



OXFAM RESEARCH REPORT

TO FIGHT CORRUPTION, LOCALIZE AID

HOW US FOREIGN ASSISTANCE CAN SUPPORT
A LOCALLY DRIVEN FIGHT AGAINST CORRUPTION



OXFAM
America

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EXECUTIVE SUMMARY

Americans don't want their foreign aid to be lost to corruption—or worse, to fuel corruption. However, by seeking to avoid corruption rather than by changing its approach to aid, the United States is missing out on the vast, untapped potential of local actors to strengthen accountability, improve governance, and fight corruption.

Many of America's aid investments are made in countries with weak institutions—weak institutions are a key factor causing poverty. The US also recognizes that helping developing countries fight corruption strengthens its national security. But traditional top-down, donor-driven approaches to fighting corruption have failed to deliver lasting results—and have often left local leaders who are already fighting corruption by the wayside.

The conventional approach to delivering foreign aid misses opportunities to support sustainable, locally driven efforts to fight corruption. Congress imposes restrictions and conditions that intend to reduce the risk that aid will be lost or wasted, yet these restrictions undercut the ability of foreign aid to support innovative, passionate local leaders in their fight against corruption. Engagement of these allies is an underused tool in America's foreign aid toolkit.

Aid, especially US foreign assistance, can do more to help citizens fight corruption. The US should adopt a locally driven approach to development by working with local partners first, giving them support to take on the challenge of reforming dysfunctional institutions. This report will explain how locally driven approaches can be a more effective way to fight corruption and are needed because traditional donor-driven methods of fighting corruption, such as building anti-corruption units, are failing on their own to deliver necessary development outcomes.

The US has the opportunity to make its actions match its rhetoric. With the right changes to US laws, policy, and practice, the US can adopt a more locally driven approach to fighting corruption, and thereby sharpen its tools to support people in partner countries in their fight against corruption.

As the stories in this report show, citizens and leaders in countries around the world are taking action and working to make their governments accountable. The US government needs to change its practices to seize opportunities to invest in leaders who are already working to hold their governments to account.



Chanthy Dam prepares to depart after a visit to the village of La Lai. The La Lai stream runs into the Se San river, a major tributary of the Mekong, Cambodia. *Chris Hufstader / Oxfam America*

RECOMMENDATIONS FOR US GOVERNMENT POLICYMAKERS

- The US government needs to find more opportunities to invest directly in the strength of accountable local systems, in government, and in civil society. Multiple US government instruments—including Fixed Amount Reimbursement Agreements (FARA), Public Financial Management Risk Assessment Framework (PFMRAF), and Political Economy Analysis (PEA)—exist to enable the US to invest directly in these systems while protecting US taxpayer dollars from unnecessary risk.
- The US government should place more emphasis on identifying local actors inside and outside partner governments who are leading the fight for more accountable governance and actively investing in their success. Expanding the use of political economy analysis can help US government officials better understand the networks and relationships that permit corruption, and thus determine which relationships and coalitions could strengthen accountability with greater donor support.
- USAID's Local Solutions initiative has committed the agency to increase the share of its worldwide portfolio going directly to local partners to 30 percent by the end of 2015. USAID should ensure it achieves this goal, and other US agencies, including the State Department and Millennium Challenge Corporation, should seek to develop their own methods to increase direct investment in local systems while avoiding unnecessary risk.
- The US government needs procurement tools that permit greater flexibility in choosing partners and defining deliverables.
- The US Congress should provide greater flexibility from earmarks that prevent the investment of adequate resources in supporting accountability and good governance. Likewise, the executive branch should permit flexibility within presidential initiatives. The investment of earmarked funds in strengthening accountability could support better outcomes across the US government's entire aid portfolio in a country.
- The US should avoid letting its engagement strategy in countries be driven by specific scandals; rather, US strategy should reflect a deeper analysis of the opportunities to strengthen accountable governance. Short-term reactive approaches to scandal often only produce superficial changes in partner countries. Instead, US strategy should be driven by longer-term opportunities for strengthening accountability.
- The US should redouble its efforts to meet commitments to publish timely, comprehensive, comparable, and accessible data on US aid investments by the end of 2015, per its previous commitments to comply with the International Aid Transparency Initiative.
- The US should invest more in the capacity of partner country governments and civil society to collect, manage, analyze, and publish more of their own data on development investments.
- USAID should develop qualitative indicators around the Local Solutions initiative to measure the impact of local solutions on development outcomes, especially as a way to capture best practices within a locally driven approach.



Caption: Bertukan Girma and her children (large to small) Oromia, Ayantu and Nigusu (The King), at their home in Mallima Beri, near Alem Tena, in the Oromia region, Ethiopia. *Eva-Lotta Jansson / Oxfam America*

INTRODUCTION

The United States invests billions of dollars each year fighting poverty, suffering, and injustice around the world. The government does this for the pragmatic reason that it benefits US security and prosperity. But just as important as the pragmatic purpose is the moral purpose. Americans invest in aid because we believe our government can and should help people escape poverty, suffering, and injustice.

Ensuring that US anti-poverty investments actually deliver their full value to poor populations is more than just a question of efficiency—it's a question of right and wrong. Americans rightly demand that their aid not be diverted by corruption—or worse yet, fuel corruption.

Many of America's aid investments are made in countries with weak public institutions—in fact, these weak institutions are often one of the contributing factors to poverty. Over the past seven decades, US aid investments have helped hundreds of millions of people recover from conflict and disaster, build economic opportunity, provide for their families, and demand their rights as citizens. But corruption poses an immense dilemma for US development efforts. To fight poverty and injustice, the US needs to find new ways to help people around the world demand and receive effective, accountable governance.

Corruption is commonly defined as the abuse of public office for private gain.¹ When corruption is widespread, it robs people of their rights as citizens and their dignity as human beings. When citizens are unable to hold their officials accountable for their actions,² public institutions intended to serve people are warped toward the interest of a few.³ When political capture occurs, corruption reinforces the social and political inequities that help perpetuate poverty. It's no wonder corruption is correlated with high levels of state fragility and violence.⁴ Some of the most corrupt countries in the world are also the

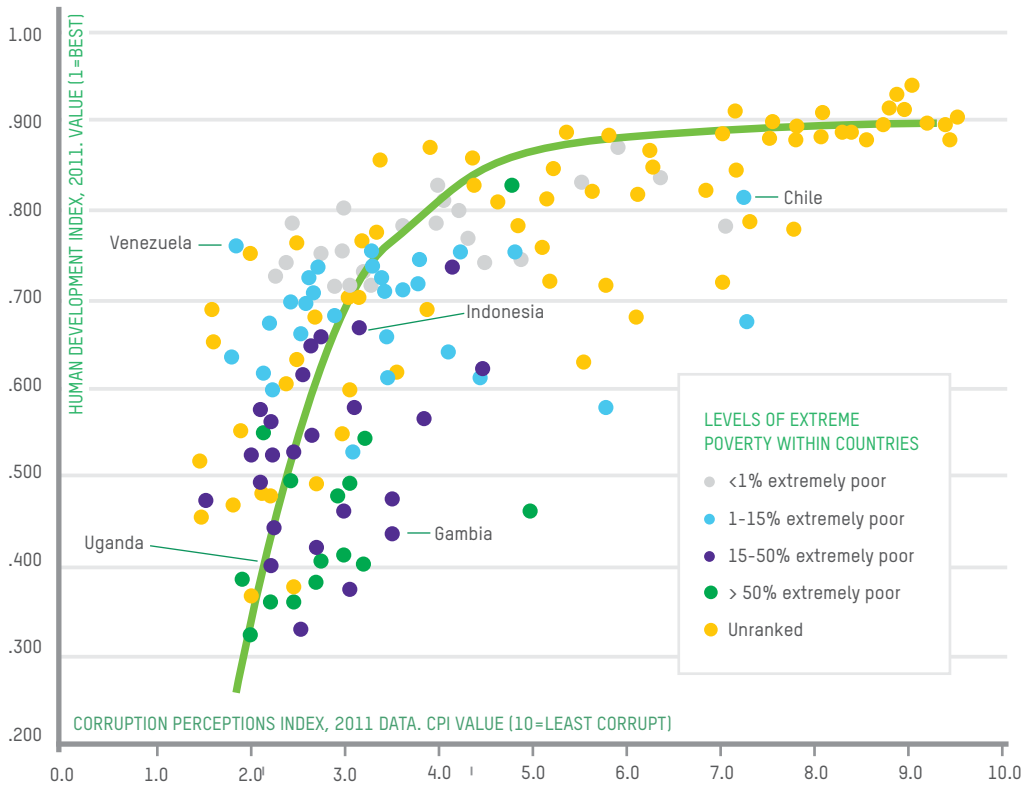
countries with the highest poverty rates.⁵ When corruption threatens democratic representation, the voices of those living in poverty and in marginalized communities, including women, are silenced.

