

*Ensuring  
Transparency and  
Accountability in  
Hurricane  
Reconstruction and  
Transformation*

Discussion Paper for the  
Consultative Group for the  
Reconstruction and  
Transformation of Central  
America

Stockholm, Sweden  
May 25, 1999



U.S. Agency  
for International  
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# **I. Introduction**

In response to the staggering human, physical, and economic tolls of Hurricanes Mitch and Georges, massive resources in the form of donor assistance, debt forgiveness, and reallocated national funds are aimed at reconstruction of the region. Costs are estimated at about \$8.5 billion for infrastructure alone. The needs are formidable, and the response must be rapid. In that context, the importance of transparency and accountability is crucial.

The affected countries recognize the challenges of reconstruction and transformation, as well as the opportunities they provide. Nations' capacities to garner the resources and manage the reconstruction effort will be strained to the utmost. Resources must be allocated and rebuilding begun quickly. Central American and Caribbean governments intend not only to recuperate their losses, but also to develop new strategies and practices for mitigation, preparedness, response, and recovery to reduce the risk to their countries in the future. In this pressurized environment, with citizens' expectations for results high, countries should be committed to a transparent, accountable process to ensure that funds are well spent and services and infrastructure are provided as planned. Oversight and participation of civil society will encourage ownership and greater sustainability of reconstruction efforts. Failure to use resources effectively can have far-reaching implications and may undermine a government's legitimacy in the eyes of its own people.

Donors share countries' concern for the efficient and effective use of resources to bolster legitimate, sustainable democracies. In addition, donors have the added concern of demonstrating to their own constituencies that resources were effectively and honestly put to the best use possible. Accountability has therefore become a guiding principle for reconstruction at both the national and international levels.

No one institution can guarantee transparency of the entire process. It is critical to have multiple, independent sources of transparency, oversight, and accountability in an effective system. The military refer to this as "redundant systems" — to have fail-safe mechanisms in place. National and sub-national government institutions, civil society and donors all have a role to play in ensuring transparency in reconstruction. A "checks and balances" system provides the best opportunity for an accountable, effective reconstruction effort.

To develop transparency and accountability in the relief effort, donors are working with countries to create and strengthen mechanisms and programs for reconstruction with the integrity, independence, and the necessary oversight to inspire the confidence of citizens and donors. Transparency and accountability mechanisms in hurricane reconstruction must address:

- institutional strengthening of government agencies charged with procurement, execution and oversight;
- independent oversight mechanisms to respond to donors' requirements; and,
- greater citizen participation in developing and monitoring reconstruction activities.

At a recent Carter Center conference in Atlanta, Georgia, on "Transparency and Growth," the gathering of hemispheric public and private sector leaders agreed on the need for regional information networks to share information on successful strategies to combat corruption. As a first step, the discussion papers and conclusions from that conference will be posted to the USAID-funded bilingual website ([www.respondanet.com](http://www.respondanet.com)) that serves as a clearinghouse and forum for anti-corruption issues. The Stockholm Consultative Group meeting is also an excellent opportu-

nity to learn from each other and share experiences.

As a bilateral donor, USAID has worked extensively in the area and, through this paper, suggests a menu of approaches and best practices for the transparent and effective reconstruction of Central America and the Caribbean.

## **II. Institutional strengthening**

The countries of Central America and the Caribbean have many of the institutional structures in place to ensure transparency and accountability. Strengthening existing government institutions to meet their current challenge is a high priority for donors. The focus on improving their capacity to ensure transparency and accountability will address both the short-term concerns of rapid and massive reconstruction as well as long-term development priorities. Through reconstruction assistance, governments' internal capacities to investigate and prosecute, as well as their capacity to involve citizens in monitoring of abuses, should be permanently improved.

