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Countering Corruption Through U.S. Foreign Assistance

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SUMMARY

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Michael A. Weber
Analyst in Foreign Affairs

Katarina C. O'Regan
Analyst in Foreign Policy

Nick M. Brown
Analyst in Foreign Assistance and Foreign Policy

Countering Corruption Through U.S. Foreign Assistance

Foreign corruption has been a growing U.S. foreign policy concern in recent decades and is viewed as intersecting with a variety of issues that are of congressional interest, including promoting democracy and human rights, deterring transnational crime and terrorism, and advancing economic development. This report focuses on one tool that the United States uses to combat corruption: foreign assistance. As a component of U.S. efforts to foster transparent and accountable governance overseas, the United States seeks to utilize foreign assistance to address corruption both within target countries and transnationally. Congress has expressed particular interest in these issues as the United States reflects on the arguable role of corruption in undermining U.S. efforts to rebuild Afghanistan, and as corruption continues to afflict major U.S. aid recipients, such as Ukraine and Haiti. Several bills proposed in the 116th Congress articulate the interests of Members in corruption issues related to foreign assistance, such as preventing the corrupt misappropriation of aid, ensuring greater coordination of good governance and anti-corruption assistance, combating corruption in particular countries, and broader anti-corruption foreign policy issues.

The executive branch implements several approaches to address corruption through foreign assistance. Programs dedicated to promoting democracy and good governance, such as those overseen by the U.S. Agency for International Development (USAID) and the State Department's Bureau of Democracy, Human Rights, and Labor (DRL), generally seek to identify and address perceived causes of corruption associated with broader issues of accountable governance. Such programs seek either (1) to reform or build capacity within government, by means such as improving government transparency, or (2) to strengthen civil society and citizen participation in and oversight of government. A smaller number of programs funded through USAID and programs funded by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) focus on building government accountability mechanisms by strengthening law enforcement and judicial capacity, often with a view to improving partners' ability to identify and prosecute corrupt activity. With regard to preventing the corrupt use of aid more broadly, U.S. government agencies employ tools such as open and competitive selection processes, oversight mechanisms, and capacity building for local implementing partners to help strengthen their abilities to comply with U.S. government regulations that intend to minimize the risk of corruption.

Congress has also created policy incentives and conditions to encourage foreign governments to prioritize corruption as an issue. The Millennium Challenge Corporation (MCC), for example, conducts an annual competitive selection process for its programs, offering large-scale grants as an incentive to countries that illustrate their control over corruption through effective governance. Congress has also established certain conditions and restrictions on assistance, a penalty for those that do not take efforts to combat corruption by withholding aid, while also seeking to minimize misuse of U.S foreign assistance by corrupt actors.

Numerous issues may be of interest to Congress as it conducts oversight of U.S. foreign assistance in this area. Major questions have arisen about how to define the problem of corruption, whether existing metrics for corruption could be strengthened, and how to tabulate and categorize U.S. assistance programs for countering corruption. Scholars have broadly questioned whether prior international efforts to combat corruption have been sufficiently sensitive to individual country contexts, and in particular to the political obstacles to anti-corruption activities that may exist in target countries. The potential impact of assistance efforts may also be undermined when anti-corruption efforts conflict with or are perceived as conflicting with other U.S. foreign policy priorities, leading to discontinuity between program activities and broader U.S. actions. Congress may also consider the effectiveness to date of its efforts to condition assistance on anti-corruption progress, the possible role of U.S. assistance in worsening corruption in some partner countries (particularly where aid in large volumes may be difficult to adequately track), and the need to ensure effective inter-agency coordination of anti-corruption efforts.

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Introduction

Issues of foreign corruption intersect with a variety of foreign policy issues that are of congressional concern, including promoting democracy and human rights, deterring transnational crime and terrorism, and advancing economic development. Some analysts and Members of Congress also increasingly argue that authoritarian governments such as China and Russia are taking advantage of corruption and government opacity in third countries to engage in bribery or other fraudulent means to expand their influence relative to the United States.[1]

Congress authorizes, funds, and/or conducts oversight over the policy tools and authorities that the executive branch utilizes to combat foreign corruption. Relevant tools include bilateral and multilateral diplomacy, public reporting, sanctions, law enforcement investigations, and trade agreement provisions. This report focuses on one of these tools, the use of U.S. foreign assistance to combat corruption. In particular, the report discusses three interrelated dimensions: (1) U.S. support for foreign assistance programs aimed at combating corruption in foreign societies and governments, particularly through programs in the Agency for International Development (USAID) and the State Department;[2] (2) U.S. efforts to prevent the corrupt use of foreign assistance resources; and (3) U.S. restrictions and conditions on foreign assistance intended as a lever to encourage foreign governments to prioritize combating corruption and minimize misuse of assistance. Relatedly, the report describes U.S. efforts to prevent the corrupt use of foreign assistance more broadly. Before describing these dimensions in turn, the report first provides brief background on corruption as an international and U.S. foreign policy issue, particularly as it relates to foreign assistance. The report closes with information on relevant legislation, to date, in the 116th Congress, and a discussion of policy issues for consideration by Congress in its appropriation and oversight activities.

Background

Corruption can be defined broadly as "the abuse of entrusted power for private gain."[3] The concept is often further categorized into either "petty" or "grand." The former term refers to routine abuses of power by low-level public officials, such as the soliciting of small-scale bribes in exchange for the provision of public services. Grand corruption refers to the abuse of power at greater scale, such as the embezzlement of public funds or the receipt of kickbacks in exchange for the awarding of public procurement contracts.[4] Extreme levels of grand corruption by high-

[1] For examples of these views, see David Petraeus and Sheldon Whitehouse, "Putin and other authoritarians' corruption is a weapon – and a weakness," *Washington Post*, March 8, 2019; Patrick Quirk and Eguiar Lizundia, "Why Fighting Corruption Is Key in a 'New Era of Great-Power Competition,'" *World Politics Review*, January 21, 2020; International Republican Institute, *Chinese Malign Influence and the Corrosion of Democracy*, June 27, 2019.

[2] Unless otherwise noted, this report uses the terms "program" and "project" interchangeably to refer to U.S.-funded grants or contracts, either individually or collectively. Terminology may differ across the U.S. government, and agencies may use alternative terms. Some agencies use the term "activities," for example, to refer to individual grants or contracts.

[3] This definition, put forth most prominently by the nongovernmental advocacy organization Transparency International (TI), was adopted by USAID in its January 2005 Anti-Corruption Strategy. USAID further noted that, under this broad definition, "not all illegal activities are corruption, and not all forms of corruption are illegal." See USAID, *USAID Anticorruption Strategy*, January 2005. Experts continue to debate more precise definitions of corruption.

[4] The proposed Combating Global Corruption Act of 2019 (S. 1309) contains definitions for "petty corruption," "grand corruption," "public corruption," and "corrupt actor."

level officials is also known as kleptocracy.[5] These types of corruption may be linked to one another in many contexts. Definitions of corruption are contested, and certain typologies delineate additional categories of corrupt behavior (see "Definitions"). While public sector corruption is often the major focus of policymakers, corruption is also present in, involves, and affects various private sector entities, such as businesses, political parties, civil society organizations, and media.

While the impacts of corruption continue to be researched and debated, policymakers and many experts view its occurrence as both a component and evidence of the erosion of democratic institutions and the rule of law. Corruption is associated with human rights violations, the undermining of equitable economic growth, and the facilitation of the conditions for terrorism and transnational crime, among other purported harms.[6] Corruption affects governments and societies of all types, including those of wealthy nations, but countries at low levels of development may be particularly susceptible to corruption challenges.

Anti-Corruption on the International Agenda

As the world economy has grown more integrated, business and other risks associated with corruption have gradually led to the realization among policymakers that corruption is an "inherently global problem" requiring a global policy response, including through the use of foreign assistance.[7] Beginning in the 1990s, efforts accelerated as numerous regional and other non-universal intergovernmental groupings, generally with U.S. support, began establishing international norms to combat corruption and the issue of foreign bribery in particular. In 2005, the first universal treaty against corruption, the United Nations (U.N.) Convention against Corruption (UNCAC), entered into force. Included among UNCAC's provisions is support for international technical assistance to combat corruption.[8]

Corruption has become a focus of the assistance activities of international organizations such as the World Bank and the U.N. Office of Drugs and Crime (UNODC).[9] Numerous specialized international initiatives focused on or relating to combating corruption have also emerged, with many of these tackling certain aspects of corruption or sector-specific corruption challenges. For example, the Extractive Industries Transparency Initiative (EITI) aims to strengthen transparency

[5] Corruption that involves political leaders may also be termed "political corruption." For common definitions of various categories of corrupt acts, such as bribery, embezzlement, and extortion, see Transparency International (TI), *Anti-Corruption Glossary*, https://www.transparency.org/glossary.

[6] The impacts of corruption are difficult to quantify and are a continuing topic of research. Research challenges include, for example, difficulties in measuring corruption, complications in disaggregating the impacts of corruption from other factors, uncertainty over the direction of causality between corruption and the challenges listed here, and the potentially varying impacts of corruption depending on its type, pervasiveness, or other circumstances. For summaries of the research into corruption's impacts, see Ingrida Kerusauskaite, *Anti-Corruption in International Development* (New York: Routledge, 2018), pp. 63-77; and United Kingdom Department for International Development, *Why corruption matters: understanding causes, effects and how to address them*, January 2015.

[7] Patrick Glynn, Stephen J. Kobrin, and Moisés Naím, "The Globalization of Corruption," in *Corruption and the Global Economy*, ed. Kimberly Ann Elliott (Washington, DC: The Institute for International Economics, 1997), pp. 7-27. Some argue that corruption concerns may be a conceit of advanced economies (see "Definitions"), but international agreements reflect broad agreement among advanced and developing countries. For example, the U.N. Convention Against Corruption asserts that "corruption is no longer a local matter but a transnational phenomenon that affects all societies and economies, making international cooperation to prevent and control it essential."

