

ETHIOPIA
UNIVERSITY CAPACITY BUILDING PROGRAM
REPORT ON ANTI-CORRUPTION MEASURES
EXECUTIVE SUMMARY

SCOPE OF APPOINTMENT

1. I have been appointed by GTZ-IS as an independent expert to assess the adequacy of the anticorruption measures in place in relation to the design, procurement and construction of the 13 universities on 15 sites forming part of the University Capacity Building Program (UCBP) in Ethiopia. 1. My credentials in this field are attached as Schedule 4.
2. I undertook the assessment in Addis Ababa and Axum from 30th June until 10th July 2008. I also visited Axum site.
3. The people I spoke to in undertaking the assessment are listed in Schedule 3.
4. The scope of assessment is limited to examining the potential for corruption in the design, procurement and construction of the universities, and in the interfaces between GTZ-IS, MH Engineering, the contractors and subcontractors. There is obviously in addition the possibility of corruption taking place in areas outside the scope of this assessment which may impact on the project.
5. I have only examined the adequacy of the anti-corruption measures actually in place at the time of my assessment. I did not examine the adequacy of any measures previously in place. Nor did I investigate instances of possible actual corruption. The purpose of my appointment was to assess whether the systems currently in place (many of which are newly instituted) are adequate to prevent corruption in the future.
6. I have only been able to assess whether the measures in place are in principle sufficient to prevent corruption. I have not been able to assess whether the systems explained to me are actually being properly operated on all 15 sites. This would be a very detailed task.
7. For the purposes of this assessment, I have regarded "corruption" as including bribery, extortion, fraud, deception, and any equivalent criminal offence.
8. I have been asked to keep this report relatively brief. Therefore, the issues identified (which are in many cases very complex) are dealt with in summary format.

SUMMARY OF CONCLUSIONS

Corruption in the Construction Sector in Ethiopia

9. From interviews and information given to me during my assessment, I believe that corruption in the construction sector in Ethiopia exists, and is an issue which causes concern to participants in the sector. However, it

appears that corruption is perceived to be neither as widespread nor as serious as it is in many other countries in Africa. As such, it appears that the rating of Ethiopia in Transparency International's Corruption Perceptions Index 2007 at 138 out of 180 countries may be materially incorrect, and that Ethiopia should in reality be much higher up the table. I do not know why there is such a disparity between the perception of corruption which TI's index attempts to assess, and the perception of corruption reported to me by a wide range of participants in Ethiopia's construction sector.

10. The view reported to me by various people that I spoke to in Ethiopia is that corruption on a construction project in Ethiopia can occur throughout the project, but that the most common corruption probably occurs in the following areas:

- the development of a short-list for tendering (where companies can be wrongly excluded from the tender);
- tendering companies being owned by persons who are involved in the award of the contracts;
- the design/specification process (where companies can be wrongly favored);
- cartels between companies tendering for work (where companies pre agree which of them is to win at an inflated price);
- the procurement process (where corruption by a tendering company and an evaluator can lead to a company winning the tender);
- the deliberate supply of sub-standard materials and equipment, or deliberate over-claiming of quantities;
- the interface between the contractor and the site engineer who approves progress, quantity, quality, extension of time and payment (the engineer can be offered or can extort bribes in return for approvals).

11. It was also reported to me by participants in the construction sector that actions to reduce corruption were welcomed, as a corruption-free construction sector would be fairer, and would reduce costs and improve safety and quality.

Corruption controls in relation to UCBP

12. I identified a strong commitment from the personnel from the Ethiopian Government, GTZ-IS, MH and the contractors who I interviewed to take active steps to reduce the opportunity for corruption on the UCBP.

13. I believe that measures put in place on the UCBP have materially reduced the risk of corruption in relation to the design, procurement and construction of the universities. In particular, I believe that the following actions have contributed to this:

- Efforts taken to ensure that as far as possible the project base price and bills of quantities (BOQs) are accurate.

- An open competitive tender procedure.
- The requirement that for many potentially corrupt interfaces, e.g. approval of progress, variations and payment, the signature of representatives of each of the client's representative (GTZ-IS), the engineer (MH), and the contractor is required. It is materially less likely that three parties can be corrupt than two.
- The institution of fast payment to the contractors.
- Control of the price and distribution of cement and steel.
- The development of a detailed Project Control System which allows management access to key project data, and which therefore allows oversight and comparison between different sites.

14. However, I believe that further improvement can be made, and have made some recommendations in this regard. These recommendations fall into two categories:

a) The implementation of a project anti-corruption system

Corruption prevention needs to become an integral part of the management of a project. It needs to be regarded in a similar way to safety management and quality management. I have therefore recommended in Schedule 1 some actions which could be taken to incorporate corruption prevention as part of the management system of UCBP.

b) Specific recommendations

I have prepared a risk map of the major corruption risks on UCBP. This is attached as Schedule 2. This identifies the major risks, assesses how the risks are currently being managed, and recommends improvements where appropriate. This type of risk assessment would in practice be carried out as part of the anti-corruption management procedure referred to in paragraph 14a) above. The risk map can be expanded and improved as the project progresses.

15. In providing the risk assessment, I have given examples of possible corruption involving representatives of GTZ-IS, MH, a contractor, and/or sub-contractor.

These examples should not be taken as indicating that such corruption has actually taken place, or as indicating suspicion of any representative or organization. This is merely a standard and necessary assessment of possible risk.

Neill Stansbury
20th July 2008

Schedules:

- 1: The implementation of a project anti-corruption system
- 2: Risk map - specific recommendations
- 3: Credentials