*Key institutions include:* (1) controller general to investigate the misuse of public funds; (2) ombudsman to represent the concerns of the population to the government; (3) ministries' Procurement Offices to contract quality services and goods at appropriate prices; and (4) Public Ministry and other elements of the justice system that investigate, judge, and impose sanctions for corrupt acts. The reconstruction process will put these institutions, many of them new with limited resources and experience, to a very public test.

### ***A. Controller or inspector general***

The specific responsibilities and powers of a controller's office vary from country to country although they all share the basic mandate to look into allegations of mismanagement and review administrative systems to ensure they adhere to anti-corruption procedures. The controller's work is often the first line of defense in any government accountability system and is expected to play a central role in the monitoring of reconstruction projects. The controller's political and financial independence from the executive branch is important to ensure effective oversight.

USAID has worked with controllers general offices around the world on training of personnel and on developing investigative procedures and auditing manuals. This can be done directly by supporting the controller general or, indirectly, by strengthening associations of auditors, which have proven effective networks to train the personnel of the controller general's office.

USAID has supported training programs for auditors in Honduras and the Dominican Republic on detecting and investigating fraud, including techniques such as interviewing witnesses, developing affidavits, identifying aspects of economic crime, and maintaining confidentiality during an investigation.

USAID has also worked in countries to improve coordination between the controller and the public prosecutor's office to ensure that completed investigations contain the necessary documentation to eventually lead to trial. The Association of Central American Controllers has developed a proposal for regional coordination and strengthening that may be useful for control and review of hurricane reconstruction.

## **B. Ombudsman**

The Offices of the Human Rights Ombudsman, or *Defensores del Pueblo*, have become important public institutions in Latin America for promoting human rights and preventing human rights abuses. Besides this function, ombudsmen in some countries are authorized to monitor and scrutinize the administration of public services and functions. Their findings often lead to further investigations. While ombudsmen are part of the state, they represent the interests of civil society and play an important intermediary and mediation role.

In Costa Rica, the ombudsman has increasingly dealt with cases of state-provided services, as well as claims about taxes and the functioning of the local governments. In El Salvador, the office has begun to receive claims regarding privatization of government services. With the large inflow of international aid for reconstruction, the Honduran ombudsman has taken the lead in educating the public, collecting examples of mismanagement of funds, and has published a report on findings.

In some countries, the ombudsman has an even stronger mandate than simply registering complaints. In Uruguay, for example, the ombudsman has investigatory and prosecutorial powers. Strengthening existing formal avenues for citizens' input and monitoring, such as the Office of the Ombudsman, is invaluable in the effort to develop a transparent and accountable government and to improve the reconstruction process.

## **C. Hotlines**

Hotlines are another formal mechanism for citizens' feedback to the government, usually run by the controller general, ombudsman, or a separate anti-corruption entity. To build trust and encourage people to report their suspicions of wrongdoing, governments must instill confidence that every allegation that is pursuable, no matter how small, will be investigated.

Hotlines can improve accountability by enlisting co-workers, businesses, and citizens to report corrupt acts. For example, in Hong Kong, the Independent Commission Against Corruption runs a hotline and guarantees that every allegation is investigated. It also protects those who make reports by granting file access to officers on a "need to know" basis only. In 10 years, the percentage of reports that led to investigations increased from 33 percent to 71 percent.

In Uganda, where a similar program exists, they are considering a recommendation to reward officials who provide information leading to the successful recovery of embezzled public funds. Such mechanisms would be useful for overseeing reconstruction projects.

## **D. Procurement monitoring procedures**

In the quick response context of disaster relief, USAID has found third-party concurrent monitoring of procurement a successful control mechanism for an area that is often rife with corruption. Third-party procurement monitoring assists governments to achieve openness and transparency in their procurements and often generates budgetary savings usually far in excess of costs.