For people living in poverty, the impact of corruption is felt acutely in intimate and immediate ways. In the case of development aid, corruption can mean lost food, medicine, or other services—the very resources intended to help the most vulnerable people around the world make their way out of poverty. For women, corruption also perpetuates gender inequalities. Women are less able to afford to pay bribes and are more likely to be extorted to access basic services. These gender disparities constrain their ability to hold officials accountable to deliver services.⁶

The US recognizes the important role accountability plays: in the US government's 2015 National Security Strategy, the United States is committed to “[leading] the way in promoting adherence to standards of accountable and transparent governance.”⁷ Despite this commitment, US approaches to promoting governance and fighting corruption—like international aid approaches—are often technocratic and outdated. US government aid policy must change if it is to successfully meet this commitment.

International aid often misses opportunities to support sustainable, locally driven efforts to fight corruption. Currently, a host of political, regulatory, and statutory conditions on aid imposed by the US Congress and the executive branch constrain US government efforts to help locally driven fights against corruption. The US Congress often imposes restrictions and conditions on aid intended to reduce the risk that aid will be lost or wasted. These political and legal constraints are often compounded by rigid regulations and policy directives imposed by the executive branch. Yet, these restrictions

FIGURE 1. HUMAN DEVELOPMENT OF POPULATIONS IN POVERTY FACING CORRUPTION



often undercut US capacity to support innovative, passionate local leaders in their fight against corruption, and drive US development professionals to default to inflexible and cumbersome aid and anti-corruption approaches that do little to change a citizen’s ability to demand reform.

Aid, especially US foreign assistance, can do more to help citizens fight corruption. This report explains how locally driven approaches can be more effective in fighting corruption. New methods of approaching corruption in complex systems are needed because traditional donor-driven methods of fighting corruption, like building anti-corruption units, are failing to deliver necessary development outcomes. With the right changes to US laws, policy, and practice, the US can adopt a more locally driven approach to fighting corruption, and thereby sharpen its tools to support people in partner countries in their fight against corruption.

At Oxfam, we hope that a better understanding of the phenomenon of corruption and its relationship to aid will help policymakers improve US efforts to ease conflict, reduce poverty, and decrease reliance on US foreign assistance. Instead of simply seeking to avoid corruption, donors should support the local change agents who take great risks to combat corruption by helping citizens find their voices and by helping governments to heed those voices. This approach provides vast potential to strengthen accountability, improve governance, and fight corruption.

HOW A LOCALLY DRIVEN APPROACH HELPS CITIZENS IN THEIR FIGHT AGAINST CORRUPTION

Corruption is like a virus, such as the common cold. To this day, there is no cure for the common cold. Rather, the best therapy for treating a cold is to nurture the body's own immune system to fight the virus. Similarly, the most effective way to fight corruption is to nurture a country's domestic accountability. By supporting a locally driven approach, aid can impact not just the symptoms, but the root causes of corruption.

A "locally driven approach" is a type of partnership that provides local change agents with the support they need to tackle institutional challenges, including corruption, in their towns, cities, and countries. With this approach, citizens are at the helm of their own effort to fight corruption.

Corruption often directly impacts citizens by diverting funds needed to provide basic public services, such as health care or education. Even when governments adopt laws or build national institutions dedicated to reducing corruption, like anti-corruption units, these hollow reforms often don't go far enough to help citizens tackle corruption in their own communities. Donor-driven national-level reforms too often fail to change the behavior of local mayors, heads of health clinics, or principals of schools. Citizens are in a better position to change their local officials' behavior and reduce the diversion of funds through collective action. And with the right kind of support, citizens can drive change and fight for better local governance in their own ways.

For example, in Chinique de las Flores in Quiché, Guatemala, a locally driven effort with the right kind of external support helped the citizens of this small town fight corruption and restore a clean supply of water.

CORRUPTION STORY: GUATEMALA, 2010

One day in 2009, the people of Chinique de las Flores noticed their water was green. The murky water made children sick; townspeople began buying bottled water. When the villagers realized a municipal project was to blame for the contamination, they complained to the mayor. Yet the mayor ignored them at every turn.

Frustrated, the villagers contacted an aid-funded local civil society organization, Acción Ciudadana, the Guatemalan chapter of Transparency International, to help with drafting legal documents and creating a strategy for engagement. In addition to providing free legal assistance, Acción gets people thinking. The organization explains the legal system and helps people to understand their rights and to start asking questions. Acción helped the citizens uncover other instances of fraud, including the local government's payroll listing people allegedly hired to work on municipal projects. At least one was a dead man.

"I thought it was strange because my father, who was a farmer, never worked in anything like that," said Lázaro López, the dead man's son. "It was bad because it was not only my father. There were several others."

In the ensuing months, citizens mobilized to demand that the central government open an investigation into the mayor. However, the mayor still ended up on the local ballot for re-election. On the night of the election, gangs of youth widely suspected to have been paid by the mayor stormed into ballot sites, seized ballot boxes, and burned nearly 40 percent of the votes. In the wake of these events, more than 150 angry citizens signed a petition and mobilized any type



People like Gabriela Ayerdi are standing up for accountability in Guatemala, making demands of government, and getting results. *Ilene Perlman / Oxfam America*

When citizens of Chinique de las Flores sought answers to questions about why their water had suddenly turned so dirty, government officials ignored them at every turn—until they met Gabriela Ayerdi, a 27-year-old member of a team from ALAC, the Advocacy and Legal Advice Center, run by Acción Ciudadana. With her encouragement and the support of ALAC, the people of Chinique learned how to use the legal system to shine a light in the darker corners of community affairs and push for information.

of transportation they could find to shepherd people to the department capital in Santa Cruz to submit the forms to demand a new election. Their efforts proved successful.

A short time later, a federal investigation found the mayor guilty of embezzlement. He was sentenced to four years in prison.⁸

The residents are more vigilant than ever. “We are a group of men and women who have confronted the irregular practices of a mayor,” one man said. “Now we are awake.”⁹

WHY DOES A LOCALLY DRIVEN APPROACH HOLD PROMISE?

Locally driven approaches against corruption, like the one led by the citizens of Chinique de las Flores, are successful because the approach shifts the balance of power toward local change agents who are deeply and personally invested in the long-term impacts of increasing government accountability.¹⁰ Yet locally driven approaches are relatively unused compared with traditional donor-driven anti-corruption and governance projects.¹¹ Compared with locally driven approaches, donor-driven anti-corruption approaches, such as the passing of anti-corruption laws or the creation of anti-corruption bodies, tend to be more ornamental and do little to change power relationships in partner countries. One significant reason is that donor-driven institutional reforms are designed in donor capitals, outside the political context in which they were intended to function. Donor-driven reforms rarely lead to long-term change, simply because they provide something different from what the community needs.

Local stakeholders, especially citizens, are critical to fighting corruption because they live and work in the dysfunctional systems in which corruption thrives.¹² And, given the right support, local stakeholders are better able to influence the incentive structures of government officials.¹³ In the case of Chinique de las Flores, citizens led the campaign against the mayor because their livelihoods were threatened by his corruption. But more importantly, the citizens were able to mobilize the community to leverage the electoral system to their advantage. By exercising formal and informal sources of power¹⁴ via existing relationships in countries, villages, towns, and even government institutions, a locally driven approach empowers citizens and their state to collaboratively solve problems, reduce corruption, and improve government service delivery.¹⁵ In addition, a locally driven approach is particularly beneficial to women. When a locally driven approach supports female change leaders, women are in a better position to influence basic services in ways that respond to the particular needs of women, such as in health care.¹⁶

A locally driven approach is not a silver bullet. Rather, it is one underutilized tool in a broader effort to strengthen the state-citizen compact.

In fact, when locally driven approaches are successful, it’s because local stakeholders were able to use resources that were particular for any given context. Using elections as a tool for reform may have worked in Chinique de las Flores, but the same tactic won’t work in a Ghanaian rural town where the local leaders are appointed. If given the right support, Ghanaians might find their own ways to collectively challenge local officials. Because locally driven approaches are context-specific, the success of locally driven approaches that encompass social accountability mechanisms,¹⁷ transparency and accountability initiatives,¹⁸ and active citizenship¹⁹ is described in stories and anecdotes.

BOX 1. A LOCALLY DRIVEN APPROACH AND GENDER

Traditional donor anti-corruption approaches do little to shift the fundamental power imbalances in countries, including the power imbalances between men and women. Yet, men and women have distinct developmental needs. A locally driven approach intends to work with people living in poverty and marginalized communities, especially women, to emphasize their voice and help them access the specific types of support they require.

