A presentation for participants of the

Institute of Brazilian Issues
Anti-Corruption Program
September 17, 2010

United States Agency for International Development

USAID
Anti-Corruption Programs

Eric Kite
Team Leader, Democracy and Human Rights
Bureau for Latin America and the Caribbean
About the United States Agency for International Development (USAID)

• An independent agency of the U.S. Federal Government
• Works in close coordination with the State Department and U.S. Embassies
• Provides foreign assistance to developing countries
• The types of assistance include:
  – technical assistance and capacity building
  – food aid and disaster relief
  – infrastructure construction
  – small-enterprise assistance
  – credit guarantees
Democracy and Governance

• Strengthening the Rule of Law and Respect for Human Rights

• Promoting Competitive and Democratic Elections & Political Processes

• Increased Development of a Politically Active Civil Society

• Better, More Transparent and Accountable Governance
  - Anticorruption Programs
Why do we care about corruption?

- Invalidates the legitimacy of government
- Undermines government performance & public services
- Misdirects development assistance & disaster response
- Undermines economic growth & exacerbates poverty
- Can trigger and often perpetuates conflict
- Links to organized crime, terrorism, and TIP
Corruption Undermines the Legitimacy of Democracy

Corruption as the main reason for a coup

- Social protests: 23%
- High unemployment: 26%
- High inflation: 33%
- High crime rates: 45%
- High corruption: 52%

Sig. < .01
Corruption victimization undermines democratic legitimacy

Source: AmericasBarometer 2006 by LAPOP  www.americasbarometer.org
Bribes Demanded by Public Employees in Year Prior to Survey

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecuador</td>
<td>15.1%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>14.5%</td>
</tr>
<tr>
<td>Mexico</td>
<td>13.7%</td>
</tr>
<tr>
<td>Paraguay</td>
<td>13.1%</td>
</tr>
<tr>
<td>Haiti</td>
<td>10.8%</td>
</tr>
<tr>
<td>Peru</td>
<td>10.7%</td>
</tr>
<tr>
<td>Guyana</td>
<td>6.4%</td>
</tr>
<tr>
<td>Dominican Rep.</td>
<td>6.3%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>6.1%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>4.7%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>4.1%</td>
</tr>
<tr>
<td>Honduras</td>
<td>3.9%</td>
</tr>
<tr>
<td>Panama</td>
<td>3.7%</td>
</tr>
<tr>
<td>Colombia</td>
<td>2.6%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>2.5%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>2.3%</td>
</tr>
<tr>
<td>Chile</td>
<td>1.6%</td>
</tr>
<tr>
<td>Canada</td>
<td>0.7%</td>
</tr>
<tr>
<td>United States</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Ratio of the Ecuador to the U.S. is 50:1

Source: AmericasBarometer 2006 by LAPOP

Error Bars: 95% CI
1st Generation thinking…

“Illicit behavior flourishes when agents have monopoly power…when agents have great discretion, and when accountability…is weak.”

Corruption = monopoly+discretion-accountability

Robert Klitgaard, Controlling Corruption, 1988
USAID Handbook: Klitgaard slightly modified

Pursue institutional reforms that will:
• Limit authority (discretion & monopoly)
• Increase accountability
• Change incentives

Mobilize non-state actors:
(Civil society, media, business, parties):
• Advocate for reform
• Oversee government
• Demand accountability
• Raise citizen awareness
• Create, disseminate information
1st Generation Model: Corruption Causes and Access Points for Response
USAID’s New Strategy

- Modest progress in the area of administrative corruption
- Programs have had little impact on elites, political parties
- Need to address political economy of corruption
- Programming decisions have been reactive
- Corruption impact has been assumed, but not explicit in sectoral programs
Broadening the Approach...

• What happens when senior authorities don’t act in the public interest; don’t want to act in the public interest?

