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Americas' Accountability/Anti-Corruption Project
Quarterly Performance Report
April-June 2005 (3rd Quarter FY05)

Submitted to
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During the quarter, USAID/Americas' Accountability/Anti-Corruption Project's (USAID/AAA) activities accelerated as subcontract mechanisms put in place previously began to engage. As envisioned by the Work Plan, USAID/AAA's use of subcontractors is designed to capitalize on the expertise and capacity within the region as a means for deepening that capacity and encouraging the development of cross-border CSO coalitions with similar agendas, leading to long-term sustainability of results generated by USAID program investment. The following activities were undertaken relative to the project's four objectives:

1. Address the Challenge of Grant/Elite Corruption

Government Official Immunity/Impunity

In May, USAID/AAA signed a subcontract with the Inter-American Bar Foundation (IABF) for the conduct of a program to address government-officials' immunity from prosecution for corruption and other crimes. IABF activities will be undertaken in three stages:

Stage 1: The IABF will analyze existing laws and practices regarding immunity regimes in targeted countries and develop options, including proposed model legislation, for strengthening laws. Countries identified preliminarily include: El Salvador, Guatemala, Honduras, Nicaragua, Panamá, Ecuador, Perú, Bolivia, Paraguay, Chile and Colombia. When the list of countries is finalized in consultation with USAID/AAA and USAID, IBA will engage recognized constitutional lawyers in each country to analyze existing immunity regimes, following IABF guidelines. The individual country analyses will be combined into a single document that will serve as the foundation for discussion by participants in an international conference IABF will organize in conjunction with USAID/AAA.

Stage 2: The conference, which is expected to take place in Lima, Peru in September 2005, will bring together constitutional lawyers, invited legislators and journalists for focused discussion of needed legal reforms and practical obstacles. A final draft proposal of potential amendments to existing laws in the targeted countries will be produced and distributed among conferees for comments and recommendations. Final proceedings of the conference will be edited and widely distributed among interested parties including legislative bodies, civil society and the media.

Stage 3: Based on the conference findings and conclusions, IABF will draft a preliminary strategy to move participating countries toward reform. It is envisioned that participating countries will be roughly classified into three categories:

- Those where the immunity system works reasonably well and requires a minimum of reform;

- Those needing significant reform, and
- Those needing an overhaul of their immunity regimes.

Based on conference recommendations, IABF working with individual country participants will attempt to prepare actions plans for each country, with special emphasis on the countries where the need for reforms appear to be most urgent. In those selected countries, IABF will work with participants and others to form *ad-honorem* coordinating committees to advance reforms through a series of clearly defined activities. While the committees will be self-directed, IABF will provide guidance and encouragement, including technical assistance from an IABF-contracted consultant who will make one visit to each of the two or three selected countries. Each committee will also be provided the services of a local part-time consultant of its choosing in consultation with IABF.

IABF will produce a final report that includes a complete description of each stage of activities, lessons learned and recommendations. USAID/AAA will distribute the report to missions and make it available on the *ResponDanet* website.

In addition to funds provided by USAID/AAA, the U.S. Department of State is expected to provide additional funding to underwrite conference expenses, as well as the action plan for reform.

Increasing Transparency in Political Party Finance—Peru

Unregulated and non-transparent political-party finance has created openings for powerful interests to buy special favors, distribute patronage and "capture" the state after winners take office. As a result, there is a prevailing disenchantment with democratic processes and institutions, driven by deep distrust of political parties.

Two laws recently passed in Peru—*Ley de Partidos Políticos* and *Reglamento de Supervisión de Fondos Partidarios*—set new standards for political party transparency and accountability relative to contributions to parties and their expenditure. In anticipation of 2005 primary elections and 2006 general elections, USAID/AAA subcontracted *Asociación Civil Transparencia Peru*, in May, to carry out a comprehensive program to support parties' compliance with the law and regulations and use the experience to leverage greater reforms in the region. More specifically, *Asociación Civil Transparencia* will:

- Develop a diagnostic on financial-resources management under the existing regulations;
- Provide technical assistance to parties in bringing their practices in compliance;
- Prepare policies and procedures manuals on compliance and internal control;
- Develop/adapt financial-management software to be used for compliance and reporting;
- Conduct training workshops for party staff on compliance management and reporting.
- Prepare an analytic report on the experience, with lessons learned and recommendations for strengthening the transparency and accountability regime;
- Using the Peruvian experience, organize and conduct an international workshop on political-party finance reform.

- Prepare a final report on all activities with lessons learned and recommendations for follow-on activities, including and evaluation of how compliance with the law has changed how the affected Peruvian parties conduct their operations.

It was anticipated that these activities would be completed by the end of August 2005. However, since signing the subcontract with *Asociación Civil Transparencia*, there is an ongoing debate among political parties in Peru to amend the law and regulations. If this happens, it might weaken critical accountability and transparency areas. *Asociación Civil Transparencia* currently is engaged in battling adoption of these amendments.