Oxfam America’s Gender Violence Prevention program helps women and young people exercise their rights by enabling them to demand that police and private agencies apply laws and implement programs to prevent, penalize, and reduce gender-based violence. For example, in El Salvador, the program is training women, specifically members of the community group Ventana Ciudadana, to recognize themselves as rights holders, to develop conflict-resolution skills, and to demand—rather than merely ask for—the enforcement of gender-based violence laws and the provision of government services. Achievements include new political and legal instruments that specifically address gender-based violence, including the approval of a Comprehensive Special Law for a Life Free of Violence for Women by the Legislative Assembly.³⁴

When tackling corruption via a locally driven approach, corruption itself may not be the best entry point. It is a stretch to assume that citizen-led engagement can improve national-level governance.²⁰ In addition, a citizen-led fight directly against corruption can be often met with debilitating hostility, lead to worsening corruption perception levels,²¹ or cause citizens to relent their fight, thinking that fighting corruption is too hopeless.²² Rather than fighting corruption head on, it could make sense in some cases for donors to support citizen work by collaborating with government and nongovernment stakeholders on small, focused issues, such as improving access to basic services.²³

HOW AID CAN SUPPORT A LOCALLY DRIVEN APPROACH

For aid to strengthen locally driven approaches to reducing corruption and improving governance, donors need to adjust aid policies. The current aid model, from planning to project implementation, must overcome typical donor tendencies such as donor-driven interventions that reward short-term results.²⁴ Donors can play an important role in helping bring relevant stakeholders together and in helping facilitate change. But to identify the right change leaders and opportunities for impact, donors need to become much better about understanding the political and economic dynamics at play in any local context.²⁵

By supporting the lessons from the stories described in this report with emerging research insights from around the world,²⁶ Oxfam is beginning to understand some of characteristics that facilitate successful locally driven approaches.²⁷ We hope that awareness of these characteristics will help policymakers provide aid that supports locally driven efforts to fight corruption. The characteristics include:

Multistakeholder: Donors should have better tools to analyze and manage risk and work through, and with, local systems, including government and civil society. When citizens and activists mobilize to change their government, their voices alone tend not to work. Like in the Philippines example in this report, (page 18), locally driven efforts involve a combination of citizen activism with a willing government to respond to the needs of citizen voices. Within the government, sometimes pressure comes from above or sometimes local officials just want to do the right thing, such as the case in Afghanistan²⁸ (page 23). Other times, like in Guatemala, citizens are able to use existing accountability institutions, such as the judiciary, to their benefit.²⁹

Flexibility: Donors must take a less rigid approach and adjust aid policies to support locally driven change. In particular, donors should avoid the common tendency to make sure their partners achieve predefined results. Predefined processes limit flexibility. For citizens to work within systems, they need an array of options so that they can adjust their strategies as they face unanticipated challenges or as new opportunities arise.³⁰ In Guatemala, for example, citizens needed to adjust their tactics when the mayor found a way to disrupt the vote. Any first attempt at reform is likely to fail. But each failure is an opportunity to learn—and adjust strategically.

Ownership: Donors should avoid placing their own priorities over investments that can empower local leadership. Aid investments planned in donor capitals can often neglect the need for context-specific approaches. Locally driven efforts find success when stakeholders identify the solutions to solve the problems they face. In Liberia, one citizen took it upon himself to find a way to communicate news and information in the most effective way for his country (page 12). Results are more sustainable when they address issues that are brought to light by local citizens and represent their needs. The solutions are more likely to lead to changes in governments when negotiated in dialogue between citizens and their government.³¹

Time: Donors should also focus more on long-term outcomes, rather than on delivering short-term outputs. Institutional change takes time. When donors' success is measured in inputs and short-term outputs, policies may fail to reward a sustained effort for institutional change.³² In Afghanistan, for example, the significant improvements in maternal mortality rates were made with more than a decade of international support. Institutional reform can take years of trial and error. For citizens to be successful, they need support for the long haul.

Transparency: Often, local stakeholders and donor country stakeholders have different data needs and priorities. However, stakeholders in a locally driven approach can only have the power to identify problems, come up with solutions, and monitor progress if there is transparent information and clear data on how officials are improving.³³ Thus, donors need to ensure that they are providing the data that local stakeholders need, in the manner that is most useful to them.

CORRUPTION STORY: LIBERIA

Alfred Jomo Sirleaf's story highlights how local leaders can find innovative ways to empower citizens to fight corruption. Sirleaf is the author of *The Daily Talk*, an innovative media source that has more readers than Liberia's most popular website. But unlike most forms of media, *The Daily Talk* is simply a chalkboard on a shack at one of the busiest intersections in Liberia's capital, sharing the most important news of the day. Despite having very limited, inconsistent funding, *The Daily Talk* staff of four regularly checks in via text with their "eyes and ears" correspondents, more than 200 volunteer citizen journalists across all 15 of Liberia's counties. Every day, they scour more than a dozen newspapers, radio reports, international media, and government websites. Sirleaf then decides which stories and headlines will appear on the shack's "front page," and writes them up with weatherproof chalk in the small, dark newsroom behind the rotating blackboard.

In addition to the news on the chalkboard, Sirleaf devised a system of symbols to help nonreaders understand the important news of the day. For example, a blue helmet lets

readers know the story is about UN peacekeepers, while a hanging broom as a symbol of "cleaning house" indicates a story about corruption or embezzlement.

This small operation may have proved crucial during the Ebola crisis. Liberia's Nobel Prize-winning President Ellen Sirleaf Johnson (no close relation to *The Daily Talk* founder) passes by the shack everyday on her way to Liberia's Ministry of Foreign Affairs.

When the Ebola crisis started making the news and misinformation proliferated, sources like the *Daily Talk* provided lifesaving, accurate information and became a vehicle for accountability and improved governance.

The Daily Talk's Sirleaf claims that the chalkboard coverage of the government's response to Ebola moved Liberia to take more active measures, constructing emergency treatment units around the country and supporting other preventative services. "I think the scorecard of the *The Daily Talk* prompted action [on Ebola] by the government, as it was seen worldwide. We exposed government weaknesses," Sirleaf explains.

During the Ebola crisis, news has become a matter of life and death. Alfred Jomo Sirleaf has been on a personal mission to provide free news on local, national, and international issues to his fellow Liberians since he founded *The Daily Talk* in 2000. Every morning, Sirleaf checks in via text with "eyes and ears" correspondents, over 200 volunteer citizen journalists, across all 15 of Liberia's counties. After also scouring national and international media, Sirleaf decides which three to four stories will appear on the *The Daily Talk's* chalkboard "front page" mounted on a shack at one of Monrovia's busiest intersections. Sirleaf writes in Liberian English, a pidgin or vernacular that is readily understandable to people, and tapes up photos he has printed out at the nearby Internet café to illustrate stories. "I started in April ... covering Ebola when it was still at the border, near Guinea," says Sirleaf. "I was scoring the government on its health care facilities, response to the epidemic, communications to the public, lack of preventative systems, etc." Sirleaf's work—before, during, and after Ebola—is fueling active citizenship so that people are able to turn to politics and debate, rather than armed conflict, in the face of adversity.



Ebola Finally In Town!
-MOF, Parts of Mon. Hit
-Ellen Declares War

Ebola vs Gov't.

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People like Alfred Sirleaf are standing up for accountability in Liberia, making demands of government, and getting results. AP Photo / Jonathan Paye-Layleh

HOW INTERNATIONAL AID OFTEN FAILS TO SUPPORT LOCALLY DRIVEN ACTORS IN THEIR FIGHT AGAINST CORRUPTION

Policymakers in donor countries are rightly concerned with corruption in the countries where aid funding flows. To this day, donors have invested nearly \$100 million per year in the fight against corruption.³⁵ And yet indicators show that few countries have made measurable progress in controlling corruption at the national level.³⁶ The problem lies, in part, with the emphasis international donors have placed on fighting corruption with technical fixes, rather than unlocking the complex political and social underpinnings of systemic corruption.³⁷ Donor-supported mechanisms of accountability have rarely translated into greater accountability in practice.