• New USAID Anticorruption Strategy asks us to consider a larger set of conditions that shape and animate corruption
Broadening the Approach…

- As elites concentrate political and/or economic power, the corruption problem usually gets worse
  - they usually do this through limiting access (competition)

→ Addressing grand (elite) corruption means expanding political and economic competition
New Strategy: A broader analysis of corruption causes and response options

- Institutional & Legal Environment
- Political Competition
- Economic Competition
- Administrative
- Social Attitudes and Behaviors

TRANSPARENCY
USAID’s Anticorruption Strategy

www.usaid.gov/policy/anticorruption_strategy05.pdf
Designing a response to corruption in a USAID assistance country
Designing Strategies to Address Corruption

- Analyze the problem
- Assess the context
- Decide on a strategic approach
- Filter program ideas through lessons learned
Analyze the Problem...

• Collect data, analysis
• Where is corruption happening? Who is involved? What are they doing? How are they doing it? Why are they doing it?
• What are the larger dynamics that constrain lower-level results?
• How much corruption is happening in non-”governance” sectors?
Patterns of Corruption

- Endemic vs. Localized
- Organized vs. Anarchic
- Grand (Elite) vs. Petty (Administrative)
- State Capture vs. Predatory State

What are the dynamics of corruption in the country, sector, region?
“Measuring” Corruption

- TI Corruption Perception Index (www.transparency.org)
- TI Global Corruption Barometer
- Public opinion: AmericasBarometer, Afrobarometer, etc.
- Public Expenditure & Financial Accountability (PEFA) reviews (www.pefa.org)
- Doing Business reviews (www.doingbusiness.org)
- Global Integrity Index (www.globalintegrity.org)
- TI National Integrity System Reports

Modes of Corruption Victimization in Latin America and the Caribbean

<table>
<thead>
<tr>
<th>Category</th>
<th>Per cent victimized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Bribery</td>
<td>16.0</td>
</tr>
<tr>
<td>Court Bribery</td>
<td>14.3</td>
</tr>
<tr>
<td>School Bribery</td>
<td>10.9</td>
</tr>
<tr>
<td>Police Bribery</td>
<td>10.8</td>
</tr>
<tr>
<td>Bribery at Work</td>
<td>10.6</td>
</tr>
<tr>
<td>Health Service Bribery</td>
<td>9.9</td>
</tr>
<tr>
<td>Public Employee Bribery</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Source: AmericasBarometer 2006 by LAPOP

Error Bars: 95% CI
Assess the Context…

• Internal
  – Legal/institutional framework
  – Institutional capacity
  – Political will, opportunity
  – Economic structure
  – Political competition
  – Conflict risk

• External
  – Other donors
  – Geopolitical interests
  – USG interests
  – International attention
    • Conflict diamonds
    • EITI, G8
    • UNCAC, regional agreements

**USAID Corruption Assessment Framework:**
*Dynamics* of corruption and reform, as well as statics
Decide on a Strategic Approach

Two general approaches

- **Prosecution and enforcement**: Seeks to identify, investigate, prosecute and punish corrupt actors.

- **Education and prevention**: Seeks to create an environment of integrity, where government hires qualified employees, actors have less room to behave in corrupt ways, and corrupt behavior is systematically detected and eliminated.

USAID’s emphasis has been on **education and prevention** more than **prosecution and enforcement**

Two main arenas:

- **Government**: all three branches; legal reform; institutional reforms
- **Non-government**: civil society, private sector, media, citizens
Anticorruption Programming “Toolbox”