2. Improve Approaches to Reduce Administrative Corruption

<u>CSO Coalition Building--Bolivia</u>

In response to a request from USAID/Bolivia, USAID/AAA arranged for the design and conduct of a two-day workshop on how to organize coalitions for Bolivian CSOs/NGOs recently energized to pursue anti-corruption programming. In April, under a subcontract with USAID/AAA, Partners for Democratic Change (PDC) carried out a program to strengthen the capacity of selected organizations to understand and form coalitions.

- USAID/AAA agreed with PDC that prior to the workshop it would conduct an assessment of the eight participating Bolivian organizations, analyzing each organization's capacity to function within a network, their previous coalition-building efforts and ideas and concerns about building a Potential Anti-Corruption Network in Bolivia. Lessons from the participants' past experiences would then be incorporated into the presentations and exercises in the workshop. This was a key to the success of the workshop as examples, theory and skills would be grounded in the reality of the specific situation and thus would provide a basis for practical application of lessons learned from the experiential and skill building sessions.

- In late May, a two-day workshop on "Strategies for Building an Anti-Corruption Network was convened, which consisted of two components. The first was experiential and provided participants the opportunity to learn from experiences of transparency coalitions in Peru (*Proética*), Paraguay (*Redes de Contraloría Ciudadanas*) and El Salvador (*Probidad*). The second component focused on the skills and strategies for forming and participating in a potential anti-corruption network in Bolivia.

- USAID/AAA and PDC will prepare a final report on the activities highlighting challenges facing these Bolivian organizations as they pursue development of their own coalitions and providing USAID/Bolivia with recommendations for additional technical assistance and training.

As a result of this program, participating organizations were introduced to the benefits of and tools necessary for building effective coalitions. Their enthusiastic response to the training provided suggests they will pursue development of networks and other tools to increase their capacity to bring about transparency and accountability reforms in the country.

Assessing Costs of Corruption—Bolivia

USAID/AAA will support the conduct of a study to determine the economic impact of corruption in Bolivia by replicating a methodology designed in Mexico by *Berumen and Associates/Transparencia Mexicana* (Berumen). The study, which will quantify the cost of corruption in vulnerable areas of selected public services, will provide civil society advocacy groups with valuable information for advancing reform measures and will complement other ongoing anti-corruption activities in the country.

To replicate the cost study, USAID/AAA contracted, in May, with Berumen to:

- Design a risk-map model (with corresponding indexes) that focuses on problematic and vulnerable areas. This information will enable the identification of susceptible processes for future investigation and reform.

- Identify institutional and normative areas that require reforms.

- Train local stakeholders to use the model to estimate the quantitative cost of corruption and the benefits that accrue to offenders, and to communicate the information derived to government officials, media and other stakeholders.

AAA/USAID also will provide financial support and technical assistance to *Encuesta & Estudios,* the Bolivian counterpart that would implement the replication of the Mexican model. It is expected that development of the model by Berumen and its implementation by *Encuesta & Estudios Bolivia* will be completed by November 2005, at which time a final report will be issued.

Internal Control Systems Design—Paraguay

At the end of 2004, USAID/AAA conducted a country corruption assessment for USAID/Paraguay. One of the key recommendations of the assessment was strengthening the government internal control system using the Colombian experience as a model. As a result, the Paraguay Comptroller General (CG) requested assistance from USAID/Paraguay in the development and implementation of a plan to strengthen internal control in the government, modeled on the Colombia approach.

Throughout this project, USAID/AAA has given priority to increasing cross-border technical assistance as a means for deepening reform across the region. In that the Colombia internal control model is as comprehensive as any in the region, USAID/AAA arranged for Luz Marlene, a senior expert on C&A's USAID-Colombia project to provide technical assistance to the CG's office for two weeks in June. During this consultancy, she:

- Provided analysis, advice and implementation assistance in establishing transparent and accountable internal-audit offices and financial management systems, and

- Provided technical assistance to the CG and Executive Auditor's Office in developing a Threshold Country Plan.

Replicating Successful Social Auditing Models

One of the more consistently successful mechanisms for fostering citizen engagement has been social auditing, a methodology used by neighborhood groups, CSOs and NGOs to verify that public funds are expended in accordance with stated intent; evaluate and report on the quality of government-provided goods and services, and increase transparency in government decision making.

To help achieve Objective 3, in June USAID/AAA initiated a project to assess successful social-auditing experiences, identify best practices and determine the elements that are critical to evolving sustainable social-auditing activities. To this end, USAID/AAA contracted the services of Beatriz Perez Perasso to conduct an assessment of three successful social-audit programs in countries to be identified in consultation with USAID. This assessment will:

- Describe each social auditing program and how they operate.
- Detail the political and cultural environment in which the programs evolved.
- Identify key government, civil society and other actors instrumental in developing the social auditing programs and in managing them today.
- Describe obstacles that had to be overcome and how they were overcome.
- Identify factors that facilitated the establishment of the programs.
- Detail the human and financial resources required to accomplish the programs.
- Identify laws passed (if any) to authorize the programs and a description of the contents of key sections of the laws relative to social auditing.
- Comment on what is working and what is not and why it is working or is not.
- List lessons learned (recommendations) from each case study useful in establishing programs in other countries, or in other areas of the same country.