For example, donors have spent millions on helping partner countries to establish and strengthen anti-corruption units within national governments. Each of the 30 countries Oxfam examined had an anti-corruption unit. Yet 15 of those countries had less control over corruption, five saw negligible improvements, and the remaining 10 had no change.³⁸ Anti-corruption units are one type of institution in the broader donor-driven reform efforts, but like other reforms, anti-corruption units may be co-opted by the executive, may be underresourced, or may lack the independence and power to operate effectively.³⁹

Direct anti-corruption efforts are not the only type of donor-driven governance reform to fix weak government systems. Many “indirect” anti-corruption efforts, such as public financial management reform, achieved lackluster results toward increased accountability. Nearly 85 percent of a 31-country sample of African donor-driven public financial management reforms didn’t improve the country’s ability to deliver finances to local services.⁴⁰

Anti-corruption units and public financial management systems are not alone in the array of typical donor-driven governance reforms. Supreme audit institutions, anti-

corruption laws, civil service reform, and ombudspersons are a few other types of anti-corruption and governance efforts that have had a disappointing impact on corruption.⁴¹

Direct and indirect donor-driven reforms are often insufficient to reduce corruption because they were created outside the context in which they were intended. Donors often supported anti-corruption efforts by exporting mechanisms of accountability,⁴² modeled after similar Western institutions, which treated the lack of effective governance as a simple “technical fix.”

The fault lies in a dual phenomenon. First, these donor-driven anti-corruption solutions were based on a fundamental misunderstanding of the causes of corruption. Second, these donor-driven anti-corruption solutions were often used to shield donors from financial risk—rather than for improving governance in the partner country.

MISUNDERSTANDING CORRUPTION

Many donors believe that corruption is caused by a lack of formal procedure and technical ability in governments, such as loopholes in the laws, missing oversight institutions, broken processes, and overall lack of knowledge of “how to govern like developed countries.”⁴³ And so, donors invest in the construction of independent anti-corruption agencies, independent court systems, public financial management reform, wage increases for public officials, and the passing of laws and regulations encouraging democratic processes and a free press.

In reality, donor-driven anti-corruption efforts often ignore the context in their partner countries, especially the political and social drivers of corruption. Traditional approaches may have worked on paper, but in practice, anti-corruption units, or even anti-corruption laws were simply window dressing and

were inadequate to change an official’s behavior. Imagine, for example, a parliament passes a law to strengthen a government’s ability to investigate and prosecute any official accused of corrupt acts. On paper, the law seems strong. But for the law to be effective, the government must provide resources to help implement the law, and the police force must be willing and able to investigate and arrest suspects. When there’s a gap between what exists on paper and what occurs in practice, corrupt officials aren’t likely to stop their illegal behavior because they probably won’t face any punitive actions. As Matt Andrews from the Harvard Kennedy School states, traditional institutional development approaches are like putting ‘a square peg in a round hole.’⁴⁴ The reforms put in place simply weren’t enough to elicit the broad-based behavior changes needed to fight corruption, or they were met with practical/political challenges from a corrupt elite.

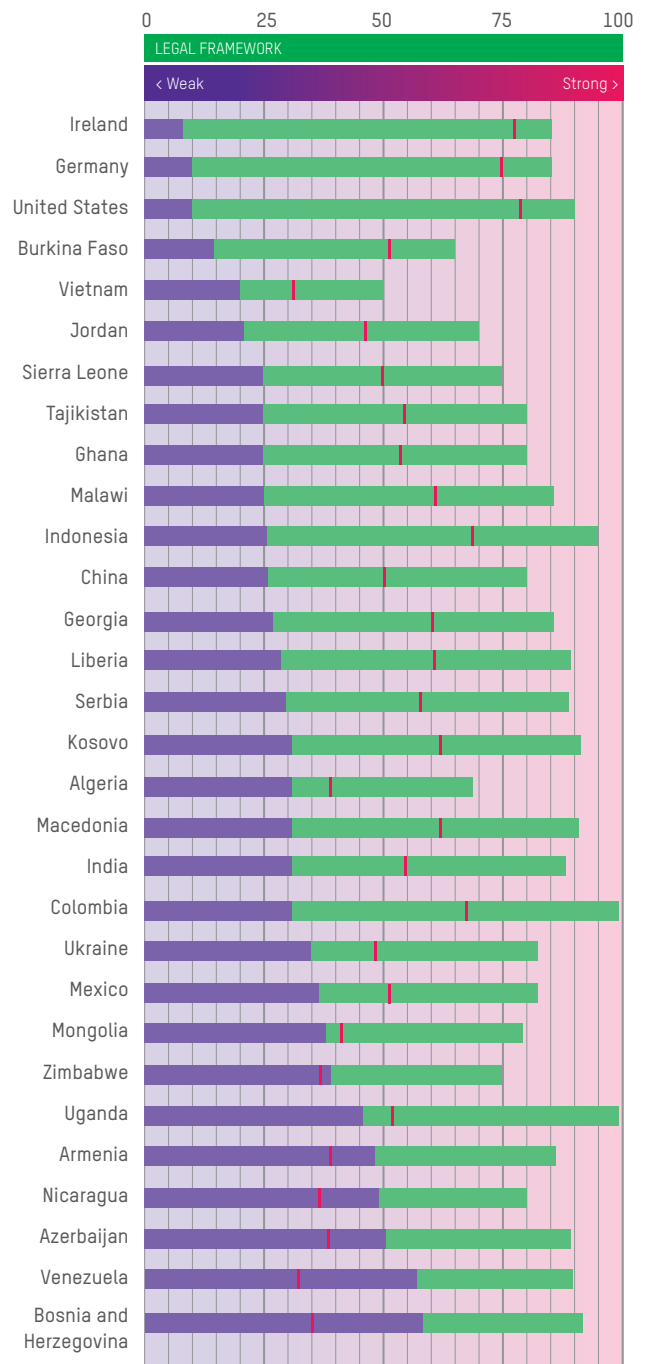
Governments are heterogeneous in their makeup, and clear boundaries exist between champions of reform and government officials who benefit from the corrupt status quo.⁴⁵ Many times, officials leading reforms have failed to influence the behavior of officials outside their immediate sphere of influence. In some cases, parliamentarians who put in place practical anti-corruption laws in good faith couldn’t persuade local police officials to implement those laws.

For example, officials who work in the rather successful Indonesian anti-corruption unit, the KPK, are continually defending their independence from the executive branch of government.⁴⁶ When it comes to implementing a more transparent and clean public financial management system, ministry of finance officials in many African countries find it hard to work collaboratively with finance officials in other ministries, limiting the ability to fully implement government budgets.⁴⁷

Others found the reforms and changing how people worked too difficult to take on because the new systems were simply an unfamiliar way to do business. For example, when new financial management systems were put in place in Ghana, Ghanaian administrators at the village level were slow to adopt the new system. It proved very different from the older budget and expenditure tracking process they knew and understood.⁴⁸

The implementation gap measured by Global Integrity,⁴⁹ a governance and anti-corruption organization, is one of the most compelling pieces of evidence demonstrating the mismatch between anti-corruption on paper and in practice. Based on local surveys and expert analysis, the implementation gap refers to “the difference between the country’s legal framework for good governance and anti-corruption and the actual implementation or enforcement of that same legal framework.”⁵⁰ For example, a country could score high on the legal framework if it has an established anti-corruption unit, but the same country may simultaneously score low if the anti-corruption unit lacks independence, is not given enough resources, or fails to follow through on

FIGURE 2. IMPLEMENTATION GAP



Implementation gap = Legal framework score minus actual implementation score

KEY

- Implementation gap
- Legal framework score
- Implementation score

Source: Data from Global Integrity. Visit www.globalintegrity.org/report.

investigating and prosecuting officials accused of corruption.⁵¹ The gap demonstrates how a country like Uganda can have a stronger anti-corruption legal framework, even when compared to the US, yet still rank 143 of 182 countries in the level of perceived corruption.⁵²

DOES STOPPING AID STOP CORRUPTION?

Despite the reality of this implementation gap, donors continue to coerce partner countries into adopting superficial reforms by cutting aid or threatening to do so.⁵³ Donors are often satisfied when their partner governments implement reform efforts on paper rather than in practice because cutting off aid may help send a signal to a donor's domestic audience that donor policymakers are protecting tax money from being stolen. There is no evidence that stopping aid or threatening to stop aid to a country with deteriorating governance has a long-term effect on reducing corruption in the partner country, nor in building domestic accountability.⁵⁴

Even when partner countries met donor conditions, often the changes pushed by donors to combat corruption had only short-term success. The political elite often made policy changes that signaled a commitment to reform so donors would turn the aid spigot back on.⁵⁵ Although very little systematic research evaluating changes in governance resulting from a donor's exit from a country because of a deteriorating corruption environment exists, a few recent studies looked at cases from Uganda,⁵⁶ Afghanistan,⁵⁷ Indonesia,⁵⁸ Mozambique,⁵⁹ Tanzania,⁶⁰ Zambia,⁶¹ Malawi,⁶² and Eritrea. In each of these cases, aid stoppage led to limited, temporary effects but failed to lead to changes that halted corruption.⁶³ Often, the aid cuts disproportionately hurt people living in poverty, rather than corrupt elites.

