

**“Bringing ‘Best Value’ to Anticorruption Approaches:
A Donor’s Perspective”
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I. Defining “Best Value”

In approaching the question of best value in anticorruption programs, we took the perspective of a bilateral donor and thought, “what do we do to offer ‘best value?’” We then asked, “What can we do better?” Given the opportunity to share these answers with the International Anti-Corruption Conference, we look forward to learning from you as well as offering what we have learned.

In exploring how to get best value, the paper surveys some of the particular attributes of an international donor -- both the advantages and constraints. It then discusses efforts to develop an agency anticorruption strategy and USAID’s learning on what works and what does not and finally offers a look at emerging issues, including an agenda for doing better at getting “best value.”

A first step in exploring best value is to define our terms. USAID strongly supports the concept of determining value in terms of benefit or impact rather than cost alone. Our mandate is to produce results in terms of real changes on the ground in the countries where we work. This is no small task in its own right, nor is the challenge of finding good ways to assess and measure impact. Second, as a donor agency, we must strive to achieve results in a way that respects the principles of good stewardship of public funds. In meeting both of these mandates, we are challenged to find a balanced and workable answer to the other key definitional question: Best value for whom? Our constituencies include the citizens of the countries where we work as well as the direct participants in and beneficiaries of USAID programs, on the one hand, and the officials and citizens of the United States, on the other. As discussed below, this particular situation of a

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public sector, bi-lateral donor gives us unique opportunities, but also constraints, in our efforts to support the fight against corruption around the world and at home.

II. A Donor Perspective

As a bilateral donor, USAID has several institutional advantages it brings to the fight against corruption.

O Experience and Field Presence: First, the USAID Development has over 50 years of experience and more than 80 USAID field missions. Our staff includes host country nationals who are responsible for managing the majority of activities on a day-to-day basis. Our relationships with the institutions and the citizens of many of these countries span decades.

O Policy Voice: More than providing technical assistance, USAID has a voice in the policy deliberations of the U.S. government and in the policy dialog between the U.S. government and the government and societies in which we work. This allows us to be more “political” than the international financial institutions that are restricted by their charter from involvement in politics. Our policy voice also extends to the multi- and bi-lateral donors, where we participate actively in the growing discussion of how best to respond to the challenge of corruption in development.

O Flexibility: Unlike the international financial institutions, USAID works on a grant rather than a loan basis and can partner with host country national and local governments as well as with non-governmental organizations, the private sector, academia, think tanks and regional and international organizations to deliver development assistance. USAID can draw on other US Government agencies and can work with our donor colleagues in the World Bank, the IMF and other multi- and bi-lateral donors.

On the other side, USAID faces a number of constraints.

O Government: As part of the U.S. government we are not only responsible to taxpayers for the careful stewardship of their resources; we also implement the foreign policy of the United States. That policy has embraced the fight against corruption and has demonstrated its commitment through the creation of the Millennium Challenge Account (MCA) with anticorruption performance a cornerstone of its eligibility criteria. It has fought for ratification for the UN Convention Against Corruption and will work internationally for its

implementation. It has developed an anti-Kleptocracy Strategy aimed to denying safe haven and access to financial markets to those leaders who have looted their own country.

We recognize that there are times when the fight against corruption will not be our highest priority and that we will need to reconcile competing demands, whether it's the war on terror or nuclear proliferation.

○ **Shifting priorities:** As donors, we can be subject to the latest theory in development thinking, and that means that sometimes we leave issues before they are fully addressed. Because we believe in development, we know that many of the complex challenges we face together in the developing world will involve the work of generations.

○ **Small is beautiful but sometimes unreachable:** USAID faces its own bureaucratic constraints and unfortunately we may miss opportunities to fund promising, innovative approaches because of the difficulty in funding very small or new organizations because of a lack of a track record or adequate systems for handling donor assistance. We are able to work around this problem by using an intermediary that acts as the fiduciary agent but we still miss opportunities to work with promising approaches developed at the grassroots.

○ **Donors can be resource driven rather than problem driven:** Donors do not always control the source of the resources they get. Certain monies are restricted for certain uses, e.g. HIV-AIDS, child mortality or basic education. As we discover that more and more issues like corruption, conflict and food insecurity have governance problems at their root, we need to have flexibility to move resources to solve these problems.

○ **Short-term v. Long-Term:** While a development agency is mandated to take the long-term perspective, we are also under pressure to perform in the short-term and produce tangible results. This can lead to programs with high expectations and short time horizons.

What does all this mean? We have some clear ideas about how to promote “best value” in our anticorruption programming, but we don't always get to implement them as effectively as would be ideal. The balance of this paper will discuss some of what we have learned and how we are implementing those lessons, as well as some of the challenges that we see ahead.