[8] Reflecting widespread acceptance around the world of UNCAC's norms against corruption, a total of 187 U.N. member states have ratified the treaty to date. The United States ratified UNCAC in October 2006.

[9] UNODC is tasked with supporting UNCAC implementation.

and accountability in the extractives sector.[10] Sustained advocacy by civil society organizations such as Transparency International (TI), established in 1993, has contributed to the growing focus on corruption as a policy and foreign assistance issue.[11] In 2015, reflecting corruption's prominence on the current international policy and assistance agenda, the United Nations adopted a "2030 Agenda for Sustainable Development," which included an objective to "substantially reduce corruption and bribery in all their forms."[12]

In recent years, concern over the issue of corruption has been a major force for political change in both democratic and authoritarian countries across the globe. Reflecting a growing appreciation among policymakers of the transnational elements of corruption—money laundering, illicit financial flows, and actors and enabling environments in developed countries that allow corrupt actors to securely store their stolen assets overseas—some policy initiatives and foreign assistance activities to combat corruption are transnational in scope.[13]

Countering Corruption Through U.S. Foreign Policy

Congress and the executive branch have contributed to the international focus on corruption, beginning in the late 1970s with passage of the Foreign Corrupt Practices Act (FCPA; Title I, P.L. 95-213), which prohibited U.S. companies from paying bribes to foreign officials to advance their business interests. Although the FCPA, the world's first foreign bribery law, was a significant legislative milestone for combating corruption abroad, the FCPA raised concerns that U.S. businesses would be disadvantaged relative to foreign firms. These concerns arguably contributed to subsequent U.S. advocacy for establishing international commitments similarly prohibiting bribery.[14]

The more diplomatically sensitive goal of directly combating corruption within foreign countries and governments emerged more gradually as a U.S. foreign policy concern and, by extension, as a focus of U.S foreign assistance.[15] Beginning with the Clinton Administration, U.S. National Security Strategy (NSS) documents have consistently described an explicit U.S. desire to combat corruption abroad. While the NSS documents initially articulated anti-corruption as a component of democracy promotion, the strategies quickly came to also describe anti-corruption as connected to a wider array of foreign policy aims, including combating transnational crime and drug trafficking, ensuring U.S. economic competitiveness, and preventing conditions that contribute to terrorism and violent extremism.[16] In 2000, Congress passed the International Anti-

[10] See https://eiti.org. Another illustrative initiative is the World Bank and UNODC's Stolen Assets Recovery Initiative (StAR, https://star.worldbank.org).

[11] TI has since been joined by a growing array of other anti-corruption civil society organizations. For example, see the more than 350 organizations affiliated with the UNCAC coalition, https://uncaccoalition.org/.

[12] The following year, in 2016, the United Kingdom hosted an international Anti-Corruption Summit that brought together government, private sector, and civil society representatives. The summit resulted in a Global Declaration against Corruption, an Anti-Corruption Summit Communique, more than 600 country-specific commitments to combat corruption from more than 40 countries, and the establishment of new mechanisms for international cooperation to combat corruption.

[13] For example, the Global Forum on Asset Recovery (GFAR), established to facilitate international cooperation to recover corruptly stolen assets, held its first meeting in December 2017.

[14] The United States supported adoption of the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, also referred to as the OECD Anti-Bribery Convention, which entered into force in 1999.

[15] Given these diplomatic sensitivities, these efforts have often been described using positive terminology such as promoting good governance, transparency, and the rule of law.

[16] Reflecting the early connection of corruption with democracy promotion, the 1994 NSS, which set out a broad goal

corruption and Good Governance Act (Title II of P.L. 106-309), which similarly associated corruption with a range of foreign policy harms and explicitly added good governance and countering corruption to U.S. development assistance objectives. Subsequent laws have sought to combat corruption within specific country contexts.[17]

Recent Administrations have established numerous corruption-focused strategies and initiatives that have affected or helped inform foreign assistance efforts in this area. The George W. Bush Administration launched a USAID anti-corruption strategy,[18] as well as a subsequent national strategy to combat kleptocracy.[19] The Bush Administration also advocated, and Congress established, the Millennium Challenge Corporation (MCC), which ties large-scale grants to countries' control over corruption in a competitive selection process.[20] Relevant initiatives during the Barack Obama Administration included a strategy to combat transnational organized crime that, to some extent, focused on foreign corruption issues, and the creation of the Open Government Partnership (OGP), an international multi-stakeholder initiative to promote government transparency.[21] The State Department and USAID's 2015 Quadrennial Diplomacy and Development Review included combating corruption as a major element of its broader goal of "promoting resilient, open, democratic societies," with foreign assistance activities identified as part of this effort.[22]

Trump Administration Policy

The Trump Administration's 2017 NSS reflects a level of continuity with prior administration strategy documents in stressing the need to combat foreign corruption, while placing new emphasis on corruption issues as relevant to U.S. competition with "strategic competitor" states such as China and Russia.[23] The Trump Administration's Indo-Pacific strategy includes some focus on governance and corruption issues, as do State Department and USAID joint strategies.[24]

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of democratic enlargement in the post-Cold War context, stated, "We must help [democracies] strengthen the pillars of civil society, improve their market institutions, and fight corruption and political discontent through practices of good governance." The White House, *A National Security Strategy of Engagement and Enlargement*, July 1994.

[17] For example, the Nicaragua Human Rights and Anticorruption Act of 2018 (P.L. 115-335) and the Ukraine Freedom Support Act of 2014 (P.L. 113-272).

[18] USAID, *USAID Anticorruption Strategy*, January 2005.

[19] The White House, "National Strategy to Internationalize Efforts Against Kleptocracy," fact sheet, August 10, 2006.

[20] The MCC was established by the Millennium Challenge Act, Division D, Title VI of P.L. 108-199.

[21] Also see The White House, "FACT SHEET: The U.S. Global Anticorruption Agenda," September 24, 2014. The United States during this period also began to participate as an implementing country in the oil, gas, and mineral-resource-focused Extractive Industries Transparency Initiative (EITI).

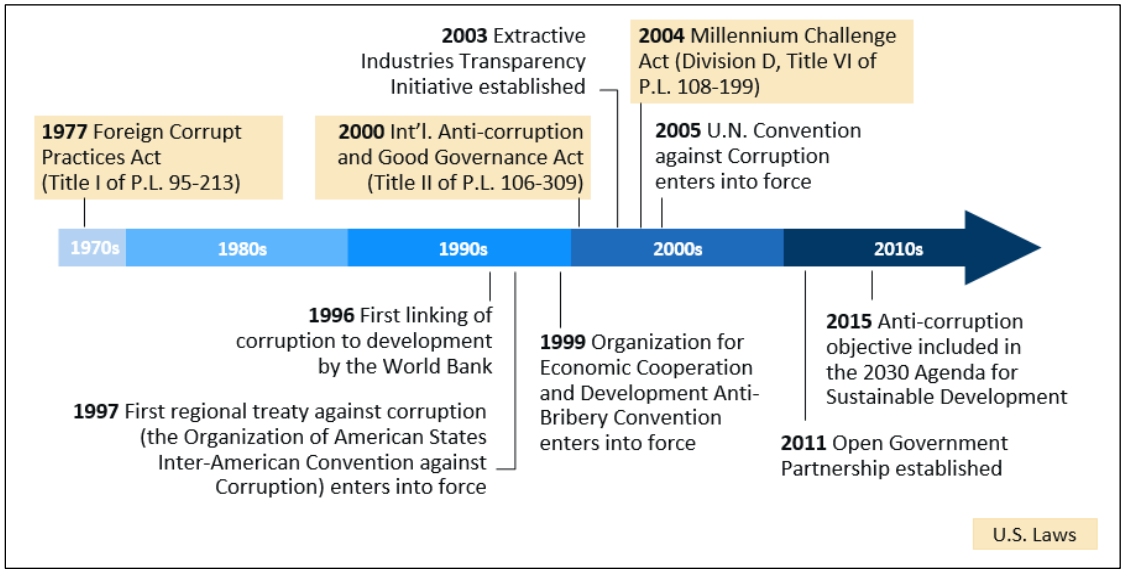
[22] U.S. State Department and USAID, *Quadrennial Diplomacy and Development Review*, April 2015, pp. 28-34. The Obama Administration subsequently made numerous pledges at the 2016 Anti-Corruption Summit. See U.S. Department of State, "U.S. Commitments at the Global Anti-Corruption Summit," fact sheet, May 12, 2016.

[23] The NSS states, "Economic tools—including sanctions, anti-money laundering and anti-corruption measures—can be important parts of broader strategies to deter, coerce, and constrain adversaries." It declares, "Terrorists and criminals thrive where governments are weak, corruption is rampant, and faith in government institutions is low. Strategic competitors often exploit rather than discourage corruption and state weakness to extract resources and exploit their populations." It also states that China in particular, "spreads features of its authoritarian system, including corruption and the use of surveillance." The White House, *National Security Strategy of the United States of America*, December 2017.

[24] See U.S. State Department, "Indo-Pacific Transparency Initiative," fact sheet, November 3, 2019, and https://www.state.gov/foreign-assistance-resource-library. For detailed discussion of relevant U.S. policy in Latin America, see CRS Report R45733, *Combating Corruption in Latin America: Congressional Considerations*, coordinated by June S. Beittel. See also CRS Insight IN11350, *Status of Latin America's Anti-corruption Fight amid*

Consistent with prior policy, the State Department identifies combating foreign corruption as supportive of a broad range of foreign policy objectives, including "stability, the rule of law, human rights, and democracy," economic growth, fairness for American businesses, and the combating of transnational crime, terrorism, and illegal trade.[25] During the U.S. presidency of the U.N. Security Council in September 2018, the Security Council held a session to discuss the links between corruption and conflict that observers described as the first such council meeting on corruption as a cross-cutting issue.[26] President Trump has criticized the FCPA, and some Administration officials have indicated an interest in making changes to the law due to concerns over U.S. business competitiveness.[27]

Figure 1. Timeline of Selected Anti-Corruption Policy Developments



Source: CRS graphic.