Monitoring can begin at the earliest stages of procurement to eliminate tender specifications that favor any particular vendor. A monitoring firm can evaluate technical, financial, and

legal aspects of the bid solicitation documents, bid evaluation reports, contracts, and goods inspection reports. Monitoring firms can also provide training in procurement services through seminars, on-the-job training, and sessions for troubleshooting weaknesses in the procurement system as well as transfer procurement technology, such as databases and hardware, to client governments.

An international firm has provided monitoring services to the Ministry of Health of Guatemala, generating 43 percent average savings in the purchase of medical devices and drugs during the first 12 months of operation, and to the Ministry of Defense of Colombia, generating 47 percent savings in the procurement of military goods throughout the duration of the contract.

In the case of reconstruction, monitoring reports should be supplied to the ministries, the controller general, and donors for follow-up.

### ***E. Administrative sanctions and justice reform***

Applying sanctions to corrupt acts is important to establish accountability. The more likely a public official is to be caught and punished for misuse of his office, the less likely he is to be corrupt. Countries need legislation that criminalizes corruption, and they need to enforce it. In some countries, the penal code allows prosecution not only for direct evidence of bribery, but also for possessing wealth and income that cannot be traced to lawful activities.

USAID currently has administration of justice programs in 12 Latin American countries to strengthen and train public defenders and to reform criminal codes. It has supported the shift from inquisitive to oral adversarial trial systems through extensive training and technical assistance. These long-term judicial reforms are invaluable in the fight against corruption.

In the short term, however, and with the urgency of reconstruction, governments can establish sanctions for smaller cases of corruption outside the formal legal system. Authorities can fire public officials engaged in corrupt deals and render them ineligible for pension distributions or future public employment. Authorities can also deny public services to users found offering bribes or revoke their eligibility to bid on procurement and privatization contracts, either on a permanent basis or for a period of time.

One of the first acts of President Rodriguez of Costa Rica was to establish norms of public ethics for political appointees. Violation of these norms leads to immediate termination. Costa Rica has proposed additional legislation along this vein including a "Code of Duties and Norms of Conduct of the Public Servant," stronger internal control of financial and budgetary management, and the creation of a specialized jurisdiction within the judiciary to resolve cases of public ethics.

### ***F. Disaster relief monitoring and law enforcement task forces***

Interagency task forces are now used throughout the world to fight crime and corruption, particularly in emergency situations or especially sensitive cases. These small groups of technical experts, investigators, and prosecutors have proven highly effective in preventing and diminishing corruption. They act independently of any one ministry, and their small-scale, well-defined purpose and broad expertise make them an important tool in any anti-corruption fight. Interagency task forces can be empowered to audit, investigate, document, submit for sanction-

ing (civil or criminal), and prosecute incidents of corruption wherever they are found, in a technical, rapid, non-partisan manner. They use publicity strategically by prosecuting a few high-profile cases as effective deterrence to mismanagement and criminal activity.

In Venezuela in 1992, USAID supported intergovernmental task forces to fight corruption. Technical police from the Finance Ministry, officials from the Controller General Office's and prosecutors from the Public Ministry were trained together in investigative techniques. Their collaborative work led to successful cases against high-level officials.

### ***G. Resource management by local government***

The quick response of local governments to the emergency needs of communities devastated by the hurricanes points to the important role they can play in the reconstruction and transformation processes. Public services such as sewage, urban land use, and street lighting are local by nature and often more effectively implemented, at lower cost, locally. Decisions about this type of resource allocation can be made better at the local level with community involvement and monitoring.

Many municipal governments, however, require further training in public administration, finance, and managing civic participation. USAID provides this type of assistance in many countries such as Honduras, where a local group, FUNDEMUN (*Fundacion para el Desarrollo Municipal de Honduras*), is training 33 of the country's 298 municipalities.

To improve municipalities' management tools, USAID is also introducing computerized financial management systems to better control budgeting and accounting. Whether or not local governments administer actual reconstruction funds, they should be prepared to help set priorities and oversee implementation at the local level.