III. USAID Strategy

In 2005, USAID issued its own Anticorruption Strategy.¹ The strategy had one simple goal: to move the Agency to a more frontal approach to dealing with the corruption issue. The issuance of the strategy marked the first articulation of a policy that fighting corruption is central to USAID’s development agenda and a discreet practice area in our development portfolio. Corruption is no longer an issue to be “worked around.” More recently, anticorruption reform has been integrated into the newly-announced foreign aid framework developed by the Director of Foreign Assistance and USAID Administrator and clearly USAID’s anticorruption strategy is an integral and critical part of overall USG policy toward this complex issue.

To put USAID in position to confront corruption, the strategy set out four recommendations: 1) Tackle the problem of grand corruption as well as administrative corruption; 2) program strategically, to include making better-informed programming choices and taking advantage of opportunities via rapid response; 3) mainstream anticorruption approaches across the development portfolio; and 4) develop a learning organization.

IV. Our “Best Value”

USAID believes that we pursue best value by: 1) **making well-informed strategic choices; 2) learning what works and what doesn’t at the programmatic level, and 3) working with partnerships, locally, nationally and internationally.**

a. Making Strategic Choices

Partly as a result of our new strategy, USAID has found itself—somewhat unexpectedly—at the forefront of some key discussions in the donor community about the best way to support effective anticorruption reform. Two topics in particular have been the source of very useful, though also challenging, discussions. They also reflect core principles that we try to apply as we seek “best value” in our anticorruption efforts.

¹ USAID Anticorruption Strategy, January 2005.
(http://www.usaid.gov/policy/anticorruption_strategy05.pdf)

Addressing the problem of grand corruption: The discussion about making strategic choices, for a donor, starts with the recognition that we have limited resources and the field of potential investments is vast. Best value begins with making the right choice on how to invest scarce foreign assistance wisely. The problem of grand corruption makes this calculus even more difficult, because “need,” particularly in the form of capacity weaknesses and legal and regulatory shortcomings, does not necessarily equal “opportunity” when high-level corruption limits the likelihood of success for capacity building and other reform programs.

Our experience to date is that all donors recognize the importance of this issue, but we are still working to develop consensus on how we should respond. One of the values USAID brings as a bilateral donor, as noted above, is that we can implement a broader range of programming that may not immediately be seen as “anticorruption,” and may be seen as too “political” for some donors, but may have very important long-term relevance to the problem. This would include electoral reform and judicial assistance. We also are in a position to combine diplomatic and law-enforcement approaches, such as denial of visas and financial controls, with our institution-building and other assistance. Not every situation warrants the use of both carrots and sticks, but sometimes it is a powerful combination.

Making well-informed strategic programming choices: As we began to ask ourselves how to take grand corruption seriously, one answer that emerged was that we need to be able to assess the corruption problem in a country, as well as opportunities for reform, in a more comprehensive way. Debates on the value of various indicators, whether general and perception-based or specific and focused on processes and procedures in a particular sector, all recognize that one of the key shortcomings of any measurement is that it is unlikely to be able to capture a dynamic sense of why things are the way they are, and where they might be headed.

USAID is developing a country corruption assessment framework that aims get behind the indicators to understand the fundamental “governance bargain” operating in a country. We’ve taken to heart Michael Johnston’s admonition to think of countries as differing not only in the *quantity* of corruption they experience, but in the *qualitative* nature of who is involved, what they are doing, and why they are doing it and are able to continue doing it.² This analysis also

² Johnston, Michael. *Syndromes of Corruption: Wealth, Power and Democracy*. (Cambridge: Cambridge University Press, 2005).

factors in evaluations of host country political will, the state of host country institutions, the presence or absence of champions of reform, what other donors are doing, USAID's other development investments in the country, and the overall bilateral relationship to produce concrete recommendations for programming.

At the heart of this effort for donors is our ability to assess and respond to political will to do the right thing for the right reasons. Real political will is demonstrated when governments not only sign conventions and pass laws but also implement them; when governments not only create new institutions but also staff them and fund them sufficiently; and when they pursue enforcement actions against vested interests and pursue their crimes to the maximum extent of the law, regardless of what interests are threatened. At the same time, we must realize that in some cases these are difficult -- often dangerous -- requests to make of our host country partners.

At other times, we must be able to discern those who are unwilling versus those who may be unable to do the right thing for the right reason. If government partnership is not feasible, success may come through diplomatic and assistance strategies that find and support new champions -- in opposition, in civil society, in academia, in the media and in the international community.

In short, we see best value in knowing **how** to "look before we leap" as Anwar Shah pointed out in a much-cited article in *Finance and Development*.³ Our experience with the assessments so far has been promising, and the findings combine with other work to produce a number of other lessons about what has worked and what hasn't.

b. What Works. What Doesn't?