Anti-Corruption Assistance Programs

As experts have increasingly emphasized the role of effective governance, including the extent of corruption, in affecting various U.S. foreign policy interests, U.S. foreign assistance has increasingly focused on corruption in both funding allocation and programming decisions. The

Health and Political Challenges, by June S. Beittel.

[25] U.S. State Department Bureau of International Narcotics and Law Enforcement Affairs, "Anticorruption," fact sheet, https://www.state.gov/anticorruption/; U.S. State Department, "Anti-Corruption and Transparency," https://www.state.gov/policy-issues/anti-corruption-and-transparency/.

[26] United Nations, "Global Cost of Corruption at Least 5 Per Cent of World Gross Domestic Product, Secretary-General Tells Security Council, Citing World Economic Forum Data," September 10, 2018; Security Council Report, "Corruption and Conflict," https://www.securitycouncilreport.org/monthly-forecast/2018-09/corruption_and_conflict.php?print=true.

[27] Christina Wilkie, "Trump economic advisor Larry Kudlow says White House is 'looking at' changes to global anti-bribery law," *CNBC*, January 17, 2020. Separately, in November 2017, the Trump Administration announced that the United States would withdraw as an implementing country of the Extractive Industries Transparency Initiative (EITI), citing incompatibility with the U.S. legal framework. The decision drew criticism from some Members of Congress and anti-corruption advocates. The United States continues to participate in EITI as a "supporting country." See Gregory J. Gould, U.S. Department of the Interior Office of Natural Resources Revenue letter to EITI Chair, November 2, 2017.

Foreign Assistance Act of 1961 (FAA, P.L. 87-195), as amended, which provides the legislative basis for most U.S. foreign assistance, includes "the promotion of good governance through combating corruption and improving transparency and accountability" as a principal goal of U.S. assistance.[28] Congress appropriates foreign assistance resources for related broad purposes such as democracy promotion but, with some exceptions, has generally not specifically directed such resources toward reducing corruption.[29]

USAID and the State Department administer the bulk of U.S. foreign assistance related to combating corruption. According to data provided by the State Department, between FY2014 and FY2018, these agencies devoted *approximately $115 million annually to anti-corruption program activities*—broadly defined to include "activities that discourage corrupt practices by promoting prevention and accountability … in the use of public resources and authority," including preventive reforms and enforcement measures, freedom of information, transparent budgeting, building oversight capacity of civil society actors, and other activities.[30] (See discussion in "Identifying and Tracking Anti-Corruption Funding.") Some anti-corruption activities are implemented "notwithstanding" any other restrictions on assistance.[31] Although efforts to reduce corruption are diverse, a number of common considerations and challenges are generally manifest across agency programming efforts in this area. These include the following:

- Agencies emphasize that **"political will"** is often necessary for programs to succeed. Political will considerations may impact the type and framing of anti-corruption programs, or may cause agencies not to invest in explicit anti-corruption efforts even in high-dollar recipient countries perceived as corrupt. If political leaders in target countries are perceived as uninterested in reform, for example, agencies may favor support for civil society efforts. Agencies may also consider that drawing attention to corruption could be counterproductive to reformers, who may in some cases prefer to orient efforts on "good governance" initiatives instead—a more general, positive focus on enhancing government services, rather than a specific focus on rooting out corruption. Accounting for local political dynamics is challenging, and experts have criticized anti-corruption assistance efforts in this area (see "Corruption as a Political Challenge").

[28] Section 101(a)(5) of the FAA. Section 133 of the FAA additionally specifically authorizes programs to "combat corruption, improve transparency and accountability, and promote other forms of good governance," although Congress does not specifically reference this section in annual appropriations. The aforementioned International Anti-corruption and Good Governance Act (Title II of P.L. 106-309) added these anti-corruption elements in 2000.

[29] One exception in recent years has been directed funding in SFOPS to the International Commission Against Impunity in Guatemala, the Mission to Support the Fight Against Corruption and Impunity in Honduras, and support for Attorneys General/Public Ministries in both countries and in El Salvador.

[30] CRS correspondence with U.S. State Department's Office of U.S. Foreign Assistance Resources, January 30, 2020. According to the State Department, provided funding figures are as attributed in operational plans for each fiscal year and may not reflect final numbers. The figures provided indicate that most anti-corruption activities were funded from the Assistance for Europe, Eurasia and Central Asia (AEECA), Development Assistance (DA), Economic Support Fund (ESF) and International Narcotics Control and Law Enforcement (INCLE) accounts. Although not attributed as such in the provided figures, separate notifications to Congress have indicated that the Democracy Fund (DF) account has also been used to fund anti-corruption programs.

[31] This includes programs implemented under the "Democracy Programs" heading within the annual State Department, Foreign Operations, and Related Programs (SFOPS) appropriations and programs funded through the International Narcotics Control and Law Enforcement (INCLE) account, which is primarily administered by the State Department's Bureau of International Narcotics and Law Enforcement Affairs.

- Agencies seek to ensure **program coordination.** The State Department and USAID produce joint agency and regional strategies meant to align their efforts in support of the National Security Strategy, and anti-corruption efforts are cited within many of these.[32] Agencies regularly refer to coordination with other agencies, although challenges may exist in practice (see "Inter-agency Coordination"). Agencies similarly seek to align their efforts and strategies with other donor efforts.
- Where relevant, agencies often fund programs that **support international or national commitments** of partner governments, such as those under UNCAC, initiatives such as the Open Government Partnership, or national government anti-corruption strategies.

The sections below describe in turn the respective approaches and foci of the primary U.S. entities working in this area.

U.S. Agency for International Development (USAID)

USAID is the largest U.S. agency with a primary mandate to advance international development, as measured by funding level. In line with the goals of the FAA, it has made improved governance, including combating corruption, core to its mission statement.[33] USAID also implements many of the MCC's "Threshold" programs through a funding transfer.[34]

The USAID Center of Excellence on Democracy, Human Rights, and Governance (the DRG Center) houses USAID headquarters' anti-corruption experts in Washington DC. The DRG Center provides program design support to missions overseas, conducts research and evaluation on anti-corruption programs, disseminates best practices for programmatic approaches, and maintains a roster of qualified contractors and experts for mission programming.[35] A significant proportion of USAID's anti-corruption experts, however, are based in dedicated democracy and governance (D&G) units in USAID's overseas missions, designing programs, overseeing projects, and linking to the DRG Center to identify agency-wide best practices for anti-corruption.

Programmatic Approach

USAID articulated its current agency-wide anti-corruption approach in 2013 in a new Strategy on Democracy Human Rights and Governance (DRG Strategy). A 2005 anti-corruption strategy also serves as a reference, but the DRG Strategy provides a more current depiction of USAID's approach.

[32] See https://www.state.gov/foreign-assistance-resource-library/.

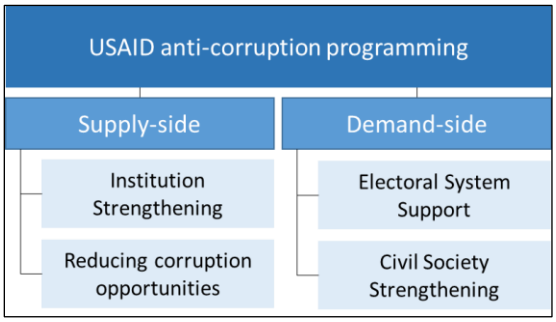
[33] USAID, *Mission, Vision, and Values*, https://www.usaid.gov/who-we-are/mission-vision-values. Last updated February 16, 2018. For an overview of USAID, see CRS In Focus IF10261, *U.S. Agency for International Development: An Overview*, by Emily M. Morgenstern.

[34] See CRS Report RL32427, *Millennium Challenge Corporation: Overview and Issues*, by Nick M. Brown.

[35] The DRG Center also maintains a set of Indefinite Quantity Contracts (IQCs) that provide missions a framework for competitive selection of implementers. See USAID, *User's Guide to DRG Programming*, February 2015.

The DRG Strategy lays out four objectives, two of which prioritize anti-corruption efforts (other objectives include promotion of human rights and free and fair elections). Development Objective Two frames corruption as a consequence of weak governance and provides a framework for reducing corruption through enhancing governance. Reducing corruption is therefore one of several objectives of good governance efforts (see "Identifying and Tracking Anti-Corruption Funding"). Development Objective Four encourages integration of governance programming in other sectors, including anti-corruption. The DRG Strategy identifies greater transparency of government processes and enhanced accountability of public servants as the solution to weak governance. Anti-corruption interventions therefore often seek to improve governance broadly, rather than combating corruption head-on through enforcement. The DRG Strategy explicitly connects efforts to combat corruption not only with general good governance but with "a long struggle for democratization."[36]

Figure 2. USAID Anti-Corruption: Programming Typology



Source: USAID, DRG Strategy.

Development Objective Two of the DRG Strategy establishes a framework for two major categories of USAID programs that explicitly target corruption through improved governance. While this formulation has fallen somewhat out of favor in recent years among development practitioners,[37] it still serves as an organizing framework for many country program portfolios:[38]

Supply-side. USAID interventions assist partner governments to provide public services transparently. The USAID DRG Strategy describes two prongs of such reforms: building the capacity of government institutions broadly, and reducing specific opportunities for corruption.[39] Revenue collection agencies are common recipients of capacity-building support, with USAID supporting systematic open budget processes and adoption of international financial standards.[40] Justice sector programs may randomize judges' case assignments or expand public release of court decisions to reduce insider dealing. To reduce opportunities for corruption, USAID often seeks to streamline bureaucratic processes. E-government initiatives may automate bureaucratic steps to government services, and "one-stop shops" aggregate multiple steps to register a

[36] For a description of Development Objective 2, see USAID, *USAID Strategy on Democracy Human Rights and Governance*, June 2013, pp. 18-21. See also USAID, Practitioner's Guide for Anticorruption Programming, January 2015, pp. 2, 6. See, for example, USAID Good Governance Program in Georgia: https://pdf.usaid.gov/pdf_docs/PA00JVTR.pdf. MCC, on the other hand, often targets corruption explicitly in its threshold programs, particularly when countries are seeking to improve their performance on the Control of Corruption indicator.

