, preventive/systemic and punitive/curative. The first has to do with institutional reform that will reduce opportunity and potential gains for corruption or, in some cases, even the need to indulge in corrupt practices "for systemic reason". I am obviously referring, among other things, to the possible reforms in electoral practices and political competition in general that would do away with the excuses for politicians to accept and extort funds for politics and political campaign.

Anti Corruption Measures

	Institutional	Project Based	Knowledge/Skill Oriented	Internal
Preventive / Systemic	Governance Reform Civil Society Support Social Ostracization	Host Country Rules, Regulation Conflict of interest De-emphasizing disbursement	Procurement Practices Accounting, Auditing Banking	OECD convention Aid Transparency Donor Governance
Curative / Punitive	Sanctions Blacklisting	Regular monitoring Inuastigative of frauds, etc. Prosecution / Punishment	Supporting watchdog agencies Develop investigative skills Support public interest litigation	Actions against transgressions Tame conflictive interests

In the second category, we may think of specific punitive actions against the corrupt and for the redressing of related public grievances and losses to the economy. The measures presented in each box should be regarded as illustrative at this point. They can be expanded as the donors and the host government together with the civil society interact for the formulation of development cooperation package in the specific context of a given country, in this case, Nepal.

Let me now explain some of the measures cited.

- Under the *preventive/systemic* measure on the institutional side, we would have to pursue cooperation programmes for governance reform in general. The legal framework pertaining to public corruption would have to be examined and streamlined. The culture and conduct of political parties in general and elected representatives, in particular, would have to be looked into and prodded along the democratic lines in the interest of transparency and accountability. Electoral system and practices need to be reformed so that the role of money becomes less critical in winning elections. And so on. Here the critical factor is the will and the commitment of the political leaders to pursue reform.

On the *curative/punitive* side, we have to ensure that the corrupt actually get punished through institutional measures. The companies or their representative that try to or actually bribe public officials should be penalised. They can even be blacklisted. This can hold true for individual consultants and other service-providers that cross the boundary of professional conduct. In Nepal, a tremendously frustrating fact of life is that hardly anybody gets prosecuted, or if prosecuted, punished according to the law. This needs to be changed, though I am not certain what can be done in this area as a part of development cooperation agenda.

2. Together with institutional reforms and actions that would address the macro-systemic source of corruption, reform and rectification is necessary at the project level, that is, in the way individual development projects are approved and implemented. Here to as a part of preventive measure, the donors need to make sure that they are adhering to all host country laws, rules and regulations. M. Wiehen's letter indicates that in Nepal this is not always the case. The issue is not only about corrupt or unethical behaviour with financial implications. How the donors behave vis-à-vis their counterparts in recipient governments determine whether the latter can independently represent the policy and agenda of the government without falling into a conflict of interest situation.

A particularly important initiative that the donors can take systemically is the question of disbursement targets. Too often in the past, corruption at the project level has received protection because of the pressure that officials on both sides are generally under to identify projects, to approve them and, after approval, to disburse funds according to the agreed schedule (that may or may not be realistic). There is a constant threat that their efficiency may be questioned or next series of allocations from the headquarters affected for that reason. Not that in Nepal, with its notorious record of under-implementation, this system has made much difference. Yet, this ethos does give an excuse to the miscreants to transcend ethical or even legal boundaries regularly.

At the project level again, there is first an issue of principle that the donors must resolve. The issue is one of ownership. The donors are normally sensitive that they should not be perceived as being the principal actor in a development situation. They regularly point out that it is the host country authorities who should "own" the projects and be responsible for their success or failure. But that is not always the case. In fact, sometimes unacceptable things happen such as padding the project cost and providing facilities and perks to the host country functionaries, from the centre to the local levels, so that they may identify with the concerned project as their own. In the event, what happens is that the project receives legitimacy not so much for what it might do in the name of development but for what benefits it may provide to the concerned authorities in the government.

Another project-related reform that is necessary is for the donors and the government together to tighten the monitoring system, conduct regular investigations and help initiate prosecution against the wrong-doers.

3. The third category of reform that can be pursued for preventive as well as curative causes is in the area of knowledge and skill that the state institutions and civil society actors must possess if they are to contribute to anti-corruption causes. A lot of emphasis is already being placed in this area. Governments are working with donors for revamping procurement procedures in the interest of transparency and open competition; watchdog agencies are being provided support and so on. There are additional areas that will need attention such as banking regulations, supervision and so on, so that the banks cannot become an intermediary to fraudulent transactions.
4. The last important area, as shown in the Table, is internal to donors' methods and practices. As stated, the attraction of this area lies in the possibility that it allows donors to initiate reform unilaterally. The OECD convention that disallows paying of bribes to public officials in foreign countries is already a significant achievement. Its sincere implementation by all countries concerned would amount to unprecedented contribution of a very high social value to curb the supply of corruption. Making aid transactions, the flows and the uses, fully transparent would certainly deter corrupt behaviour on the part of domestic actors.