In light of the discussion above and the learning that has taken place in the anticorruption field over the past decade, it's clear that the best response to corruption is seldom merely a technical one, but rather one that requires political leadership, multiple approaches and true partnerships between governing institutions and citizens. An effective response also starts with two indispensable acknowledgments: First, that no system or society is immune to corruption, and second, that we may need to commence our efforts with the very basic process of

³ Shah, Anwar and Mark Schacter. "Combating Corruption: Look Before You Leap." *Finance & Development* (December 2004).

building a mutual understanding of what we mean when we say the word. In keeping with our focus on assessment and making good strategic choices, we work with the very clear understanding that, as Joseph Stiglitz recently pointed out, “the response to corruption needs to be as complex and variegated as corruption itself.”⁴

This leads directly to one of our key programming principles, that *multi-faceted approaches are essential*. Even when our resources are small, USAID staff spend a great deal of time coordinating with host government counterparts and other donors to assure that a comprehensive approach to anticorruption reform is undertaken, and that *diplomatic as well as programmatic resources* are brought to bear. USAID’s experience in Kenya is a good example of what is achievable through support to reformers and institutions on several fronts. While events in that country led to a decision to reduce our assistance to certain government institutions like the Directorate of Government Ethics, earlier program support from the US and other donors helped that office gather important information that has now been taken up by the Parliamentary Public Accounts Committee--also a recipient of USAID capacity building support--and continues to shape a very important public debate and investigation process in that country. And of course, none of these developments would have progressed this far without the very vital role played by Kenyan civil society, with whom USAID has partnered and which has been at the forefront of the anticorruption battle for many years.

Indeed, one of the clearest lessons we’ve found so far is that *civil society is always a necessary partner*. Governments don’t often reform on their own, even when there is strong leadership supporting these changes. Some of our best results have been achieved when local communities get involved in monitoring the execution of development projects and budgets. In Colombia, community *veedurias* have changed hiring practices at local schools and prevented road builders from using inferior materials. In Mali, taxpayers in one Bamako district uncovered discrepancies in local budgets that led to the removal and indictment of several local officials. Similar results have been achieved in USAID programs in Rwanda and Tanzania and elsewhere.

These local successes have been promising, and the next challenge is to assess how these local experiences roll upward to support broader changes at a more systemic level. The track record for civil society success in pressing for national-level reform is inevitably more mixed, as the issues are more complex, but this does not change our basic recommendation that USAID missions always support non-

⁴ “Corrupting the corruption fight.” *Taipei Times*, 17 October 2006.

governmental as well as government institutions to bring about anticorruption reform.

We have seen *institution-building approaches work in places where the governance basics are established and where there is strong political commitment* to change the way the public's business is conducted. USAID support has helped the Indonesian Anticorruption Commission and the South African Specialized Commercial Crimes Court achieve important successes, but in less conducive settings, these specialized institutions have not performed as well. The record of anticorruption commissions globally bears this out.⁵ In a similar vein, we see little value in building the capacity of a predatory or captured state.

Finally, our experience suggests an additional area that should increase value in our anticorruption efforts, though it is a new initiative for us, so we don't have a clear track record yet: *leveraging resources, political commitment and development outcomes by mainstreaming anticorruption objectives and principles throughout our development portfolio*. USAID is pursuing this approach partly to address the problem of shrinking resources for more traditional governance work. But even more importantly, we have seen enough examples of communities and governments galvanizing around reforms that involve service delivery and improving their global economic standing to indicate that this is a promising area for further effort. On the other hand, we are also aware of the risks of assuming that reforms we promote will have anticorruption impact, but not articulating it in the planning, negotiation or expected results of an activity.

While we have learned what works and gives us the "best value," we have also discovered some ineffective approaches, including:

- Public awareness programs not tied to reforms.
- Reforms without public awareness programs.
- Failure to take a long-term approach.
- Recommendations unsupported by research and data collection.

⁵ USAID Office of Democracy and Governance. "Anticorruption Agencies." *Anticorruption Program Note Series, Issue 1* (Forthcoming). See also Patrick Meagher, "Anticorruption Agencies: Rhetoric vs. Reality," *The Journal of Policy Reform*, vol. 8, no. 1 (2005).

- Donor driven programs that are perceived as such.

These findings are not altogether surprising. They are symptomatic of shortcomings that plague many other development programs, not just anticorruption efforts. The question for us was “What do we do about it?” The Agency’s anticorruption strategy and a heightened emphasis on training our cadre of development officers constitute the initial answer to this problem, but there is certainly more to do.

c. Working in partnerships - Locally, Nationally and Internationally

Recognizing the importance of local ownership and the limited resources any donor can bring to bear, we must forge partnerships at the local, national and international level. And we do. We work with local governments and non-governmental organizations to promote the transparent and accountable use of resources at the local level. We work with national institutions – the judiciary, the national assembly and supreme audit institutions among others – to provide greater checks and balances. And we work internationally through our support to Transparency International, the Global Organization of Parliamentarians Against Corruption and other international organizations that carry out this fight on a global basis. We are also working closely with other donors to address very real challenges of coordinated response to this critical development issue.