Three cases are in the process of being selected to be the subject of the assessment. Fieldwork is expected to take place in August. The final report on the study will be issued in September 2005.

3. **Mainstream Anti-Corruption Thinking and Programming Across all Sectors**
4. **Increase the Qualitative and Quantitative stock of Knowledge to Complement Current Knowledge**

Strengthening Mission Anti-Corruption Programming—El Salvador

In response to the above objectives, USAID/AAA designed and implemented a pilot, anti-corruption, mainstreaming workshop the goals of which were to:

- Deepen mission and embassy staffs' understanding of corruption and its countless manifestations, and
- Increase capacity to plan and implement cross-sectoral anti-corruption programming.

The workshop was pilot tested with the El Salvador Mission and Embassy staffs, May 11-13, 2005.

Workshop Participants—Participants included 34 members of the Embassy and Mission staffs, from a full complement of sections and sectoral teams: from the Embassy, the Economic, Public Affairs, Consular and Political sections were represented; Mission staff sections represented included Economic Growth, Health, Education, Water and Environment, Democracy and

Governance, Contracts, Inspector General and the Executive Office. The El Salvador Mission Director attended some sessions; the Deputy Director participated in the final day of the workshop.

Workshop Design and Content—For the workshop agenda, USAID/AAA designed two types of sessions: generic presentations, appropriate for missions worldwide, on the language and characteristics of corruption and the *USAID Anti-Corruption Strategy,* and sessions specific to the mission's country plan and strategic objectives.

Preliminary to the workshop, an USAID/AAA team of anti-corruption experts visited the Mission to discuss with leadership, democracy-and-governance and other sectoral staff their expectations of how the workshop could contribute to the design and implementation of anti-corruption programs across sectors. These meetings also informed the AAA/USAID team relative to anti-corruption issues in specific sectors and in the broader democracy and governance arena. Based on these discussions, the team then drafted the country-specific workshop elements, which were reviewed with the Democracy and Governance Team Leader.

USAID/AAA planned for the workshop to operate on three levels:

- Establishing a common framework for understanding corruption and it challenges;
- Reviewing information available on how corruption is manifested in El Salvador and the region, and
- Identifying tools and approaches for combating corruption across sectors.

The workshop was presented over three days, with a full-day session on day one, an afternoon session on day two and a final morning session. This scheduling was designed to give Mission and Embassy staffs time to address pressing business day to day, in the hope they would be able to participate in the workshop uninterrupted.

Outcome—Both the Mission Director and Deputy Director strongly endorsed the workshop and were generous with their support and participation. The Deputy Director in closing remarks urged participants to view the workshop as an important first step in beginning to address corruption as a crosscutting issue in Mission programming. Following animated discussion of the succession of steps needed to fully implement a crosscutting strategy in the mission, participants enthusiastically nominated the Deputy Director to take the lead in making this effort a reality.

Country Anti-Corruption Assessment—El Salvador

In mid June, an USAID/AAA team consisting of project staff Gerardo Berthin and Yemile Mizrahi and C&A anti-corruption expert, Carlos Guerrero, began the conduct of a country and sectoral anti-corruption assessment for USAID/El Salvador.

Under a cost-sharing arrangement with the Mission, USAID/AAA provided the technical experts for the assessment and the Mission paid expenses related to air travel, per diem, a local consultant and a logistics assistant. With the assessment following on the heels of the Mission mainstreaming workshop, it is anticipated that assessment findings will inform Mission programming design and implementation across sectors in the short and medium terms. The

assessment will be completed by the end of June with a first draft to be delivered to the Mission in early July.

Potential Activities

Looking to potential activities for the second project year, during the quarter USAID/AAA:

Paraguay

- Considered a proposal for assessing corruption in the environmental sector utilizing the expertise of a Peruvian NGO to assist Paraguay CSOs.

Colombia

- Received from *Transparencia Colombia* a proposal to monitor political party expenses related to advertising spending in the coming presidential election. USAID/AAA has countered that the organization should monitor and report on all spending as well as income to the parties. Discussions continue.

Peru

- Received a proposal from *Universidad del Pacifico Peru* to do an analysis of transparency and accountability in the forest sector in Peru. Discussions are in the early stages.

Ecuador

- Received a proposal from CLD/Ecuador to work on the Inter-American Convention Against Corruption and its clauses related to recovering assets from corrupt officials who are living abroad. The Project is reviewing proposal and anticipates signing it.