Similarly, some donors are known to shy away from investigations that may be necessary within their "households". There are cases of corruption in some donor headquarters that are coming to light. In some cases, punitive actions have also been taken. However corruption may be more rampant "in the filed", in the country offices, in project offices and in the administration of projects under direct supervision of the donors. Any tolerance of corruption of this type becomes an excuse for corrupt behaviour elsewhere in the recipient society. The donors need to be particularly careful in this respect.

E. Concluding remarks

Development cooperation has now entered a new era. The dialogues between the donors and the recipient are becoming more open. Diplomacy is expected to take a back seat in the interest of transparency and accountability. That the donors are increasingly interested and engaged in governance programmes means that they can now comment upon regime structure and the political institutions of a sovereign country in the pursuance of needed reform and more effective use of available resources for development. These are profound developments and can produce positive results. Yet, the dilemma remains that ultimately reforms that are most important depend upon the will and the commitment of the country's leadership. Too often, the governments give their approval to reform programmes without really meaning to follow them through. The additional resources that come with such initiatives can sometimes become the principal attraction.

Whether the donors can use the struggle and outcome against corruption as a part of aid conditionality regime is an important question. Once the donors correct the unacceptable situation within their own system, they can legitimately pursue such conditionality in a manner that the civil society of the recipient country concerned may actually support. Sooner or later, we may need to look into this, at least, in the case of some countries.

For this to happen, we should also ensure that:

- The donors avoid the pursuit of conflicting objectives; say, between commercial and humanitarian ends, short term (apparent) progress and long term (real) sustainability, and so on.
- The programme or project ownership is bestowed in theory as well as in practice on the host country institutions. The donors should avoid being directly or indirectly the "implementor" of a project which unfortunately in Nepal is increasingly the case.
- Governance reform or an antic-corruption programme does not become a "project" with its own weaknesses that a traditional project concept is plagued with. The reference is to time-bound performance with physical and disbursement targets that need to be met. When the functionaries, at the donor or the recipient side, are under pressure to show immediate results as a project must, this of itself can lead to corrupt behaviour on their part.
- The support to the civil society does not automatically lead to the weakening of the state. The state institutions must be strong to implement development cooperation programmes, including those related to the anti-corruption campaign. There is also a danger that the civil society may be used to legitimise the donor-driven programmes that do not meet with some of the criteria just stated. This is more so in case of Nepal where the civil society actors, as NGOs, activists, consultants, media persons and so on are increasingly the direct beneficiaries of donor support.
- The civil society actors are encouraged to work as volunteer groups for anti-corruption advocacy, investigative journalism, and so on. In providing support for such causes, it is necessary to ensure that institutions, not individuals, derive benefit. It is only logical that this is so because it is on the capability of institutions on which the success of a development cooperation activity.

Finally, the donors that are interest in designing and implementing governance programmes need to keep one important aspect of the process in mind. Even as they pursue the governance reform initiatives, they should at the same time make sure that all activities within their jurisdiction are free of corrupt practices. We cannot have governance reform on one side, and ignore the extant pathology elsewhere, within the government and in the donors' institutions.

Helsinki

March 2, 2000

Annex

Letter of Michael Wiehen of Transparency International to Nepal's Donor Community Dated 2 April 1996

1. First of all, many thanks again for convening the donor representatives in Kathmandu on March 28, 1996, and offering Transparency International (TI) a forum to familiarize the donor community with the aims of TI worldwide, and its activities specifically here in Nepal.

2. Second, I would like to reiterate the sincere appreciation of TI for the generous support TI has received from the Headquarters of many of the donors represented at the meeting, either through core funding or through the funding of particular TI activities, such as the visit of Peter Rooke and myself to Nepal in last week of March, which was made possible by the support of the Swiss-Development Cooperation.

3. Third, I thought it would be useful to reiterate, and perhaps expand somewhat on, some of the points I made at the meeting on March 28. I would be grateful to you if you would share this letter with the donor representatives in Nepal.

4. As I reported at the meeting, TI was invited by the Prime Minister of Nepal to visit the country and assist him in analysing the scope of corruption in Nepal and in designing a strategy for fighting it. We found very encouraging cooperation for our work throughout the Administration, and indeed throughout society. We found much skepticism as to whether success was likely or even possible, but we also found a surprising willingness to admit that too many activities now are tainted by corruption, and that corruption in Nepal pervades the whole spectrum, from the political levels through the administration down to the everyday activities affecting the bulk of the population.