For example, when Denmark cut off aid to Malawi in the late 2000s, nearly 40 percent of the agricultural budget was impacted, halting support to Malawian farmers across the country.⁶⁴ And cutting aid in highly dependent countries could have had devastating effects on people dependent on services provided by aid. In fact, Afghanistan's aid dependency rate (at the time of the incident) was 35.7 and 26.2 for Mozambique,⁶⁵ signifying that many of the services provided to people living in poverty were supported by donor funds.

The US government's Millennium Challenge Corporation (MCC) has a demonstrated record of collaborating with partner governments to encourage improvements in governance and accountability. However, in the case of Malawi, the MCC's efforts to use its compact there to curb corruption shows that sometimes well-intentioned

donor efforts can deliver short-term success, but only negligible long-term change. In April 2011, the MCC and the government of Malawi signed a \$350 million compact focused on revitalizing the country's power sector. The MCC requires its partners to maintain a commitment to good governance throughout the implementation period of the compact.⁶⁶ Yet, in the spring of 2012, MCC leadership suspended the compact in Malawi and demanded a number of reforms, including governance reforms.

Before the suspension in early 2012, clear indications emerged that the commitment of President Bingu Wa Mutharika's government to good democratic and economic governance had waned. Among these indicators were a deterioration of human rights, the criminalization of homosexuality, warrantless arrests of the opposing party and human rights advocates, shoot-to-kill authorizations, restrictions on media, and a spike in rumors and accusations of corrupt activity.⁶⁷ In addition, failure to improve economic policies by adhering to IMF recommendations to devalue the local currency put severe constraints on the market, jeopardizing the MCC's compact investments at risk.⁶⁸ As a result, the compact was put on hold in January 2012 and officially suspended in March with the intention to vote on cancellation of the project in June.

The situation in Malawi changed dramatically when President Mutharika unexpectedly died of a heart attack in April 2012 and his vice president, Joyce Banda, peacefully transitioned into the role of president days later. President Banda moved quickly to enact bold reforms, overturning repressive policies of the past administration, such as allowing for a free press, committing to improve LGBT rights, and investigating corruption and rights abuse cases against journalists and civil society leaders. Banda also devalued the currency to the IMF-recommended level, increasing the flow of foreign exchange into the country and ending a yearlong fuel supply problem. These reforms demonstrated a commitment to democratic governance and economic policies, which led to the MCC Compact being reinstated in July 2012, a mere 100 days into the president's time in office.

Yet, in the autumn of 2013, local media uncovered the "Cashgate" scandal. With a loss of \$250 million, Cashgate is considered the biggest corruption scandal in Malawi's history.⁶⁹ So how did this happen, after Banda made it her political mission to move the country beyond corruption? Reforms had a positive, short-term result, but did not lead to long-term changes in the behavior of officials. As an epilogue, in May 2014, corruption was a major presidential election issue. Based on the previous years' events, Malawians overwhelming voted out Banda to elect the brother of the late Mutharika.

BOX 2. HOW MUCH SHOULD DONORS RELY ON INTERNATIONAL CORRUPTION INDICATORS?

International corruption indicators often give a blurred view of a country's achievements toward governance reform. Owing to its nature as a hidden activity, corruption is intrinsically difficult to detect and measure. As a consequence, international corruption indicators often give a misleading view of a country's achievements toward governance reform, especially governance related to the delivery of services to people living in poverty. As a result, international corruption indexes, including the World Bank's World Governance Indicators on the control of corruption,⁷⁰ Transparency International's (TI's) Corruption Perception Index,⁷¹ and TI's Global Corruption Barometer,⁷² rely on perceptions of corruption.⁷³ However, perceptions can be misleading because a number of behavioral and cultural factors could determine how one perceives corruption. Additionally, the source surveys are biased toward professional elites over people living in poverty, especially women.⁷⁴

A key recommendation in USAID's recent *Analysis of USAID Anti-Corruption Programming Worldwide* (2007–2013) is to avoid global perceptions-based indexes as indicators of success.⁷⁵ MCC threshold projects (intended to improve aspects of a country's governance to help those countries qualify for an MCC compact) stopped using national-level corruption indicators and now rely on indicators of corruption in transactions directly related to the project.⁷⁶ And recently, the Center for Global Development has encouraged the MCC to drop the use of the control of corruption indicator as a precondition for a compact on similar grounds.⁷⁷

Donors should use caution when employing these perception measures in planning their investments. In particular, donors should avoid relying on perception indexes for measuring the anti-corruption effect of aid projects and risks associated with broader aid investments.

MISUNDERSTANDING RISK

Risk is inherent in any investment, but it is of particular concern with development investments, which take place in areas that lack strong infrastructure and sophisticated financial controls. Because risk cannot be avoided, it is important for donors to have thoughtful strategies to weigh and manage the array of risks they face. However, the same approaches donors use to control fiduciary risk often neglect—and leave donor investments more vulnerable to—programmatic or reputational risk.

Case in point: Donor-driven anti-corruption efforts are still the default approach, despite the fact that these efforts have had limited success. These solutions were perpetuated to avoid fiduciary risk. Like many aid policies, donor policies are usually shaped by domestic political considerations. Donors often adopted traditional anti-corruption approaches rather than take a more politically astute approach because getting involved in local politics introduces additional risk. This practice often results in white elephant projects where donors can account for each dollar spent, but fail to deliver lasting improvements in people's lives.

HOW THE US GOVERNMENT IS HELD BACK FROM SUPPORTING LOCAL EFFORTS AGAINST CORRUPTION

While experience shows that donor aid can be a useful tool to scale up citizen efforts, citizens around the world aren't waiting for donors to act. Locally driven anti-corruption efforts are happening all the time, even if the US, like many other donors, faces obstacles in providing the kind of support local leaders need. From the Philippines comes one story of how local activists worked with governments to fight corruption, even in a corrupt context.

CORRUPTION STORY: PHILIPPINES

Since the scandal-filled days of President Ferdinand Marcos, the Philippines has struggled to overcome the scourge of corruption and today ranks at 139 of 180 countries on the Transparency International Corruption Perceptions Index. Similarly, the education sector suffered major institutional challenges in providing the country's children with a high-quality education. However, the Philippines education sector is now a great example of how civil society activism and oversight combined with willing and effective government leadership worked to correct massive leakages in the delivery of textbooks across the country.

In 2002, a small civil society organization, G-Watch, led a consortium of civil society groups to monitor the delivery of textbooks. At the same time, high-level officials in the Ministry of Education began a program to improve transparency and accountability around textbook delivery. The two entities worked hand in hand to monitor the delivery of textbooks around the country.⁷⁸ While rocky at first, the small group learned from failed attempts at reform and was able to meet new challenges. In the first few years, the effort saved the government more than \$4 million⁷⁹ in losses and brought the price of each book down by 40 percent.⁸⁰ The private sector jumped on board as well. In the Philippines, for example, Coca-Cola lent its extensive network of delivery trucks to help get textbooks to hard-to-reach schools.⁸¹

The textbook monitoring program was just the beginning of the relationship between the Ministry of Education and civil society groups. Today, civil society groups are formalized into the Ministry of Education processes, ranging from school construction to monitoring education control.⁸² The Ministry proudly holds up its rank as one of the least corrupt institutions in the country.⁸³

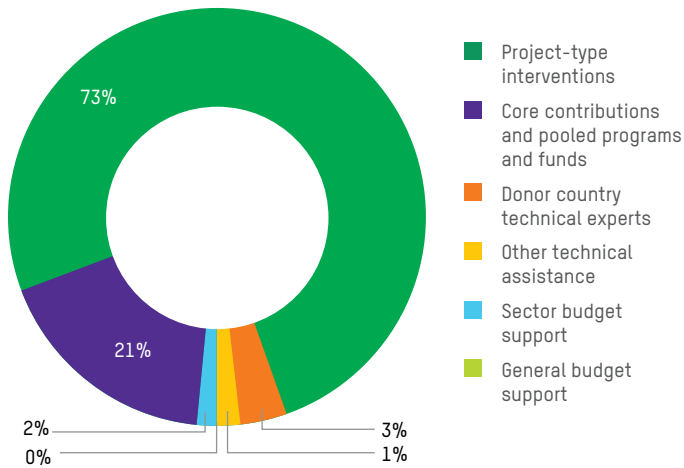
Like many other bilateral and multilateral donors, the US has committed to a locally driven approach by shifting ownership⁸⁴ of development assistance toward countries and their citizens⁸⁵ (Box 3). But in practice, the US is constrained from taking on new approaches that address, rather than avoid, the political and contextual realities in aid practices. Domestic political considerations limit the ability of the US to help citizens fight corruption in their countries. And by default, the US tends to push technocratic solutions. A recent review of USAID's direct anti-corruption programming told a familiar story about the lackluster results that typically occur when donors apply an overly technical approach to fighting corruption:

USAID's explicit (or direct) anti-corruption programming between 2007 and 2013 was largely focused on a pragmatic approach of supporting established independent agencies and helping them develop and implement policies, procedures, and systems to enhance government accountability and control corruption.⁸⁶

The evaluation uncovered a familiar finding:

Experience showed that although there were some successes working with such independent agencies, it was not always an easy task. Governmental institutions were often reluctant, lacking in commitment, or unsure of how they wanted to approach corruption. This resulted in some push-back and delays in implementing donor-assisted programs.⁸⁷

FIGURE 3. US ODA PROFILE, 2012



Source: OECD-DAC calculations based on OECD CRS database.