<table>
<thead>
<tr>
<th>Prevention</th>
<th>Enforcement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government</strong></td>
<td><strong>Non-government</strong></td>
</tr>
<tr>
<td>• Access to Info laws &amp; implementation</td>
<td>• Community report cards/oversight</td>
</tr>
<tr>
<td>• Tax &amp; customs reform; Procurement reform</td>
<td>• Civil Society Advocacy &amp; oversight</td>
</tr>
<tr>
<td>• Budget transparency &amp; financial management</td>
<td>• Media – public info/investigative journalism</td>
</tr>
<tr>
<td>• Parliamentary oversight</td>
<td>• Private Sector -- Corporate Gvnce, advocacy, self-monitoring, oversight of government</td>
</tr>
<tr>
<td>• Judicial reform</td>
<td>• Information, surveys, awareness raising</td>
</tr>
<tr>
<td>• Supreme Audit Institutions and line ministry auditors, IGs</td>
<td>• Extractive Industries Revenue Transparency</td>
</tr>
<tr>
<td>• Deregulation and privatization</td>
<td>• Civil Society Advocacy</td>
</tr>
<tr>
<td>• Electoral and political finance reform</td>
<td>• Whistle blowing</td>
</tr>
<tr>
<td>• Extractive Industries Revenue Transparency</td>
<td>• Judicial reform</td>
</tr>
<tr>
<td>• Civil Service reform/professionalization</td>
<td>• Auditors</td>
</tr>
<tr>
<td><strong>Enforcement</strong></td>
<td><strong>Non-government</strong></td>
</tr>
<tr>
<td>• Investigation &amp; prosecution</td>
<td>• Legal reform (making corruption a crime, establishing sanctions, etc.)</td>
</tr>
<tr>
<td>- Special courts</td>
<td>• Administrative sanctions in civil service</td>
</tr>
<tr>
<td>- Special Investigator/Prosecutor units</td>
<td><strong>Non-government</strong></td>
</tr>
<tr>
<td>- Some AntiCorruption Agencies</td>
<td>• Community report cards/oversight</td>
</tr>
<tr>
<td>• Judicial reform</td>
<td>• Civil Society Advocacy &amp; oversight</td>
</tr>
<tr>
<td>• Auditors</td>
<td>• Media – public info/investigative journalism</td>
</tr>
<tr>
<td><strong>Non-government</strong></td>
<td>• Private Sector -- Corporate Gvnce, advocacy, self-monitoring, oversight of government</td>
</tr>
<tr>
<td>• Information, surveys, awareness raising</td>
<td>• Information, surveys, awareness raising</td>
</tr>
<tr>
<td>• Extractive Industries Revenue Transparency</td>
<td><strong>Non-government</strong></td>
</tr>
</tbody>
</table>
Filter Program Ideas Through Lessons Learned...
Operating Principles for Anticorruption Programming

• No silver bullets
• Tackle the disease, not the symptoms
  – Incentives!
• Critical role of high-level commitment ("political will")
• External accountability and public participation along with capacity building for government
• Prevention vs. enforcement
• Essential role of transparency
• Long-term commitment
• Local ownership
USAID resources

• Encouraging Global Anticorruption and Good Governance Efforts (ENGAGE) IQC
• Anticorruption Assessment Framework
• Mainstreaming workshops
• Program briefs

• TDYs, Assessments, SOW review, Design assistance, etc.
  – Tina del Castillo (cdelcastillo@usaid.gov)
  – Mark Goldenbaum (mgoldenbaum@usaid.gov)
Civil Society Programs

- Anticorruption NGOs, civic groups, women’s, environmental, and human rights organizations
- Studies/analyses on costs and impacts of corruption
- Analysis of budget and its execution
- Civic education & public awareness campaigns
- Media; investigative journalism
- Private Sector
Accountability among Branches of Government (Horizontal Accountability)
Accountability within Executive Branch

- Budget, Financial Management Reform
- Supreme Audit Institution, Internal Audit Control
- Merit-based Personnel System
- Transparency, Citizens’ Guides
- Anti-corruption Commissions; Ethics Office; Ombudsman
Accountability within Judicial Branch

• Legal Reform
• Case tracking and administration
• Transparency of proceedings; Publishing decisions
• Judicial ethics
• Prosecutor training
Accountability within Legislative Branch

- Committee strengthening
- Public hearings
- Dissemination of draft laws for comment
- Freedom of Information laws
- Publishing voting and attendance records
- Increasing citizen participation
Accountability between levels of Government
Sub-national Level Strategies

- Strengthening local government capacity
- Improve public financial management
- Improve local service delivery
- Expand citizen participation and oversight
USAID Anti-Corruption Programming

Thank you!