5. When, in the course of our discussions, we asked for the reasons for the all-pervasive scope of corruption, we heard about the totally inadequate civil service salaries, the high cost of campaigning for public office, the total ineffectiveness of the institutions charged with fighting corruption, and the brazen activities of domestic and foreign businesspeople in their efforts to gain contracts is perceived as a part of the problem, including both the official donors, national/bilateral and multilateral, and the NGOs.

6. The most important concern consistently expressed to us has been that development assistance resources are not allowed, by the donors, to be channeled through the budget. In view of the very high proportion of total development expenditures that is funded from foreign assistance, Nepal's budget, and all the control functions that are intended to go with it, is left rather impotent. Whenever I expressed the opinion that the donors had probably selected this procedure partly because of the severe project implementation difficulties practically all donors were experiencing in Nepal, the official reaction was that they were fully prepared to cooperate with the circumvention of the budget and its control procedure was playing directly into the hands of corrupt officials.

7. A second point made to us during our discussions was that the Government's effort at bringing more transparency into the procurement process by requiring bidders to disclose their agents and all commissions paid to them had been undermined by (some of?) the donors by rejecting the HMG-proposed additional disclosure requirement for all international competitive bidding cases. As I indicated to you at our meeting, the HMG proposal is similar to a clause that TI has proposed with good results in other countries, and for that reason, TI will, in the near future, take this up once again with the World Bank Headquarters in Washington. Based on the brief explanations offered by several participants at the meeting, including the World Bank Representative, I had a discussion with the Finance Minister of Nepal and asked him whether the phrase "that they designate their local agent/agents" in the Nepal Parliament's Resolution (of which I left a copy with you) meant that bidders, in order to comply with this proposal, had to appoint an agent, even if they did not have or need one. The Minister said he thought most bidders did have an agent, but he said it would be acceptable if

bidders stated unequivocally that they did not have an agent; in those cases, an agent did not have to be appointed. With this clarification, I hope that the World Bank will withdraw its objection to the Government's proposal.

8. A third point strongly objected to by senior officials is the practice of quite a few donors to top up the salaries of Civil Servants, up to the Secretary level, in consideration for their cooperation with that donor on development activities. Paying senior Civil Servants a "donor salary" for doing their official duty is not only illegal but also seen as degrading and directly contributing to corruption throughout the civil service.

9. Another common practice, namely donors employing Civil Servants as consultants to carry out tasks in other countries, is seen as less damaging but still a corrupt practice, establishing two groups of Civil Servants - those who have contact with donors that is "good enough" to get them such lucrative consultancies, and those who do not. It is also seen as rather unlikely that such consultancies can really be carried out in the free time/vacations of the Civil Servant, and there is a strong presumption that this outside work will interfere with the normal duties of the consultant.

10. Yet another practice of some bilateral donors that has caused strong resentment among officials is the absence of competition among suppliers or contractors in some cases where tied grant aid is provided. Officials have indicated to me that such practices in their view encourage the use of development assistance for low-priority or even totally uneconomic purposes, enriching some unscrupulous officials along the way.

11. The Minister of Finance mentioned another practice to me that is used by some, but not all donors, to the detriment of the tax receipts of the country, namely to decline disclosure to government of the amount of rental payment they actually make.

12. Particular concern is voiced by many officials about the operating procedures of NGOs. It is alleged that many NGO do not comply with the Government's reporting requirements, they are quite non-transparent, they are accused of "high-handed" behaviour and they are perceived as "rejecting for themselves, and thus destroying, all norms". These are strong words, but they accurately reflect the very strongly held views of many senior officials. The link to collusion and corruption is quite worrying.

13. As I said at our meeting on March 28, I thought I owed you a report on the perceptions within Government circles about the role of the donor community in the all-pervasive web of corruption in Nepal.

14. Members of the TI-Nepal Chapter and I had a most encouraging meeting with the Prime Minister, on March 30, 1996. While I do not feel free to share the rest of my recommendations and suggestions with you, I would like to quote to you my recommendation on procurement: "Procurement of goods and services, as well as the sales of major assets of HMG, should all be made on a totally transparent basis. HMG bid evaluation reports also be made public. Bidders should be required to state the names of their agent in Nepal, if any, and should disclose any commission, fee or other gratuity made, either in Nepal or elsewhere, to their agent or any other person in connection with the contract in question."

15. My presentation to the donor group, and this letter, are intended to help the donors give their full support to what I am confident will be a systematic and massive effort by HMG to combat corruption. I hope you will accept the letter in that spirit. I hope also that the donors will reconsider the use of the practices that are perceived as contributing to corruption in Nepal.

16. Again, many thanks for your attention, and my most sincere wishes for success in your work.

With my best personal regards,