[37] Conversation with USAID official, January 22, 2020.

[38] MCC Threshold programs typically adopt a similar typology. For example, one project under the ongoing Kosovo Threshold Program targets "Transparent and Accountable Governance."

[39] DRG Strategy Sub-Objectives 2.3 and 2.4.

[40] Examples include support to establishing the Government Financial Management Information System in Jordan Fiscal Reform Bridge Activity (https://www.usaid.gov/jordan/fact-sheets/jordan-fiscal-reform-bridge-activity-jfrba) and adoption of international financial standards in El Salvador through the Domestic Resource Mobilization Project (https://www.usaid.gov/sites/default/files/documents/1862/Fact_Sheet_-_USAID_Domestic_Resource_Mobilization_Project.pdf).

business. Each of these steps may otherwise be opportunities to solicit a bribe.[41] In countries perceived as lacking political will to address corruption directly, USAID may orient programming toward less politically charged areas that could indirectly mitigate corruption, such as improved tax administration. Less frequently, USAID supports international efforts to strengthen anti-corruption enforcement bodies.[42] Recent examples include Ukraine, where the International Monetary Fund (IMF) and the European Union (EU) required Ukraine policymakers to establish new anti-corruption institutions, and in Honduras, where an anti-corruption initiative received congressionally directed support through USAID, along with the State Department.[43]

Demand-side. These projects support citizens and civil society advocates demanding greater government transparency and accountability. The DRG Strategy also describes two prongs to demand-side programming: improving the accountability of elected officials to citizens through free and fair elections, and enabling oversight of public administration by civil society and an independent media.[44]

USAID programs often combine supply- and demand-side approaches in integrated programs. For instance, the Ghana Strengthening Accountability Mechanisms project combined government audits with strengthened civil society oversight to react to such audits. An evaluation determined that this integrated approach increased project impact.[45]

Separately, Development Objective Four encourages integrating anti-corruption efforts into other areas through sector-specific interventions and diagnostic tools to sensitize programming to corruption risks. For instance, thwarting bribery at border crossings may be a priority for a USAID trade promotion program.

Regardless of the sectoral focus, USAID often takes corruption into account and may seek to address its effects, even in programs not designated as anti-corruption efforts. USAID conducts anti-corruption assessments in target sectors to identify and mitigate against corruption in program design.[46] Political Economy Analyses (PEAs), for example, are a relatively new diagnostic tool that, in part, seek to identify root causes of corruption, uncover social structures that perpetuate them, and contextualize program interventions to minimize the risk of corruption to program activities.[47] For direct government-to-government assistance, USAID requires a public financial management risk assessment framework to affirm that partner governments' systems will handle funding responsibly. Risk mitigation efforts for contracts and grants are further detailed under "Preventing Corrupt Use of Foreign Assistance."

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[41] USAID, *Analysis of USAID Anticorruption Programming Worldwide (2007-2013)*, July 23, 2014, p. 6.

[42] CRS conversation with USAID official, January 22, 2020.

[43] Through support to the Organization of American States-backed Mission to Support the Fight Against Corruption and Impunity in Honduras. As noted below, the State Department also supported a similar program in Guatemala. See relevant discussion in CRS Report R45733, *Combating Corruption in Latin America: Congressional Considerations*, coordinated by June S. Beittel. See also CRS Insight IN11211, *Corruption in Honduras: End of the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH)*, by Peter J. Meyer.

[44] Democracy promotion programs funded by USAID are described in detail in CRS Report R44858, *Democracy Promotion: An Objective of U.S. Foreign Assistance*, by Marian L. Lawson and Susan B. Epstein.

[45] USAID, *Anti-corruption Program Efficacy in Sub-Saharan Africa*, December 3, 2018, p. 16, https://www.usaid.gov/democracy/technical-publications/anti-corruption-program-efficacy-sub-saharan-africa.

[46] See USAID, *Anticorruption Assessment Handbook: Final Report*, February 28, 2009, https://pdf.usaid.gov/pdf_docs/pa00jp37.pdf.

[47] USAID Center of Excellence on Democracy, Human Rights and Governance, *Thinking and Working Politically through Applied Political Economy Analysis: A Guide for Practitioners*, April 2018.

Department of State

State Department strategic plans, joint regional strategies, functional bureau strategies, and country strategies collectively identify corruption as a challenge to be tackled across a range of U.S. foreign policy objectives, including ensuring U.S. economic competitiveness, combating transnational crime, and promoting democracy and respect for human rights. These plans aim to integrate relevant foreign assistance efforts within broader diplomatic endeavors and associated tools.[48] A large portion of State Department programs to combat corruption are administered by the Bureau of International Narcotics and Law Enforcement Affairs. The Bureau of Democracy, Human Rights, and Labor also supports many activities related to combating corruption. Programs are typically implemented by U.S.-based nonprofit/nongovernmental organizations, academic institutions, or public international organizations that may partner with local implementing organizations.

Bureau of International Narcotics and Law Enforcement (INL). INL leads anti-corruption policy within the State Department and engages bilaterally and multilaterally to promote the adoption and implementation of anti-corruption commitments such as UNCAC. In its most recent bureau strategy, INL describes anti-corruption efforts as contributing to its broader goals of disrupting or deterring transnational criminal activity that threatens U.S. interests, reducing instability in "strategically vital regions" and building resilience against malign influence from actors such as Russia and China, and promoting international action against common criminal threats.[49] INL has viewed anti-corruption programs as supportive of and interrelated with its broader efforts to combat other crimes that are INL priorities, such as money laundering, human trafficking, and drug trafficking.[50] INL programs are divided between those that are implemented on a bilateral basis, often through agreements with host governments, and those that are regional or global in scope.[51] INL has a dedicated team of anti-corruption advisors in Washington, DC, as well as officers at post in many countries. Some INL-managed resources support Department of Justice assistance efforts to combat corruption (see text box below).

INL's corruption-focused programs typically focus on criminal justice systems and aim to support partner governments to revise criminal laws, criminal procedure codes, or other standards for addressing corruption. In some instances, programs also provide technical advice relating to national anti-corruption strategies or specialized anti-corruption units or agencies. For example, according to INL, an INL program implemented by the United Nations Development Program has assisted Tunisia's government to develop a national anti-corruption strategy, has sought to build the capacity of Tunisia's Anti-Corruption Agency to deter and punish corrupt activities, and has supported the formulation of "new anti-corruption bills addressing asset declaration, conflict of interest, and whistleblower protection."[52] Congressionally directed support for the United Nations-backed International Commission Against Impunity in Guatemala was provided through

[48] See https://www.state.gov/plans-performance-budget/.

[49] U.S. State Department, *Functional Bureau Strategy - Bureau of International Narcotics and Law Enforcement Affairs,* June 22, 2018.

[50] U.S. State Department, *INL Guide to Anticorruption Policy and Programming*, June 2015.

[51] The latter category includes regional law enforcement training academies that may include anti-corruption courses. See U.S. State Department, "International Law Enforcement Academies," https://www.state.gov/international-law-enforcement-academy-ilea/.

[52] U.S. State Department INL bureau, "Tunisia Summary," accessed at https://www.state.gov/bureau-of-international-narcotics-and-law-enforcement-affairs-work-by-country/tunisia-summary/.

INL, as was support (along with that provided by USAID) for the Organization of American States-backed Mission to Support the Fight Against Corruption and Impunity in Honduras.[53]

Many INL programs aim to assist governments to minimize corruption within criminal justice institutions themselves, such as through support for internal and external oversight mechanisms, the establishment of justice sector case management and assignment systems, the development of training curricula and institutions, and other measures.[54] INL has supported recent reforms to address corruption within Ukraine's police forces, for example, as part of its broader anti-corruption work there.[55] A relatively smaller number of INL programs focus beyond the criminal justice sector on broader processes and institutions to improve government transparency and facilitate citizen and civil society oversight; such programs include promoting the implementation of asset disclosure for public officials, whistleblower protection systems, mechanisms for citizens to report corruption, and other measures.[56]

Department of Justice (DOJ) Programs

As part of its efforts to help combat transnational crime and terrorism, DOJ implements foreign assistance efforts to combat corruption that are funded through interagency agreements (IAAs), particularly with State's INL Bureau (through International Narcotics Control and Law Enforcement, INCLE, account resources).[57] DOJ carries out these programs primarily through its International Criminal Investigative Training Assistance Program (ICITAP) and the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT). Both ICITAP and OPDAT help build the capacity of foreign criminal justice entities to address corruption, and they often work in concert. They sometimes also draw on additional expertise from the broader DOJ.

ICITAP's anti-corruption work focuses on building the capacity of law enforcement institutions to investigate corruption, recover stolen assets, and institutionalize anti-corruption practices. ICITAP has 17 overseas field offices and programs in 32 countries (not every country program necessarily focuses on anti-corruption programming).[58] OPDAT provides technical assistance and case-based mentoring via resident staff posted to U.S. embassies and, in contrast to ICITAP's focus on law enforcement, primarily works with local prosecutors and courts. Assisted by locally employed staff, OPDAT resident U.S. attorney advisors assist on a range of criminal justice issues, including corruption. OPDAT advisors are currently posted in approximately 50 countries, and OPDAT also implements regional workshops on corruption and asset recovery issues.[59]

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[53] See relevant discussion in CRS Report R45733, *Combating Corruption in Latin America: Congressional Considerations*, coordinated by June S. Beittel. See also CRS Insight IN11211, *Corruption in Honduras: End of the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH)*, by Peter J. Meyer.

[54] *INL Guide to Anticorruption Policy and Programming*, June 2015.

[55] U.S. State Department INL Bureau, "Ukraine Summary," https://www.state.gov/bureau-of-international-narcotics-and-law-enforcement-affairs-work-by-country/ukraine-summary/; U.S. Department of Justice, "Ukraine: ICITAP-supported Police Academy Graduates First Class of New Officers," August 16, 2019, https://www.justice.gov/criminal-icitap/blog/ukraine-icitap-supported-police-academy-graduates-first-class-new-officers.