Donors must take a less restrictive approach and adjust aid policies that support locally driven change. Donors should avoid focusing on short-term results; instead, they should choose aid mechanisms that empower local leadership and support context-specific approaches.

WASHINGTON-CONTROLLED VERSUS LOCALLY DRIVEN AID

The US Congress is rightly concerned about protecting every tax dollar invested in aid. But in response to corruption, Congress tries to control aid, limiting innovation in the fight against corruption. Not unlike other country donors, US aid policy is shaped by domestic US political considerations. And when aid and corruption are discussed in domestic public debates, aid skepticism increases.⁹¹

When aid skepticism is high, the constituency in support of foreign aid shrinks, and Congress is happy to cut foreign assistance as a signal to Congress members' constituents commitment to fiscal accountability. In turn, US development agencies are under increased pressure to demonstrate the short-term value of US foreign investments.⁹² The result is risk-averse development agencies.⁹³

Control from Washington ends up having destructive effects on the ability of the US to support locally driven leaders in their fight against corruption.

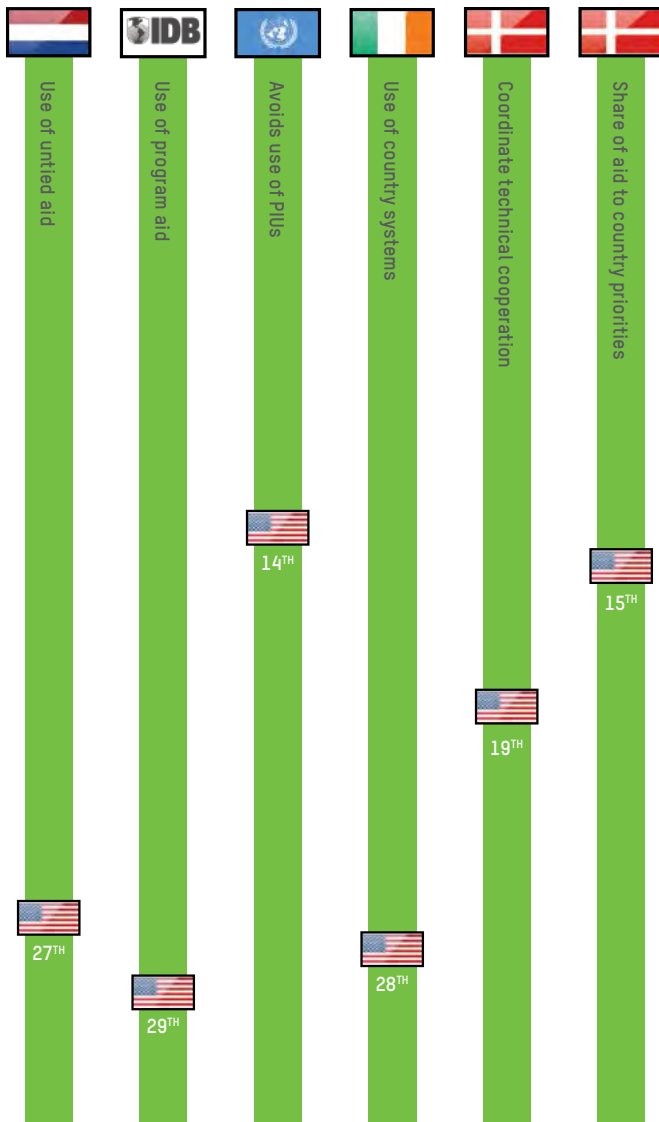
BOX 3. OWNERSHIP, A CRITICAL ELEMENT IN US DEVELOPMENT POLICIES

On paper, US development policies highlight the importance of a locally driven development approach. But in practice, US foreign assistance often falls short of expectations.

Presidential policy directive: This document states that it "underscores the importance of country ownership and responsibility," continuing: "Where our partners set in place systems that reflect high standards of transparency, good governance, and accountability, the United States will: Respond directly to country priorities, making new investments in line with established national strategies and country development plans based on broad consultation. Empower responsible governments to drive development and sustain outcomes by working through national institutions rather than around them."⁸⁸

USAID's recently released "Strategy on Democracy, Human Rights, and Governance": This document states that USAID "prioritizes initiatives to foster greater accountability, promote citizen participation and inclusion, and enhance the integration of these democracy, rights and governance (DRG) principles and practices throughout USAID's portfolio. The policy recognizes that integrating these concepts into all USAID work is critical to achieving successful development outcomes. A key objective underpinning this approach is the intent to "support long-term work of developing accountable and transparent institutions, including expanding anti-corruption efforts needed for democratic consolidation, to arrest backsliding in developing democracies, and to promote broad-based growth."⁸⁹

USAID's Gender Equality and Female Empowerment Policy: One of the key outcomes of the policy is to "increase [the] capability of women and girls to realize their rights, determine their life outcomes, and influence decisionmaking in households, communities, and societies."⁹⁰



BOX 4. US ASSISTANCE DOESN'T RANK WELL ON MEASURES OF INSTITUTIONAL DEVELOPMENT

Within the context of the Paris Declaration and Accra Agenda for Action,¹⁰¹ donors agreed to set a standard to shift ownership of development programs to the country level. The Quality of Aid¹⁰² data measures the major bilateral and multilateral donor practice against established aid quality standards. When ranked on how well the US supports institutional development, the US government doesn't fare so well.

Not Local: A locally driven approach needs to respond to local context. However, it is Congress that earmarks funds. In essence, Congress is deciding a country's priorities from thousands of miles away. This practice limits the ability of aid officials to support locally defined priorities.

- In 2012, one USAID mission official in Malawi expressed his frustration and confusion at this situation: "We have 0 percent discretionary funding, five presidential initiatives, and a Congressional earmark for basic education. Against that backdrop, how do we take into account [local] stakeholders?"

Lacks flexibility and inhibits innovation: A locally driven approach needs to respond to a constantly changing system and become innovative in its responses to emerging issues and challenges. Yet, proving the value for money of aid to domestic voters creates the temptation for donors to prioritize results that they can count in the short term, but that will count less to people suffering from poverty in the long term. When it comes to governance, donors will push technical solutions, because they're simply easier to measure.⁹⁴

- As former USAID Administrator Andrew Natsios wrote, "Among other things, the complex and elaborate bureaucratic procedures and reporting requirements—presumably to avoid wastefulness and corruption and enhance upward accountability—can dampen innovation and eventually, enhanced effectiveness."⁹⁵

Avoids engaging local systems:⁹⁶ A locally driven approach needs to change the fundamental relationship with partners from "control" to "autonomy." To accomplish this goal, the US needs more aid mechanisms that directly encourage and support leadership in communities and governments.

- In 2013, only 19.7 percent of USAID funds were given directly to local entities, including governments, civil society, and the private sector.⁹⁷ Unquestionably, US-based organizations and contractors provide lifesaving services and come with decades of experience in development. However, bypassing domestic institutions simply treats the symptoms of weak governments while failing to grapple with the root cause of corruption.⁹⁸

Weakens local accountability: A locally driven approach requires local leaders to identify and find solutions based on their ability to hold local service providers accountable. "Projectizing" aid takes both discretion and accountability away from local leaders, undermining their devotion to the success of the investment as well as neglecting their agency and expertise. Providing services directly, without engaging local power holders, undermines local governance.