## **III. Independent international oversight mechanism**

Donors and countries alike are working to strengthen governmental capacity to provide effective and transparent reconstruction projects and to empower civil society to demand accountability and participatory practices. In the long term, these are the pillars of a sustainable national integrity system. An internationally supported oversight mechanism, independent from governmental implementing agencies, however, is necessary in the short term to provide needed legitimacy for donors and reassurance to citizens.

There is no one model for providing independent international oversight. It must meet the needs of each country and work in coordination with national institutions. In some cases, donors have contracted independent auditing firms to conduct audits of the projects they finance. USAID's Inspector General Office is developing monitoring plans before the aid package is executed and will perform concurrent audits of projects where warranted.

In Honduras, the Inter-American Development Bank (IDB) has helped the Flores administration develop, in close consultation with USAID, the World Bank, and other bilateral donors, a broader, overarching monitoring mechanism that works in conjunction with a modernization program of the nation's line ministries. A commission of international donors would support independent monitoring firms that would work with each line ministry.

These firms would conduct concurrent financial and physical monitoring of reconstruction projects (reporting back to the national government and the international donors' commission) and provide technical assistance to strengthen the internal control and management capacity of the ministries. In this way, each ministry's ability to administer and monitor its own projects would improve with long-term benefits beyond the reconstruction process. Nicaragua has decided to adopt a similar program, and USAID encourages other countries to consider the approach as well.

#### **IV. The role of civil society**

The success of transparency and accountability systems rests fundamentally with civil society. If citizens are not aware of how reconstruction and transformation should be developing, if they have no avenues to express their own priorities, to monitor or to evaluate progress and problems, then even well-institutionalized systems of accountability will falter. The role of citizens is heightened in an extraordinary situation such as hurricane reconstruction when resources must be allocated and programs initiated quickly and when institutional capacity for oversight is already strained.

Programs will not succeed unless they respond to the needs of citizens and use civic participation as a pillar in the system of checks and balances for accountability. Also, uninformed, uninvolved, skeptical citizens may find other avenues outside the normal political process to demonstrate their lack of confidence and distrust of government reconstruction progress, undermining the legitimacy of duly elected democratic governments.

As the countries of Central America and the Caribbean move forward in the reconstruction process, they intend to build back better. Part of this positive transformation is strengthening democratic institutions and processes, including transparency and accountability. Reconstruction will be better designed, implemented, and sustainable if the process itself is democratic with an emphasis on civil society participation.

While some centralized coordination and planning to reconstruct a country are necessary for an effective and equitable use of resources, municipal governments and community groups are best positioned to identify priorities and to make sound decisions about resource allocation from the beginning of the planning process. A well thought-out and implemented reconstruction project will bring direct benefits to the local communities, who, likewise, would also suffer most from a wasteful, poor quality project or service.

Non-governmental organizations and community-based groups can play an important role in supporting governments' commitment to transparency and accountability. Individual citizens need avenues for expressing their concerns, and citizen groups, non-governmental organizations, and the media (press, radio, and television) need to become fully engaged in all stages of the reconstruction efforts.

They can also promote the involvement of sectors of society not usually integrated into government activities but who were most affected by the hurricane disaster: women and youth. By educating and involving individuals, they encourage citizens to take on reconstruction tasks as their own and to see their role as *responsible members of the society*.

Civil society initiatives in Central America and throughout Latin America provide a wealth of best practices that could be adapted to the needs of the reconstruction process.

## A. *Public awareness*

The best prevention of corruption is public awareness at every step in reconstruction. Citizens develop more confidence in reconstruction when they are aware of the specific plans for themselves and their communities. They need basic information on implementation to successfully monitor honest and timely completion of projects. Transparent government is an open government, with citizens aware of what it is doing.