[56] *INL Guide to Anticorruption Policy and Programming*, June 2015. For example, see description of INL efforts "to increase citizen interaction with the government of Nigeria to promote transparency and good governance" in U.S. State Department INL Bureau, "Nigeria Summary," accessed at https://www.state.gov/bureau-of-international-narcotics-and-law-enforcement-affairs-work-by-country/nigeria-summary/.

[57] These entities have also previously received funds from other agencies, including MCC and the Department of Defense. DOJ in recent budget requests has argued that overhead funding provided through the IAAs is insufficient to support the headquarters staff needed to support their implementation, and has requested appropriations for such staff. See DOJ Criminal Division, *Performance Budget - FY 2021 Congressional Submission*, February 11, 2020.

[58] DOJ, "About ICITAP," https://www.justice.gov/criminal-icitap/about-icitap; "About ICITAP," fact sheet, April 2019; "ICITAP Structure & Staffing," fact sheet, September 30, 2018.

[59] DOJ, "Office of Overseas Prosecutorial Development Assistance and Training," https://www.justice.gov/criminal-opdat; DOJ, "Global Anti-Corruption," https://www.justice.gov/criminal-opdat/global-anti-corruption.

Bureau of Democracy, Human Rights, and Labor (DRL). DRL addresses corruption-related issues as part of broader efforts to promote democratic institutions and respect for human rights.[60] DRL leads U.S. engagement with the Open Government Partnership.[61] DRL's funding model entails project support for U.S.-based nonprofit organizations, which often work with local organizations in the target countries as implementing partners. DRL seeks projects that are rooted in domestic concerns in these countries and that are "locally led."[62] These programs typically engage with civil society organizations rather than government entities, and many of its programs operate in countries with authoritarian or hybrid political regimes. DRL's approach may help facilitate activities within these relatively closed political contexts, although oversight of such programs may also be more challenging.

DRL's corruption-related programs generally focus on supporting and building the capacity of civil society groups and investigative journalists to monitor governments, expose corruption, and/or advocate for legal or policy reforms. For example, a DRL program in Ukraine sought to facilitate journalists' ability to check for potential fraud in public officials' income and asset declarations through the creation of a searchable public database.[63] Similarly, a recent solicitation for a program in Moldova would support civil society monitoring of government public procurement platforms.[64] Some projects are transnational in scope, such as DRL funding to help establish the Global Anti-Corruption Consortium (GACC) in December 2016, which aims to combat grand corruption by facilitating mutually supportive, cross-border connections between investigative journalists and anti-corruption civil society advocates.[65] Many DRL programs that are not explicitly focused on corruption, such as those that aim to tackle broader media freedom, freedom of expression, or rule of law issues, may also indirectly contribute to better enabling environments for anti-corruption efforts.[66]

Other Bureaus. Numerous other State Department bureaus may fund some corruption-related foreign assistance programs. These include the Bureau of Economic and Business Affairs (EB), for example, which funds projects under the congressionally mandated Fiscal Transparency Innovation Fund (FTIF) alongside USAID's Bureau for Economic Growth, Education, and Environment. FTIF provides technical assistance to governments to improve budget transparency

[60] U.S. State Department, *Functional Bureau Strategy – Bureau of Democracy, Human Rights, Labor*, June 26, 2018.

[61] U.S. State Department, "Anti-Corruption and Transparency," https://www.state.gov/policy-issues/anti-corruption-and-transparency/. As described above, the Open Government Partnership (OGP) is an international initiative to promote government transparency. Participating governments commit to principles of open and transparent government and submit action plans toward this purpose, which are monitored by participating civil society organizations. See https://www.opengovpartnership.org/.

[62] U.S. State Department, "Notice of Funding Opportunity (NOFO): DRL Addressing Anti-corruption in Central Europe," February 20, 2020.

[63] U.S. State Department, "Ninth Report to Congress Pursuant to the International Anticorruption and Good Governance Act," September 14, 2016.

[64] U.S. State Department, "Notice of Funding Opportunity (NOFO): DRL Supporting Procurement Reforms in Moldova," January 22, 2020.

[65] GACC brings together investigative reporting from the network of journalists affiliated with Organized Crime and Corruption Reporting Project (OCCRP) with advocacy efforts by Transparency International (TI) chapters around the globe, and is particularly focused on grand corruption. Other governments also provided funding to establish GACC, including Argentina, Norway, Denmark, Australia, and the United Kingdom. See OCCP, "Global Anti-Corruption Consortium," accessed at https://www.occrp.org/en/gacc/; TI, "Global Anti-Corruption Consortium," https://www.transparency.org/whatwedo/activity/global_anti_corruption_consortium.

[66] For information on broader democracy promotion efforts, see CRS Report R44858, *Democracy Promotion: An Objective of U.S. Foreign Assistance*, by Marian L. Lawson and Susan B. Epstein.

and to civil society organizations to monitor the use of public funds.[67] State Department regional bureaus may also sometimes fund corruption-related foreign assistance programs, including those administered by U.S. embassies.

Other U.S. Agencies and U.S. Support for Multilateral Organizations

Other U.S. Agencies and Organizations. Although the entities described above provide the bulk of U.S. foreign assistance focused on anti-corruption, other federal agencies and federally funded organizations also participate in foreign assistance programs that relate to corruption issues, either independently or in partnership with the above-described agencies, such as the following:

- The Department of the Treasury's Office of Technical Assistance and Office of Terrorism and Financial Intelligence provide technical assistance on finance-related aspects of corruption.
- The Department of Defense implements trainings for foreign military and security personnel that cover corruption issues and has supported rule of law-related projects in conflict situations.
- The Department of Commerce's Commercial Law Development Program provides technical assistance to foreign governments relating to commercial legal reforms such as transparent and impartial government procurement and development of ethics policies.
- The Department of Labor's Bureau of International Labor Affairs funds some projects that combat corruption in labor inspections and promote rule of law.
- The National Endowment for Democracy funds relevant programs in this area as part of its democracy promotion mission (see text box below).

Multilateral Organizations. In addition to its bilateral assistance efforts, the United States supports multilateral organizations that administer anti-corruption, rule of law, or governance-related assistance programs. Such organizations include the World Bank, UNODC, the U.N. Development Program, and the Organization for Security and Co-operation in Europe (OSCE), among others.[68] Within the U.N. system, UNODC leads on anti-corruption efforts, including by helping to implement UNCAC and by providing technical assistance to states on asset recovery and other criminal justice matters. In 2017, the most recent year for which there are reliable funding data, the United States pledged $600,280 for UNODC's non-earmarked general purpose fund (approximately 14.8%) and $72,061,419 for the special purpose fund (approximately 20.1%).[69]

[67] See U.S. State Department, "Fiscal Transparency Innovation Fund," April 29, 2019, https://www.state.gov/fiscal-transparency-innovation-fund/l; U.S. State Department, *2019 Fiscal Transparency Report, 2019*, August 15, 2019. The FTIF has been funded pursuant to Section 7031(b) of recent State Department, Foreign Operations, and Other Programs appropriations bills. Most recently, the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) required that not less than $5 million from the Economic Support Fund account be used to support such programs.

[68] For an overview of U.S. funding to U.N.-affiliated entities, see CRS Report R45206, *U.S. Funding to the United Nations System: Overview and Selected Policy Issues*, by Luisa Blanchfield.

[69] "List of Pledges," UNODC, May 29, 2018, at https://www.unodc.org/documents/donors/List_of_pledges.pdf.

The National Endowment for Democracy

The National Endowment for Democracy (NED) supports anti-corruption projects as part of its broader mission of promoting democracy and respect for political rights around the world. NED is a private nonprofit organization established by Congress and funded primarily through annual appropriations.[70] A significant proportion of NED funds are provided to four affiliated "core institute" U.S. nonprofit organizations (the International Republican Institute, the National Democratic Institute, the American Center for International Labor Solidarity, and the Center for International Private Enterprise).[71] NED awards the remainder of funds through direct grants to local nongovernmental organizations working in target countries. NED grants are typically small, with many totaling less than $100,000. NED has described its projects as driven by demand from local organizations, and its corruption projects as focused on political dynamics.[72] Relevant projects may focus on supporting civil society watchdog and advocacy efforts, encouraging citizen oversight, and supporting investigative journalism around corruption issues.[73] In addition to country-focused projects, NED funds transnational projects focused on combating kleptocracy. Among NED's awarded grants during 2019, 122 projects totaling approximately $13.8 million either focused primarily on anti-corruption and combating kleptocracy or had significant elements focused on these areas. These included 25 ($5.2 million) global or regional projects and 97 ($8.6 million) country-focused projects.[74]

NED's private status allows it to operate at a level removed from U.S. government foreign policy direction. The endowment's funding, although appropriated by Congress, is independently controlled by NED's board of directors. This status also arguably facilitates programs in closed political contexts in which funding from U.S. government agencies or branding requirements could impede project implementation or create risks for recipient organizations.[75]

Preventing Corrupt Use of Foreign Assistance

In addition to dedicated anti-corruption efforts under foreign assistance programs, executive agencies have sought to reduce the risk of the corrupt use of foreign assistance funding itself. Considerable attention has been directed at such potential misuse, because assistance is often delivered in environments of endemic corruption. Foreign assistance agencies have integrated procurement policies and financial management approaches established in the *Code of Federal Regulations* into their contract and grant management processes. This section of the report focuses primarily on contracts, as governed by the Federal Acquisition Regulation (FAR), which sets policies for all federal contracting.[76] Grant management and oversight, described in 2 C.F.R.

[70] The Department of State, Foreign Operations, and Related Programs Appropriations Act for FY2020 (Division G of P.L. 116-94) appropriated $300 million for NED, specifying that approximately $196 million be allocated "in the traditional and customary manner, including for the core institutes," with the remaining amount for discretionary democracy programs. Some other nonprofit organizations that receive annual appropriations from Congress, such as The Asia Foundation (appropriated $19 million in FY 2020), may also implement corruption-related assistance programs.