A new international initiative is the “Global Integrity Alliance.” It is an outgrowth of the World Ethics Forum held earlier this year. The aim of the GIA is to develop, support and sustain ethical leadership through the creation of local, national and international alliances. These alliances will support leaders who want to do the right thing for the right reasons but lack the political support, technical capacity, or political space to get the traction necessary for change. Participants of the World Ethics Forum, drawn from current and former developing world officials, experts from academia, the private sector, NGO leaders as well as international NGOs and donors, are now developing this concept. We look forward to supporting this effort and working with many of the individuals and institutions participating in the IACC.

V. Emerging Issues and Future Challenges

The list of future challenges is long, varied and daunting. Here are a few areas that require the attention of the anticorruption movement.

The passage of the **UN Convention Against Corruption** (UNCAC) offers the opportunity to develop our approaches to fighting corruption and to reinforce the mechanisms and institutions that already exist. USAID stands ready to assist countries that seek to bring their laws into compliance with the convention and to strengthen their abilities to prevent, deter, detect and prosecute corrupt actors.

We see an emerging area of interest in the **transparent, accountable, effective and equitable management of extractive resources**. Building on the Extractive Industries Transparency Initiative and other international efforts, we will look to support programmatic approaches that improve government management and civil society oversight of extractive resource revenues. The Office of Democracy and Governance will support the gathering of best practices among industry, implementing partners and other donor experience to inform our work in this area.

Finally, and most importantly, two issues should be highlighted that represent our key challenges in the struggle to achieve best value in anticorruption work.

First, we must focus attention now on **program effectiveness and evaluating our track record** to learn what works and what does not under what conditions. Only then will we be able to make authoritative statements about best value. Excellent work is now being done in the area of public expenditure financial accountability by the World Bank and others. This work must be expanded to develop actionable indicators that go beyond financial accountability and help us track the performance of other governance institutions – the judiciary, the legislature, ministries and other executive branch institutions – as well as the role of media and civil society. In addition to indicators, more effective evaluation and documentation of program approaches and impact are ongoing challenges.

Second, we in the U.S. Government, but also in the international community more broadly, must continue to grapple with the question of **how to respond when needs are great, but leadership is irresponsible and unaccountable**. We will of course find ways to address the most extreme cases of poverty and dislocation, but a more difficult challenge is when and how to continue engagement with governments that do not demonstrate serious commitment to improving governance and the long-term prospects of their citizens. These are vexing problems now being discussed within individual donor organizations and within the donor community collectively. These decisions involve political, diplomatic and practical implications that will continue to challenge us well into the future.

Conclusion

Ten years ago, a discussion of best value in anticorruption programs probably could not have taken place. There would have precious little to evaluate and very few people listening. And although we have come a long way, we are still closer to the beginning than we are to end.

This paper outlines many of the challenges that the anticorruption movement faces and the particular issues of greatest relevance to a donor agency like USAID. As the quest for “best value” continues, we should keep in mind the necessity of documenting and sharing our successes and our failures.

We must also take advantage of the new international context. Today, we have mechanisms, such as the UN Convention Against Corruption and an array of regional anticorruption agreements that together form a new global anticorruption regime. We have a vibrant, energetic and vocal civil society movement that operates on a global level to keep the spotlight on the corruption issue and holds governments accountable.

Many new initiatives, like the Extractive Industries Transparency Initiative, are aimed at bringing together governments, the private sector and civil society to solve difficult problems. The G-8 and cooperating governments are fighting kleptocracy and the misuse of financial systems by high officials to plunder the national treasury for their own private gain.

The U.S. Government, for its part, supports these efforts as well as other multilateral and bilateral efforts to expand the circle of free-market democracies that can create the incentives for open, competitive economies with political systems based on free and fair elections, the rule of law and the checks and balances that are necessary to prevent, deter, detect and prosecute corruption when it occurs. President Bush’s Freedom Agenda underscores this commitment to advance democratic principles and processes throughout the world.

USAID, along with other USG agencies, will continue to work closely with cooperating governments, multilateral institutions, and the NGO community, to ensure a strategic and effective correlation between USG diplomatic and programmatic activities. Good governance and accountability creates conditions that lift people out of poverty, raise education and health levels, improve the security of borders, expand the realms of personal freedoms, nurture sound

economic and sustainable development strategies, and create healthier democracies.

The International Anticorruption Conference continues to play a unique and valuable role in nurturing and sustaining the international anticorruption movement. For those of us who care about development, democracy and good governance, we are pleased to join these efforts and offer our full support.