- In Guatemala, the group *Accion Ciudadana* (Citizen Action) publishes the monthly *Alerta Legislativa* (Legislative Alert), which reports on actions taken by the Congress and monitors the voting records of individual representatives. It provides updates on important issues, such as land reform, as they move through Congress and sponsors public debates on issues of national interest. *Accion Ciudadana* relies upon other NGOs to provide information on many key areas and has built ties to the media to broaden its distribution. A similar approach could be used to track the reconstruction process and the implementing agencies and to keep citizens aware of developments and setbacks.
  
- In Nicaragua, with USAID funding, *Grupo Fundemos* mounted a public awareness campaign to inform the public about the financial management reform effort being implemented by the government and to promote transparency in the management of government resources and democratic values of honesty and responsibility in citizens. As a result of the campaign, public awareness of government efforts to improve financial management grew from 24 percent to 31 percent among those polled. By working with civil society groups to develop outreach campaigns, the government can promote its activities aimed at achieving efficient and transparent management of public finances.
  
- In Argentina, the group *Poder Ciudadano* has developed creative media spots that alert Argentines to the costs of corruption and possible responses to the problem. One example is a television spot that used cartoons to present data on corruption in the judiciary and encouraged people to report abuses on hotlines. They also sponsored school contests that showcased programs carried out by students and teachers to fight corruption. Corruption and reconstruction could be the focus of similar creative campaigns.
  
- Journalists committed to investigating and writing on problems relating to governmental integrity are an important force in disseminating information and ensuring prompt governmental reaction to charges of abuse. Investigative journalism fosters anti-corruption attitudes and mobilizes political will for reform. In exposing corrupt acts, investigative reporting elicits popular indignation about corruption and puts pressure on the government to change. A free press, however, is not necessarily sufficient in the fight against corruption. In many countries, journalists need training about investigative techniques, professional standards, and newsroom organization. In Latin America, USAID helped create the Latin American Journalism Center (*Centro Latinoamericano de Periodismo* - CELAP), an organization based in Panama that provides training to raise the skills and confidence of journalists and cultivate the media's commitment to fight corruption. The program emphasizes the responsibility of the news media in a democracy to provide information free of political ideology or bias and to uphold high professional and ethical standards. The center has offered a specific seminar in anti-corruption that received excellent reviews by practicing journalists.

## ***B. Setting priorities***

Governments and citizens need to work together to establish priorities and the appropriate use of funds, particularly at the local level. The more integral citizens are to the planning process, the more vested interests they have in its success and the more likely they are to help resolve problems and deal with complications as they arise. The greater the public participation in reconstruction, the greater the guarantee that the projects will be sustainable.

- In Bolivia, the 1994 Popular Participation Law created municipal vigilance committees charged with overseeing and regulating municipal budget prioritization and allocation. Neighborhood and community groups elect their representatives to the committees. Observers laud these committees as an important support to decentralization efforts and an innovative mechanism to encourage broad-based participation of all sectors and ethnic groups in a municipality.
- In Paraguay, a growing number of municipalities hold public budget hearings and planning hearings. Before the hearings, community-based organizations are encouraged to meet and discuss their priorities. They present their concerns at the hearing, where local officials describe available resources and current commitments. The communities' priorities are integrated into the yearly budget to the degree possible, and all participants specify how they will help bring the plans to fruition. The subsequent year, the government holds a public hearing to review the implementation of the budget and to explain any discrepancies. This process institutionalizes public participation in government decision-making, holds local officials accountable to their constituents, and encourages a collaborative relationship between government and civil society.

A similar process of vigilance committees or public hearings could be developed to present reconstruction plans in a given municipality. Residents would be given the opportunity to weigh in on local priorities and establish their role in reconstruction. Every few months, public officials could report back on progress, setbacks, and new initiatives.

## ***C. Control and oversight***

Citizens are in the best position to observe mismanagement or fraud in reconstruction as it occurs in their community and affects their daily life. They need to have access to mechanisms to formalize their monitoring role, to report their observations and complaints, and to demand accountability of those responsible.