- Nearly 75 percent of US foreign assistance is given through projects, mostly implemented by US-based, for-profit contractors or through US-based nongovernmental organizations.⁹⁹ "Projectizing" aid is one way to protect US assistance against fraud. But the approach skews accountability away from local stakeholders, creating challenges in their efforts to demand accountability on a consistent basis.¹⁰⁰

THE US IS STILL CONSTRAINED, DESPITE HAVING APPROPRIATE SAFEGUARDS IN PLACE

Donor anti-corruption strategies often include a policy of zero tolerance towards corruption. In practice, donor officials often interpret this as zero-tolerance for any risk of corruption.¹⁰³ Under a zero tolerance policy, any accusation of corruption is processed to the full extent of a donor's ability. These internal measures are usually framed around

an accepted anti-corruption policy or anti-corruption handbook, and establish the guidelines and processes to prevent, detect, investigate, and sanction corrupt activities in donor programs.¹⁰⁴

Although no studies measuring the effect of a donor anti-corruption policy on decreases in aid-related instances of corruption have been undertaken, practitioners worry that pressure to remain beholden to fiduciary controls comes at the expense of choosing aid approaches that may be better for achieving long-term developmental outcomes.¹⁰⁵

BOX 5. HOW USAID'S LOCAL SOLUTIONS INITIATIVE CAN HELP CITIZENS FIGHT CORRUPTION

USAID leaders believe they can achieve more sustainable results if US assistance supports and strengthens the local actors who are ultimately responsible for transforming their own countries. To that end, in 2011 USAID introduced the Local Solutions initiative, which is designed to address a number of typical donor constraints to supporting locally led development. Local Solutions seeks to award more of USAID's funds directly to local partners in developing countries. In recognition that the current aid business model is far too dependent on US-based organizations, the initiative intends to "strengthen partner country capacity to implement programs, enhance and promote country ownership, and increase sustainability." In 2010, only 9.7 percent of USAID funds were provided directly to local entities. Today, that amount is 19.7 percent. By 2015, USAID hopes to increase that amount to 30 percent.

HOW DOES LOCAL SOLUTIONS HELP CITIZENS FIGHT CORRUPTION?

The increase in direct partnerships has the potential to improve US support of locally driven anti-corruption fights. Understanding the risks in direct partnerships, officials at USAID put additional measures in place to mitigate risk and identify opportunities to directly partner with local change agents. The Local Solutions initiative also prompted USAID to reflect deeply on how to better

understand countries, including their political realities, power dynamics, and incentive structures. This reflection can help USAID tailor interventions to most effectively work in local contexts.

These include:

- **Local Systems Framework:** This USAID framework outlines the framework for USAID's work within local systems. It "transforms the way the agency does business by defining clear and practical steps toward realizing a vision of development that is locally owned, locally led, and locally sustained."¹⁰⁶
- **Political economic analyses:** A specialized type of analysis to help development officials understand the incentives and constraints in a development intervention, this analysis establishes that it is critical to consider incentives when working with local actors and influencing governance reforms.¹⁰⁷

The Local Solutions initiative still has weaknesses. For instance, a recent US Government Accountability Office (GAO) report¹⁰⁸ recommended that the Local Solutions' indicators could be improved to reflect a more qualitative approach to measuring the impact of Local Solutions on development outcomes. Despite its limitations, however, Local Solutions brings the US government closer to adopting foreign assistance tools that work with, rather than avoid, local actors.

Box 5 continued on p. 22

BOX 5. CONTINUED

When originally introduced, Local Solutions was met with both accolades and skepticism. Some, including Oxfam, hailed the initiative as an important step toward empowering local leaders and fostering domestic accountability.¹⁰⁹ Others, led by for-profit USAID contractors (which are the largest entities funded by USAID), expressed anxiety over potential risks involved in working with local partners, who might lack the capacity to manage US funds appropriately, and in recouping these funds if non-US based entities engaged in theft or other corrupt practices.¹¹⁰ So how much do these critiques hold water?

ANSWERING THREE IMPORTANT QUESTIONS ABOUT LOCAL SOLUTIONS

1) Can the US deliver effective, sustainable development without localization?¹¹¹

No. Studies have shown that delivering effective, sustainable development is a complex process that requires a variety of context-specific tools—not a zero-sum game where only one approach can win. Localizing aid can achieve better results when circumstances require varied aid mechanisms. The US needs more tools to take on the complex challenges presented by development in the 21st century. Localization is a powerful tool in this arsenal, one that is underutilized because of pressure to guarantee a predetermined outcome, without losing a single US dollar.¹¹²

2) Does localizing aid put US assistance more at risk than working through US-based intermediaries?

No. While there are always risks when conducting development programs, including when US-based intermediaries are the primary channels for aid, the risks of localization have largely been overstated. Evidence has not shown that local entities pose any greater risk to US funds than US-based entities, even in countries and contexts that are the most fragile. While local entities may have less experience managing US government funding, recent studies have suggested that it may be riskier to avoid local entities than to engage them directly.¹¹³ The risks of not achieving outcomes outweigh the fiduciary risks involved with providing funds directly to local actors.

Just as it has developed tools specific to managing fiduciary risk posed by US-based intermediaries, USAID also has developed approaches to help assess and mitigate fiduciary risk when working with local partners. These approaches include the following:

- **Public Financial Management Rapid Assessment Framework (PFMRAF):** PFMRAF is a USAID assessment that identifies challenges and opportunities of working with government systems, including the potential for fostering domestic accountability, risks posed by working with government systems, and opportunities for building their capacity.¹¹⁴
- **ADS 220:** ADS 220 is an updated internal guidance note providing clarity on the trade-offs and benefits of direct partner funding, including the “Use and Strengthening of Reliable Partner Government Systems for Implementation of Direct Assistance.”¹¹⁵
- **Anti-Corruption Handbook:** This handbook is a set of instructions for USAID officials to use to identify and set up procedures for addressing corruption in agency projects and in partner countries.¹¹⁶
- **Framework for Integrated Risk Management (soon to be released):** This framework is a USAID product created according to the Local Systems Framework, which instructs decisionmakers to consider a broad range of risks (including fiduciary, reputational, contextual, and programmatic) at key decision points.
- **FARA:** the US can also use Fixed-Amount Reimbursement Agreements (FARA), which are essentially pay-for-performance arrangements. Under these agreements, the partner country fronts the costs for the delivery of infrastructure or services, and the US reimburses the central government upon delivery of outcomes on a per-cost basis.¹¹⁷
- **SBS:** The US can also provide funds as Sector Budget Support (SBS), meaning the funds can be used in a specific sector, such as health or agriculture, rather than budget support, which provides more money directly into the national treasury and allows the US to focus collaboration on governance and accountability issues within the sector.¹¹⁸

These checks, assessments, and limiting financial instruments act as safeguards and exist in concert with a host of legal and nonlegal oversight mechanisms described below that ensure accountability over US funds to non-US entities. Together, they provide a strong set of guards against the misuse of funds, ensuring that both local and international entities are held to the same high standards of accountability.

3) Does the US have recourse against non-US-based intermediaries in case corruption occurs?

Yes. The number of nonlegal safeguards in place to recoup US funding from non-US entities is significant, including audits, investigations, termination, reporting of suspected fraud or misuse by local entities and rescinding of funds, as well as the legal option to file suits against non-US partners in US courts under the False Claims Act. In fact, the USAID Office of the Inspector General issues a semiannual report to Congress that summarizes all the actions taken against partners, including both local and nonlocal implementing partners.

When action is required against a foreign government, the legal ability of the US government to sanction a partner depends on how the aid is characterized. If it's commercial, the US can file a claim, as those activities would be exempt from the Foreign Sovereign Immunity Act. There have been times when donor countries attempted to recover assets that were stolen and held outside of the partner government. These cases are harder to pursue, but there has been success.¹¹⁹

WHY FOCUSING ON DEVELOPMENTAL OUTCOMES MIGHT BE BETTER THAN OVERTLY TRYING TO CONTROL US ASSISTANCE: HEALTH CARE IN AFGHANISTAN

The US government typically does not provide a high proportion of funds through partner government systems because US officials fear corruption. But if aid was judged primarily on outcomes and not the perceived risk of corruption, the results might change a few minds. For years,

donors, including the US, directly funded the treasury of the Ministry of Health in Afghanistan to help the institution implement its plans to provide basic health services to more Afghans.¹²⁰ And, from the standpoint of measuring US investment, the results were outstanding. From 2002 to 2012, life expectancy rose by 20 years and infant mortality rates were reduced by nearly 100,000 per year.¹²¹

The dramatic changes in outcomes are due, in part, because donors were able to empower champions of reform inside the Ministry of Health. The commitment to health care in Afghanistan is strong among many officials inside the Ministry, but Dr. Suraya Dalil, the former minister of health, epitomizes this commitment. Dalil returned to Afghanistan after spending years in international organizations. In Afghanistan, one of her achievements was to give communities a sense of ownership over government funds as a way to ensure accountability.¹²²

But locally driven efforts like Dalil's are constantly threatened by donors and within her own government. Despite incredible developmental success, and no specific evidence of corrupt activities, a Special Investigator General for Afghanistan Reconstruction (SIGAR) report reviewed the Ministry of Health's financial systems, found them to be too risky, and suggested cutting the US direct support.¹²³ And US policymakers may act accordingly. The risks of basing policy on the fear of potential corruption may divert policymakers from funding government systems directly—even when those systems have a record of delivering real results.