[71] CRS calculation based on NED grant information accessed at https://www.ned.org/wp-content/themes/ned/search/grant-search.php. The Center for International Private Enterprise has been particularly active in the corruption area; see https://www.cipe.org/what-we-do/anti-corruption-ethics/ and https://corrosivecapital.cipe.org/. In addition to funding from NED, the State Department's DRL bureau has also provided substantial funding to these entities in recent years through the Democracy Fund (DF) account.

[72] CRS discussion with NED staff, February 4, 2020.

[73] CRS analysis of NED grant information accessed at https://www.ned.org/wp-content/themes/ned/search/grant-search.php.

[74] CRS correspondence with NED staff, February 21, 2020.

[75] For additional discussion of NED, see CRS Report R44858, *Democracy Promotion: An Objective of U.S. Foreign Assistance*, by Marian L. Lawson and Susan B. Epstein.

[76] For further information on federal procurement regulations, see CRS Report RS22536, *Overview of the Federal Procurement Process and Resources*, by L. Elaine Halchin.

§200, applies similar but less stringent principles because such agreements are restricted from the "significant involvement" that facilitates the contract oversight procedures described here.[77]

The FAR adopts the principle that an open, unbiased, competitive selection process is the best means of reducing fraud, waste, and abuse. Contractors must follow the FAR in sub-awards, including to entities in the field. A justification is necessary to forgo public solicitation of bids, including among local entities. The FAR identifies multiple tools to determine the reasonableness of costs and to assess vendor proposals.[78] Prospective recipients of government funds must also establish internal control procedures for management of federal funds.[79]

In addition to regulations that are meant to establish a transparent, competitive process for vendors, several further requirements of government staff and contractors seek to reduce the risk of fraud, waste, and abuse. Procurement rules prohibit "organizational conflicts of interest," such as tailoring contract requirements to a single contractor's competencies, and "personal conflicts of interest," such as bid evaluators holding a financial stake in a competing vendor.[80] Large-value awards require vendors to establish a code of business ethics and conduct, including notification procedures to the relevant Inspector General of cases of fraud, conflict of interest, bribery, or gratuity violations.[81] Since 2015, U.S. law has also prohibited recipients from establishing confidentiality agreements for their employees that would otherwise prohibit them from whistleblowing on incidents of fraud, waste, and abuse.[82] Contractors that manage sub-granting programs must be overseen by staff who are "significantly involved" in the selection of grantees under a contract, an oversight mechanism to ensure U.S. interests are advanced.[83] Finally, agencies must implement rigorous performance monitoring, such as site visits, to ensure projects are working to achieve government objectives.[84]

Agencies' capacity-building support for local entities may also help guard against corruption. USAID, for example, has in recent years attempted to increase the proportion of grants and contracts awarded directly to local entities, expecting that assistance dollars may incentivize them to strengthen their internal capacity.[85] This "local systems" approach was adopted agency-wide in 2012, alongside procurement policy reforms that allow partnering with entities in the United States, the recipient country, and any developing country that is not otherwise restricted by law, in an attempt to deploy U.S. regulations to encourage implementers to strengthen their internal

[77] Regulations in 2 C.F.R. 200 are set by the Office of Management and Budget to establish standard government-wide procedures to administer grants and cooperative agreements, consistent with the Federal Grant and Cooperative Agreement Act of 1977, as amended (P.L. 95-224).

[78] Federal Acquisition Regulation (FAR) 15.404-1. Such assessments also apply to grants for certain agencies, though the requirements are less formal. See USAID, *Independent Government Cost Estimate Guide and Template: A Mandatory Reference for ADS Chapter 300*, 300maa_040213, April 2, 2013, https://www.usaid.gov/sites/default/files/documents/1868/300maa.pdf.

[79] 2 CFR §200.303.

[80] Organizational conflicts of interest are described under FAR 9.5, while personal conflicts of interest are described in FAR 3.1106.

[81] FAR 52.203-13.

[82] USAID, *Certifications, Assurances, Representations, and Other Statements of the Recipient*: *A Mandatory Reference for ADS Chapter 303*, Part V, June 7, 2018, https://www.usaid.gov/sites/default/files/documents/1868/303mav.pdf, as mandated by Section 743 of Division E, Title VII, of P.L. 113-235.

[83] See, for example, USAID, *ADS* 302.3.4.13(c)(3), https://www.usaid.gov/sites/default/files/documents/1868/302.pdf.

[84] Such requirements are laid out in Office of Management and Budget Memorandum M-18-04, January 11, 2018, as mandated in the Foreign Aid Transparency and Accountability Act of 2016 (P.L. 114-191).

[85] USAID, *Policy Framework, 2011-2015*, 2011, p. 35, https://2012-2017.usaid.gov/sites/default/files/documents/1870/USAID%20Policy%20Framework%202011-2015.PDF.

systems, including against the risk of corruption. State Department and NED efforts similarly often entail capacity-building efforts for local partners that may address these issues. As part of these efforts, agencies may also require codes of conduct or implement trainings, instead of presuming an understanding of U.S. sensibilities with respect to issues such as fraud, waste, and abuse of public funds.[86]

Separately, MCC's model, per its statute, mandates that it seek to identify credible partners and not only reward their effective control over corruption by awarding a compact, but also build their capacity to minimize corruption throughout compact implementation. MCC automatically disqualifies countries from funding if they perform poorly on the World Bank Institute's "Control of Corruption" indicator, a measure of citizens' perception of the prevalence of corruption in their country.[87] MCC claims it is "widely recognized" that countries have used this selection process to justify their own anti-corruption agendas, in some cases even after MCC has awarded a compact.[88] After compact launch, partner governments must manage projects according to World Bank procurement standards. MCC's ongoing oversight of compact implementation monitors building of recipients' capacity to administer funds in a manner that reduces risk of corruption. MCC compacts also often include a component for government reform; for instance, MCC transportation compacts may include reform of the highway authority, both to ensure project sustainability and reduce risk of bribery in post-compact procurements.[89] MCC does not seek to capture this indirect effect of compact implementation in its impact assessments, but it cites such management principles as key to the MCC model.

Conditioning Foreign Assistance on Anti-Corruption Efforts

In some cases, Congress has attempted to address issues of corruption among foreign assistance recipients by placing conditions on assistance. Such conditions typically prohibit the obligation of assistance in countries viewed as having significant corruption challenges or mandate certification by the executive branch that certain conditions are met before the funds can be obligated. Certain funds may not be subject to these limitations—in particular, when such a limitation may prove counterproductive. For example, programs funded through the International Narcotics Control and Law Enforcement (INCLE) account, which seek to strengthen law enforcement capacity (among other aims), have "notwithstanding" authority codified under Section 481 of the FAA.[90] In recent years, democracy programs and certain humanitarian

[86] William Savedoff, 2016, "Anti-Corruption Strategies in Foreign Aid: From Controls to Results," CGD Policy Paper 076, Center for Global Development, p. 4.

[87] MCC funds large-scale "compact" grant agreements based on a competitive selection process that preferences countries performing well on international indicators of corruption. MCC's selection criteria are updated annually and described in a publicly issued report that is also addressed to Congress. See, for example, MCC, Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance for Fiscal Year 2020, September 18, 2019.

[88] MCC compares this "positive incentive" approach favorably against the "negative incentive" of punishing "back-sliding" countries through assistance conditionality, which is more frequently USAID's approach. MCC, "Working Paper—Building Public Integrity through Positive Incentives," April 24, 2007.

[89] See, for example, Benin Power Compact Program Description, at https://assets.mcc.gov/content/uploads/2017/05/compact-benin-power.pdf.

[90] §481(a)(4), P.L. 87-195.

assistance activities have also been subject to notwithstanding provisions, as has assistance to certain countries, such as Egypt and Pakistan.[91]

Certification often addresses topics relating to corruption, transparency, governance, and capacity-building. Analyses typically measure steps taken by the receiving government to combat corruption, rather than measuring the extent of corruption directly. Conditions that refer to corruption explicitly are relatively rare, but many other conditions touch on anti-corruption measures or are designed to foster good governance. Congress has also required reports on corruption in some aid-receiving countries, reports on which assistance may or may not be conditioned.[92] The use of this tool may reflect the goal of reducing fraud, waste, or misuse and incentivizing governance reforms abroad.

Government-to-Government

Congress has sought to minimize the risk of corruption when appropriated funds are provided to partner governments. Such efforts may reflect concerns that, unlike in situations where a third party carries out U.S. assistance programs, the United States has significantly less control or oversight of direct government-to-government funds once disbursed. Lawmakers may thus support conditions as an additional, up-front assurance that funds will be well-spent.

Annual State, Foreign Operations, and Related Programs (SFOPS) appropriations have placed anti-corruption conditions on assistance provided directly to a foreign government since FY2012.[93] This type of assistance constitutes a small share of foreign assistance: generally U.S. government agencies fund NGOs, contractors, or other implementing partners rather than a foreign government.[94] SFOPS-appropriated funds are to be made available for direct assistance to governments only if "no level of acceptable fraud is assumed" and the receiving government uses competitive procurement systems and effective monitoring and evaluation processes, among other requirements.[95] Congress has also required the Administrator of USAID and the Secretary of State to suspend assistance if there is "credible information of material misuse," or to justify the continued assistance because of national security reasons or the resolution of the issue of misuse. Agencies must consult with the Committees on Appropriations prior to resuming making these funds available and must report to the appropriators when assistance is disbursed.[96]

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[91] For other examples of notwithstanding provisions that may affect foreign assistance, see USAID, "FY 2019 Statutory Checklists," p. 2.

[92] For example, the FY2019 NDAA required the Secretary of State, in coordination with the Secretary of Defense, to submit a report "regarding narcotics trafficking, corruption and illicit campaign finance in Honduras, Guatemala, and El Salvador" (§1287, P.L. 115-232).

