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D O N N A R O S A

*U.S. Agency for International Development, Office of Inspector General*

# The Anti-Corruption and Good Governance Act

**T**he effect of corruption on economies, institutions, and development is an old story. What is new is the widespread acknowledgement that something must be done to combat corrupt practices in all their infinite variety. Worldwide, citizens with voting power now demand the end to corruption in government institutions.

As countries request assistance to address corruption problems in dramatic new ways, the United States has stepped up to become a major voice in the international discussion of transparency, financial accountability, and good governance. United States Agency for International Development (USAID) assistance activities in the areas of democracy and governance, and economic restructuring have had an important role to play in countering entrenched corruption. In addition, the Departments of State, Commerce, Justice, and Treasury, the U.S. Customs Service, and the Office of Government Ethics provide training and technical assistance.

Recognizing the role that the U.S. does play in providing international assistance in the area of anticorruption, the Congress passed and the President signed the International Anti-corruption and Good Governance Act of 2000 (P.L. 106-309), as an amendment to the Foreign Assistance Act, effective October 2000.

Under the Act, the President is authorized to establish programs that combat corruption and improve accountability. The Department of State provides overall direction for international diplomacy initiatives. Working together, State and USAID designate priorities for assistance. International cooperation is an integral part of this approach so that resources are directed toward strengthening institutions and reducing the instability that corruption brings.

Of interest to the Inspector General community is a provision in Section 205(a) of the Act, authorizing projects and activities that “support the establishment of audit offices, inspectors general offices, third party monitoring of government procurement processes, and anti-corruption agencies.” The first annual Department of State report to Congress, required by the Act, notes the growing number of activities in this area. Most of these activities are led by USAID, including two specific activities led by the USAID Office of Inspector General.

USAID is funding important work in the area of transparency and accountability. The Agency’s corruption prevention strategy includes funding to support modern financial management systems, and the adoption of audit and accounting systems with simultaneous citizen awareness and education programs about how these government systems work. Additionally, USAID personnel located overseas work with their host country governments in creating and supporting audit and investigative oversight.

The strategy is working. Honduras, Kazakhstan, and Russia have each achieved notable success in addressing anticorruption through accountability initiatives with USAID's help.

## **Honduras**

When international donors considered relief and reconstruction programs for Honduras, they recognized the problem of the prevalence of corruption. Large inflows of both emergency and developmental aid are particularly vulnerable to corruption. Knowing that effective oversight institutions are essential in addressing corruption, USAID and other donors designed an independent donor oversight facility to account for donor assistance to reconstruction activities. This oversight facility is part of a larger Inter-American Development Bank program. Transparency and accountability efforts were funded with more than \$50 million from various donors.

USAID is also seeking to educate the government and public to the tremendous value that audit reports can make to transparency of government operations. USAID is assisting the Controller General of Honduras in developing auditing plans for government programs by providing funds to train, and equip government auditors. With USAID assistance, the Honduran Controller General makes inspection and audit reports available to the public via the Internet.

The USAID Municipal Development Program in Honduras is employing contractors to assist the local government in establishing internal control structures and management systems. Equally important, it has included an outreach effort to private citizens. Citizens are involved in the oversight of construction projects, and local government decision making. The education and training of the community in accountability mechanisms is essential to sustaining improvements in transparency.

## **Kazakhstan**

The USAID program in Kazakhstan was instrumental in the adoption of and compliance with international accounting standards. Standardized accounting in the banking system has increased stability and transparency in both the central and commercial banking system. The World Bank supports this USAID effort with on-site bank examinations.

In addition, USAID helped the Kazakhstan Association of Accountants meet the certification requirements of the International Federation of Accountants. Emphasis is also being placed on USAID work with local non-governmental organizations to ensure that accounting reforms are put into place and periodically reviewed.

## **Russia**

In Russia, USAID provides technical assistance in strengthening the independence and competency of the judiciary. These programs have provided technical assistance in regions to support improved enforcement of court decisions by bailiffs.

The U.S. Department of Justice has provided law enforcement training and the U.S. Office of Government Ethics provided ethics training. Substantial assistance at the local government level is provided in designated regions outside of Moscow.

Together with the Chamber of Accounts (Russia's equivalent of the U.S. General Accounting Office), USAID has worked to achieve auditing and accounting reforms. In order to ensure long-lasting impact, USAID seeks to educate the public about the reforms so the public will have the tools to monitor the progress of reform. Transparency in Russia will require public oversight of budgets, expenditures, and procurement activities. These are complex subjects in a culture that has traditionally maintained secrecy concerning government operations and limited if not prohibited public access to such information. Education for the public becomes an essential element to sustain change.

## **USAID/OIG**

The State Department's report on Anticorruption and Good Governance also recognized the USAID/OIG for their programs of training and technical assistance. In Honduras, the USAID/OIG provided fraud awareness training for agency and local managers of the U.S. foreign assistance program. The initiative had an immediate result as the number of calls to the hotline dramatically increased. USAID/OIG work with the national audit agencies of both Indonesia and Honduras led to formal agreements which identify and offer training in reaching a level of proficiency required to undertake audits of programs funded by the United States.

## **Conclusion**

The International Anti-Corruption and Good Governance Act recognizes the establishment of inspectors general offices as one model of accountability to be promoted by the U.S. foreign aid program. While recognizing that this model is but one of many elements in the overall anticorruption effort, the skills of accounting and auditing are making an important contribution to the transparency of developing democracies. The USAID OIG, with its skills in advancing the international development assistance program and overseas offices, is well positioned and pleased to play a role in the USAID and USG anticorruption effort. 🏠