In situations like Afghanistan, the US often tries to avoid risk by depending on US-based intermediaries. Reports of corruption and fraud in Afghanistan's reconstruction highlight the lack of oversight of the billions in US reconstruction funds¹²⁴ lost in myriad subcontracts that fall beyond US fiduciary oversight of even US-based implementing partners.¹²⁵ Depending on US-based intermediaries may not be as risk-free as initially thought. Just this year, the US barred International Relief and Development (IRD), one of USAID's biggest US-based implementing partners in Afghanistan, because of fraud accusations.¹²⁶

HOW THE US CAN DO MORE TO SUPPORT LOCALLY DRIVEN EFFORTS TO FIGHT CORRUPTION

The US can do more to support a locally driven fight against corruption. People deserve a chance to hold their governments to account. US foreign assistance can help ensure this. The US government can deliver aid in ways that empower people to strengthen local systems and bring about long-term changes. Even in environments riddled with corruption, the right mix of US foreign policy tools can help the US to balance risk management with providing assistance to people in need.

In our stories, the people won the fight against corruption when citizens demanded accountability from their governments. Citizens are an untapped resource in the fight against corruption. A number of recent surveys note that citizens in 26 countries recognize corruption as the most important problem facing the world today.¹²⁷ Optimistically, nearly 67 percent of respondents to the Transparency International Global Corruption Barometer thought ordinary people can make a difference in the fight against corruption.¹²⁸

Oxfam argues that aid can be most effective and reduce corruption when it strengthens the engagement of citizens with their own state. The US must take a less restrictive approach and adjust aid policies that support locally driven change. By shifting aid from institution building and top-down technical advice toward local partners working on the front lines of improving governance, the US can invest in anti-corruption approaches that have the function, not just the form, of improving governance and accountability.

RECOMMENDATIONS FOR US GOVERNMENT POLICYMAKERS

- The US government needs to find more opportunities to invest directly in the strength of accountable local systems in government and civil society. Multiple US government instruments (including FARAs, PFMRAF, and PEAs) exist to enable the US to invest directly in these systems while protecting US taxpayer dollars from unnecessary risk.
- The US government should place more emphasis on 1) identifying local actors inside and outside partner governments who are leading the fight for more accountable governance, and then on 2) actively investing in their success. Expanding the use of political economy analysis can help US government professionals better understand the networks and relationships that permit corruption, and determine which relationships and coalitions could strengthen accountability with greater donor support.
- USAID's Local Solutions initiative has committed the agency to increase the share of its worldwide portfolio going directly to local partners to 30 percent by the end of 2015. USAID should ensure it achieves this goal, and other US agencies, including the State Department and Millennium Challenge Corporation, should seek to develop their own methods to increase direct investment in local systems while avoiding unnecessary risk.

- The US government needs procurement tools that permit greater flexibility in choosing partners and defining deliverables.
- The US Congress should provide greater flexibility from earmarks that prevent the investment of adequate resources in supporting accountability and good governance. Likewise, the executive branch should permit flexibility within presidential initiatives. The investment of earmarked funds in strengthening accountability could support better outcomes across the US government's entire aid portfolio in a country.
- The US government should take a longer view of building accountability. The US should avoid letting its engagement strategy in countries be driven by specific scandals; rather, US policy should reflect a deeper analysis of the opportunities to strengthen accountable governance. As noted earlier, short-term reactive approaches to scandal often only produce superficial changes in partner countries. Instead, US strategy should be driven by longer-term opportunities for strengthening accountability.
- The US should redouble its efforts to meet commitments to publish timely, comprehensive, comparable, and accessible data on US aid investments by the end of 2015, per its previous commitments to comply with the International Aid Transparency Initiative.
- The US should invest more in the capacity of partner country governments and civil society to collect, manage, analyze, and publish more of their own data on development investments.
- USAID should develop qualitative indicators around the Local Solutions initiative to measure the impact of Local Solutions on development outcomes, especially as a way to capture best practices within a locally driven approach.

NOTES

- 1 This popular definition is credited to Robert Klitgaard.
- 2 We recognize that using this definition of corruption limits our discussion to the consequential effects of corruption without acknowledging literature that questions whether corruption is bad at all for growth or institution building.
- 3 Joel S. Hellman, Geraint Jones, and Daniel Kaufman, "Seize the State, Seize the Day": State Capture, Corruption, and Influence in Transition," World Bank Policy Research Working Paper 2444 (2000).
- 4 Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (2007), and Daren Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (2013).
- 5 Development Initiatives. And considering few, if any, countries have experienced changes in national corruption levels over the past 10 years.
- 6 UNIFEM, "Corruption, Accountability and Gender: Understanding the Connections," Primers in Gender and Democratic Governance 5 (2010).
- 7 United States National Security Strategy, 2015, www.whitehouse.gov/sites/default/files/docs/2015_national_security_strategy.pdf.
- 8 Oxfam America and Transparency International investigation.
- 9 Transparency International, "Ghost Politics," www.transparency.org/news/story/ghost_politics.
- 10 Social accountability, political accountability, and active citizenship are a few of the different accountability mechanisms that fall under the rubric of "locally driven approaches." However, we try to distinguish a locally driven approach from efforts to strengthen social accountability because social accountability is distinct from political (or electoral) accountability. (For a clear definition, see the World Bank's social accountability sourcebook.) Locally driven approaches should utilize any available accountability mechanisms—or a combination of both political and social accountability—to achieve institutional reform. The term also borrows heavily from active citizenship but remains distinct from "active citizenship" (Duncan Green, *From Poverty to Power: How Active Citizens and Effective States Can Change the World* [2013]) because the term recognizes the catalytic role reform-oriented government officials can play in success.
- 11 Bryane Michael and Donald Bowser, "The Evolution of the Anti-Corruption Industry in the Third Wave of Anti-Corruption Work," Selected Works, January 2009.
- 12 Systemic corruption is practiced routinely by a broad array of actors across many systems and is driven by different sorts of social behaviors, including the need to remain loyal to political, ethnic, tribal, or even religious networks. For example, one Ministry of Health official has little to gain if he doesn't seek rents or if he reports corruption because his colleagues benefit from graft, as well, or because he was given his influential position owing to his membership in a party complicit in corrupt practices. (For a recent analysis of the cultural drivers of systemic corruption, see Roberto Laver, "System Corruption: Considering Its Cultural Drivers in Second Generation Reforms," Harvard University, Edmond J. Safra Center for Ethics [2014].)
- 13 The interpretation of corruption here is based on the principal agent understanding where misaligned incentives contribute to a deviation of official behavior. We are aware that this understanding has limitations, including the weaknesses of principal agent approaches when corruption is understood as a sociological phenomenon that may enhance order. The perspective is broadly credited to an exploration of governance heralded by Douglass North.
- 14 *Formal power* refers to the ability to use formal rules and institutions, usually legally enacted, to influence decisions by activating formal mechanisms of accountability, such as electoral sanctions. *Informal power* refers to the ability to use other nonlegal sources of influence such as mass mobilization or even direct community engagement. See Gretchen Helmke and Steven Levitsky, "Informal Institutions and Comparative Politics: A Research Agenda," Kellogg Institute Working Paper 307 (2003). The terms *hidden*, *invisible*, and *visible* are also useful to describe the types of power citizens might access to exercise influence over holders of power. See John Gaventa, "Finding the Spaces for Change: A Power Analysis," *IDS Bulletin* 37, no. 6 (2006).
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Views of the lake and the city of Santiago Atitlan, Guatemala. *Ilene Perlman / Oxfam America*

COVER: Lovingly nicknamed the “Great Warrior of Teberebie,” Emeilia Amoateng speaks at a community meeting in 2007 with families relocated to make way for the Iduapriem Mine in southwestern Ghana.

Amoateng died in 2013, but she is remembered as a courageous advocate who led her community to demand adequate and fair compensation from the mine owner, AngloGold Ashanti. When public officials failed in their duty to protect the lives and livelihoods of her community, Amoateng documented chemical spills, liaised with the media, led protests, and defended the rights of her neighbors in the fight for local accountability. *Neil Brander / Oxfam America*



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