[93] These conditions are typically included as a subsection under "Financial Management and Budget Transparency" in SFOPS appropriations. H.Rept. 112-331 defined "Direct Government-to-Government" assistance as including "cash transfers, nonproject sector assistance, and other forms of assistance where funds appropriated by this Act are provided directly to the recipient government." Nonproject sector assistance is characterized by the transfer of resources to a host country government, in contrast to project assistance, which involves the procurement of materials and services to implement a project. For more on nonproject sector assistance, see Ronald Oakerson, *Non-Project Assistance and Policy Reform: Lessons Learned for Strengthening Country Systems,* USAID, November 2012.

[94] The SFOPS Congressional Budget Justification (CBJ) for FY2020 planned for $666,740,000 in government-to-government activities. While government-to-government activities are consistently a small share of the SFOPS budget, proposed figures in the CBJ do not typical match actual expenditures. U.S. Department of State, "Congressional Budget Justification. Department of State, Foreign Operations, and Related Programs, Fiscal Year 2021," February 2020, p. 102.

[95] See for instance §7031 (a)(1) of P.L. 116-6.

[96] The requirement for prior consultation does not apply to direct government-to-government assistance that totals less

In some cases, the executive branch has elected to include corruption-related conditions in bilateral memoranda of understanding and other international agreements. The 2016 Guarantee Agreement between the United States and Ukraine, for instance, requires Ukraine to launch an "electronic filing system for asset and income disclosure by high-level officials" within the National Agency on Prevention of Corruption. It also includes a requirement to take steps to ensure that the National Anti-Corruption Bureau of Ukraine receives a sufficient budget.[97]

Major Drug-Producing or -Transit Countries

The FAA requires the President to evaluate potential foreign assistance recipients identified as major illicit drug-producing or -transit countries, including standards of anti-corruption in those states. Specifically, the evaluation is to include the degree to which the government has "taken legal and law enforcement measures to prevent and punish public corruption" related to the illicit drug market.[98] This evaluation is one component of a broader annual process in which the President determines which major illicit drug-producing or -transit countries are subject to foreign assistance restrictions.[99]

Country-Specific Certification

In some cases, U.S. law places anti-corruption related conditions on foreign assistance to specific countries. Such conditions are frequently enacted through provisions in appropriations and authorization bills, but they may also be present in more narrowly focused legislation pertaining to specific conditions in or bilateral relations with a country. The typical method of anti-corruption conditioning at the country-level is directing that some or all foreign assistance be withheld until the relevant Secretary certifies to Congress that the target government has taken steps to address corruption-related issues.[100] In some cases, the limitations may apply only to one or two funding accounts, potentially diluting the impact of aid restrictions, particularly in cases

than $10,000,000.

[97] Per the agreement, these conditions must be met at least seven days prior to the marketing of notes, for which the United States has guaranteed Ukraine's repayment of the principal amount, unless an agreement has been reached with USAID. "Agreement Between the United States of America and Ukraine," Treaties and Other International Acts Series 16-927.2, U.S. Department of State, June 3, 2016, pp. 16-18.

[98] The required certification by the President to Congress concerns countries' cooperation to achieve "full compliance" with the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, but authorizes the President to waive certification based on U.S. national interests. Per the FAA, 50% of foreign assistance must be withheld from obligation until completion of this certification. The FAA also directs the Secretary of the Treasury to oppose support in the multilateral development banks for those countries, pending the same certification (§490, P.L. 87-195).

[99] In 2019, President Trump identified the following countries as major drug transit or major illicit drug producing countries: Afghanistan, The Bahamas, Belize, Bolivia, Burma, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, India, Jamaica, Laos, Mexico, Nicaragua, Pakistan, Panama, Peru, and Venezuela. This restriction also applies to countries identified in §489(a)(8)(A): "The five countries that exported the largest amount of pseudoephedrine, ephedrine, and phenylpropanolamine (including the salts, optical isomers, or salts of optical isomers of such chemicals, and also including any products or substances containing such chemicals)" and "The five countries that imported the largest amount of the chemicals described in clause (i) during the preceding calendar year and have the highest rate of diversion of such chemicals for use in the illicit production of methamphetamine (either in that country or in another country)."

[100] CRS was not able to gain access to all of the certifications and waivers associated with the most recent corruption-related conditions and is therefore unable to describe definitive patterns.

where the restricted funds are subject to notwithstanding provisions.[101] Recent limitations include the following:

- In 2018, Congress passed the Nicaragua Human Rights and Anticorruption Act (P.L. 115-335), which requires the Secretary of the Treasury to oppose technical and financial assistance by the International Finance Corporation and the Inter-American Development Bank to the **Government of Nicaragua**, unless the Secretary of State certifies to Congress that the Government of Nicaragua is taking "effective steps … to combat corruption, including by investigating and prosecuting cases of public corruption," in addition to other provisions.[102] This certification is due on an annual basis.
- Since FY2017, NDAAs have required the Secretary of Defense, in coordination with the Secretary of State, to certify that the **Government of Ukraine** has taken steps relating to anti-corruption reforms before half of the total authorized funds from overseas contingency operations (OCO) for the Ukraine Security Assistance Initiative is made available (the initiative is funded entirely by OCO funds).
- Since FY2016, SFOPS appropriations have directed that portions of bilateral economic and security assistance appropriated for the **Governments of Honduras, Guatemala, and El Salvador** be withheld from obligation until the Secretary of State certifies to Congress that the government in question is taking steps that include "combating corruption." Such limitations typically have made exceptions for assistance to anti-corruption institutions such as the International Commission against Impunity in Guatemala, the Mission to Support the Fight against Corruption and Impunity in Honduras, the International Commission against Impunity in El Salvador, and humanitarian assistance and food security programs.[103]
- From FY2015 to FY2018, Congress directed that no SFOPS-appropriated funds for the **Government of South Sudan** (GOSS) be made available until the Secretary of State certified to Congress that the GOSS was taking steps to "reduce corruption related to the extraction and sale of oil and gas," in addition to other provisions. Appropriations bills specified that this limitation did not extend to humanitarian assistance, assistance for a peace agreement, or assistance to support the Comprehensive Peace Agreement.
- Since FY2014, SFOPS appropriations have made the disbursement of funds appropriated for Haiti contingent on the Secretary of State certifying that the **Government of Haiti** is taking steps to address a range of corruption issues.[104] Such steps have included "combat[ing] corruption, including by implementing

[101] The following examples may include other provisions, including the possibility of waivers, some of which may not be listed in this report.

[102] These restrictions do not extend to assistance that is provided to "address basic human needs or to promote democracy" (§4(b), P.L. 115-335).

[103] See for instance §7045(a)(2)(C) P.L. 116-94.

[104] Anti-corruption conditioning for Haiti was also required in some earlier fiscal years. For instance, the Supplemental Appropriations Act of 2010, P.L. 111-212, directed that funds for Haiti from ESF and INCLE be made available only if the Secretary of State reported that the Government of Haiti was "demonstrating a commitment to accountability by removing corrupt officials, implementing fiscal transparency and other necessary reforms of government institutions, and facilitating active public engagement in governance and oversight of public resources," but there was no such conditioning the following year.

the [Haitian] anti-corruption law enacted in 2014" and "improving governance by implementing reforms to increase transparency and accountability, including through the penal and criminal codes."[105] From FY2014 to FY2016, conditions were placed on all SFOPS-appropriated funds for the country; from FY2017 to FY2019, they were placed on Economic Support Funds (ESF) and Development Assistance (DA) funds;[106] and in FY2020 they were placed only on ESF funds. Haiti typically receives significantly more in DA funds than it does in ESF. In FY2018, DA for Haiti totaled approximately $32 million, and ESF totaled approximately $8.5 million, out of approximately $184.56 million of SFOPS-appropriated assistance for Haiti and of $252 million in U.S. foreign assistance for the country overall.[107]

- **Afghanistan** has been subject to numerous conditions on foreign (see text box below).

Case Study: Afghanistan

As one of the top recipients of U.S. foreign assistance for the past two decades, Afghanistan has been a target for nearly every aspect of U.S. anti-corruption efforts, which have undergone several phases. U.S. agencies have carried out multiple programs to address Afghan corruption, even as that goal has competed with other foreign policy priorities. Aid has been conditioned or cancelled over corruption issues, while the enabling environment in Afghanistan has often challenged contractors to deliver assistance while complying with U.S. regulations.

In the first seven years of the U.S.-led war in Afghanistan, the United States gave little attention to corruption, as it focused primarily on combating the Taliban and Al Qaeda.[108] By 2009, the United States recognized corruption as a major challenge in rebuilding Afghanistan. As combating corruption took greater prominence in U.S. assistance efforts in Afghanistan, resistance followed. National security officials reportedly shelved a 2010 effort to investigate and prosecute corrupt officials because it complicated relations with Afghan leaders.[109] Corruption efforts today are often the subject of trade-off decisions about resource allocation, especially between physical security and improved governance efforts.

Nonetheless, the United States has implemented multiple dedicated anti-corruption programs, as well as broader government and civil society strengthening programs. Multiple Special Inspector General for Afghanistan Reconstruction (SIGAR) reports discuss the impact of corruption on U.S. security and economic assistance programs, and several programs are designed to enhance the Government of Afghanistan's capacity to address corruption. Programmatic efforts have included, for example, building government capacity to conduct internal audits and undertake corruption risk mitigation programs, promoting government budget transparency, building criminal justice sector capacity to pursue corruption and supporting new case management systems to reduce corruption, and strengthening civil society oversight of government.[110]

[105] §7045(c), P.L. 116-94.

[106] This change had the effect of exempting funds for Global Health Programs (GHP), as well as other funds in the aftermath of Hurricane Matthew. In FY2017, GHP comprised approximately 59.7% of U.S. foreign assistance for Haiti. "Congressional Budget Justification Department of State, Foreign Operations, and Related Programs Appendix 2 Fiscal Year 2019," USAID, p. 486.

[107] "Congressional Budget Justification Department of State, Foreign Operations, and Related Programs Supplementary Tables Fiscal Year 2020," USAID, p. 8; and Aid Explorer.

[108] SIGAR, *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, September 2016.