- In Nicaragua, a civil society network, Civic Coordinator for the Emergency and Reconstruction, has initiated a process of "social auditing" to measure the effects of the hurricane and the subsequent response. It surveyed more than 10,000 homes and over 300 political and community leaders to establish a baseline on public perception of the effects of the hurricane.

The data includes the types of damage, degree of population displacement, family violence, the speed of relief work, the efficacy of the central government to provide aid, which organizations were the most helpful, the equity of aid distribution, and the degree to which individuals' opinions were integrated. A similar methodology will be applied after reconstruction to measure how citizens' perceptions have changed and to evaluate the impact of both governmental and non-governmental interventions.

- Transparency International (TI), which has chapters in many of the affected countries, has developed a participatory mechanism to oversee public procurement of capital projects and to ensure that the bidding procedures are open and competitive. Implemented in Argentina, Ecuador, and Panama for local government initiatives as well as national privatization efforts, the TI approach asks all participants to sign an anti-bribery pact, backed by a sizable bond subject to forfeiture in the event of non-compliance. Civil society plays a major oversight role. For example, in Mendoza, Argentina, a public hearing raised awareness about a public tender for computer services and assured that the drafting of the contract would not favor any particular bidder. Transparency of the procurement process encourages suppliers and contractors to make their best offers, resulting eventually in improved services and deliverables.
- Citizen controllers groups are a model for permanent societal monitoring of government administration and activities. In Paraguay, a joint initiative of the Controller General's Office and civil society provides civic oversight and support to the overtasked government institution. Independent community groups around the country receive complaints of fraud and misuse of public resources and conduct basic investigations to verify complaints, reporting their findings to the Controller General's Office. The latter gives special training to one representative of the citizens' group to act in the name of the government institution. The groups can effectively monitor local and national government projects that affect their communities. Finally, the groups follow the cases they report through the justice system.
- Institutes of auditors and engineers exist in each affected country, providing an important source of expertise and a strong institutional base for ensuring financial and engineering integrity. For example, in Ecuador, the Institute of Engineers carries out the actual auditing of public works, guaranteeing the integrity of engineering projects. Institutes in Central America and the Dominican Republic are now adapting this model to their own reality. They have the capacity to improve reconstruction practices (both financial and engineering) and oversee them. The institutes offer professionalization courses at present, and could provide expertise in determining what kind of courses should be developed or adapted specifically for reconstruction circumstances. They could develop "train the trainers" courses for engineers and auditors within the government.

## V. Conclusions

The challenge of reconstruction is formidable. Citizens' needs and demands are high and urgent. Governments are under extreme pressure to produce fast results, working with greater resources than they are accustomed to managing. Supporting multiple approaches to ensure the efficient and transparent use of funds and that hold a government accountable to end results will not only enhance that government's legitimacy in the eyes of its citizens and the international community, but will also guarantee a better targeted, higher quality, and more sustainable development of the country.

The responsibility of a transparent reconstruction process does not fall on governments alone. Civil society plays a fundamental role in raising awareness, establishing and contributing to priorities, and monitoring progress. Individuals need to take on their responsibility as active citizens building a better tomorrow rather than seeing themselves as disaster victims and recipients of aid. Donors are prepared to support a variety of institutional strengthening initiatives, non-governmental activities, and external control mechanisms to oversee the use of funds. USAID also

recognizes that inefficiencies often arise due to mismanagement or inexperience rather than ill intentions. Implementation counterparts should be selected for their experience and management capacity.

Many accountability mechanisms and institutions are already in place in Central America and the Caribbean. Some need strengthening and support. As highlighted in this paper, numerous models exist that could be adapted to the reconstruction process. But no one program or entity can solve the problem of corruption alone.

The governments of Central America and the Caribbean, their citizens, and donors must work together in an integrated, coordinated effort to change the incentive structures and preventive measures in society that permit corrupt actions and to create economically stronger, politically accountable democracies for the future.