[109] Rajiv Chandrasekaran, "Karzai rift prompts U.S. to reevaluate anti-corruption strategy in Afghanistan," *Washington Post*, September 13, 2010.

[110] For information about some U.S. programs, see USAID, *Afghanistan's Measure for Accountability and Transparency: Fact Sheet*, December 2018; USAID, "Regional Afghan Municipalities Program for Urban Populations," https://www.usaid.gov/node/50336; U.S. State Department, "Bureau of International Narcotics and Law Enforcement Affairs: Afghanistan Summary," https://www.state.gov/bureau-of-international-narcotics-and-law-enforcement-affairs-work-by-country/afghanistan-summary/,

Appropriations measures in recent years have required SIGAR to evaluate and report to Congress on anti-corruption efforts by the government of Afghanistan, and Congress has consistently placed corruption-related conditions and restrictions on aid.[111] A selection of such provisions includes the following:

- From FY2012 to FY2018, SFOPS appropriations directed that no funds from the Economic Support Fund (ESF) or International Narcotics Control and Law Enforcement (INCLE) accounts that were appropriated for Afghanistan be obligated until the Secretary of State certified to the Committees on Appropriations that the Government of Afghanistan was addressing certain anti-corruption issues, among other provisions. In FY2018, actual ESF and INCLE funding for Afghanistan totaled approximately $660 million of $701.63 million in SFOPS spending in Afghanistan and of approximately $6 billion for U.S. foreign assistance obligations to that country overall.
- Per 10 U.S.C § 2241, as amended by the FY2017 National Defense Authorization Act (NDAA, P.L. 114-328), Defense Department funds are prohibited from being obligated or expended on infrastructure projects in Afghanistan if U.S. officials or their representatives are unable to safely access the project for oversight purposes.
- Since FY2018, SFOPS-appropriated funds for Afghanistan have been prohibited from being obligated to activities that included entities for which Secretary of State has credible evidence of being "involved in corrupt practices."
- Since FY2018, NDAAs have directed that the Secretary of Defense, along with the Secretary of State, submit to Congress an assessment on Afghanistan's progress on meeting objectives including increased accountability in the Ministry of Defense and Ministry of Interior. The report must also include descriptions of irregularities in divestment of U.S.-provided equipment and the distribution practices of the Afghan National Defense and Security Forces. The Secretary of Defense, in conjunction with the Secretary of State, is required to consider the assessment in deciding whether to restrict assistance for the Afghan National Defense and Security Forces if the Government of Afghanistan.

Such reporting requirements and aid conditions reflect a skepticism toward the foreign assistance program to Afghanistan that the Trump Administration appears to also have endorsed, recently withholding or canceling assistance over corruption concerns.[112]

Multiple analyses suggest the United States has often lacked a willing partner in the Afghan government to enact anti-corruption reforms, and officials have noted potential tradeoffs between improving Afghanistan's governance and combating terrorism (see related discussions in "Corruption as a Political Challenge" and "Prioritizing Anti-Corruption in U.S. Foreign Policy."). SIGAR analyses have determined that the Government of Afghanistan has made progress (though unevenly) toward benchmarks of its anti-corruption strategy, the implementation of which has been supported by the United States. SIGAR's reports suggest that corruption nonetheless remains a major challenge, and a recent *Washington Post* report relays SIGAR interviews with former U.S. officials, many of whom contend that U.S. assistance dollars often enabled corruption, rather than combated it.[113]

Legislation in the 116th Congress

The annual SFOPS appropriations bills are a primary vehicle by which Congress engages on foreign assistance-related anti-corruption priorities and funding. The 116th Congress is considering numerous additional bills relevant to foreign corruption issues that include provisions focused specifically on foreign assistance. The Combating Global Corruption Act of 2019 (S. 1309), which passed the Senate by unanimous consent in December 2019, would require the

[111] SIGAR, *Afghanistan's Anti-Corruption Efforts: The Afghan Government Made Progress in Meeting its Anti-Corruption Strategy Benchmarks, but Serious Challenges Remain to Fighting Corruption*, SIGAR 20-06 Audit Report, November 2019.

[112] Department of State, "Statement on Accountability and Anti-Corruption in Afghanistan," press release, September 19, 2019, https://www.state.gov/statement-on-accountability-and-anti-corruption-in-afghanistan/.

[113] Craig Whitlock, "The Afghanistan Papers: Consumed by Corruption," *Washington Post*, December 9, 2019; SIGAR, *Stabilization: Lessons from the U.S. Experience in Afghanistan*, SIGAR Report 18-48, p. vi. For congressional issues raised by this reporting, see CRS Report R46197, *The Washington Post's "Afghanistan Papers" and U.S. Policy: Main Points and Possible Questions for Congress*, by Clayton Thomas.

Secretary of State annually to assess and rank the "capacity and commitment" of foreign governments that receive U.S. foreign assistance to combat public corruption. Department of State or USAID contracts, grants, and cooperative agreements to countries assessed as not meeting minimum standards would be required to include anti-corruption clauses, among other elements. For these countries, the act would additionally require the State Department to designate anti-corruption points of contact at the relevant U.S. diplomatic posts to be responsible for coordinating a whole-of-government approach among agencies funding corruption-related foreign assistance programs.[114] Title VII of the State Department Authorization Act of 2019 (H.R. 3352), which passed the House by voice vote in July 2019, includes many of the same provisions.[115] The Countering Russian and Other Overseas Kleptocracy Act (S. 3026/H.R. 3843) contains similar measures for encouraging whole-of-government coordination, and if enacted would also create a foreign assistance fund for combating corruption globally that is funded through the allocation of a portion of the fines and penalties imposed as a result of FCPA enforcement actions, among other provisions.[116]

Several other bills address anti-corruption efforts in foreign assistance in specific geographic regions or countries, including Central America (S. 1445/H.R. 2615), Venezuela (S. 1025), Burma (S. 1186/H.R. 3190), and Sudan (H.R. 6094). In addition, the recently enacted Global Fragility Act of 2019 (Title V of Division J of Consolidated Appropriations Act of 2020, P.L. 116-94), requires the President to develop a strategy for stabilization of conflict-affected areas, and directs that the strategy focus in part on mitigating the risk of U.S. assistance facilitating corruption.

Policy Considerations and Challenges

Measurement Challenges

As corruption has become elevated as an issue on the international and U.S. agendas, efforts to define, identify, and rigorously analyze corruption have likewise grown in prominence. Yet the nature of corruption, the methodology of measuring its extent, and the process of identifying programs targeting it each raise major issues. As Congress conducts oversight of anti-corruption efforts in foreign assistance, the framing of agencies' strategic approaches to defining and measuring corruption may affect its response. Congress may drive agencies' strategic approaches by supporting a particular definition, metric, or approach to corruption through oversight, appropriations guidance, or other legislation.

Definitions

A robust debate surrounding the scope and nature of corruption has affected U.S. foreign assistance to combat corruption. Congress may shape such assistance efforts by defining

[114] A Combating Global Corruption Act was also introduced in the Senate in the 115th Congress (S. 853) but did not proceed beyond committee consideration.

[115] The bill was received in the Senate and referred to the Senate Foreign Relations Committee in September 2019.

[116] Numerous other proposed bills introduced in the 116th Congress aim to address foreign corruption issues but do not contain foreign assistance-specific provisions. These include H.R. 3441, allowing for publication of corruption-related visa denials pursuant to the Immigration and Nationality Act; H.R. 4140, criminalizing foreign officials for soliciting bribes; and H.R. 4361, requiring public accounting of asset forfeitures related to foreign government corruption. In addition, two proposed bills (H.R. 2513 and S. 2564) include provisions that may combat the ability of corrupt actors to secretly store stolen assets within the United States by mandating greater U.S. corporate transparency through "beneficial ownership" requirements.

corruption by statute. For instance, the USAID Anticorruption Strategy defines corruption as the abuse of "entrusted authority," to include private sector corruption—a common definition among anti-corruption advocates. By contrast, the Combating Global Corruption Act of 2019 as introduced in the Senate used "public power," though the bill has changed since.[117]

As Congress evaluates these broad definitions of behavior, it may consider the audience and environment as well. The business community, for instance, may focus on bribery over such other issues as influence peddling.[118] The distinction between "private" and "public" space may also be less rigid in countries with a history of collectivist economics, or among indigenous peoples who hold some property in common.[119] Congress may seek to shape programs to engage corruption holistically, or conversely to focus on especially harmful types of corruption.

Notably, the U.N. Convention on Corruption does not provide a definition of corruption. Efforts under UNCAC and related vehicles, such as the U.N. Sustainable Development Goals, could serve as one possible forum in which to pursue consensus on this issue.

Corruption Indicators

In part because of definitional challenges, efforts to quantify corruption has likewise proven controversial. Nevertheless, foreign assistance agencies, often at the direction of Congress, have sought to channel assistance efforts on the basis of such measurements. While agencies largely agree that no indicator is flawless, they have sought to use indicators that fit well to their purpose. Congress may evaluate those efforts, as well as take them into consideration in assistance allocation decisions.

Two widely used metrics for corruption, Transparency International's Corruption Perceptions Index (CPI) and the Brookings/World Bank World Governance Indicator for Control of Corruption (WGI/Control of Corruption), focus on public perceptions of corruption rather than the extent of corrupt behavior itself. Experts have complained that public perceptions may reflect where corruption has been found, not where it remains hidden.[120] Other concerns regarding the accuracy of these indicators, particularly for cross-country comparative purposes, include the impact of cultural differences across countries, how people consume news about corruption,

[117] The bill was revised as it moved through the Senate. The version that passed the Senate includes narrower definitions for "public corruption," "grand corruption," "petty corruption," and "corrupt actor," but does not include a general definition of corruption.

[118] Staffan Andersson and Paul M. Heywood, "The Politics of Perception: Use and Abuse of Transparency International's Approach to Measuring Corruption," *Political Studies*, vol. 57, pp. 746-767, at 753. A broader definition of corruption that includes influence peddling is presented in Anwar Shah, "Corruption and Decentralized Public Governance," World Bank Policy Research Working Paper 3824, January 2006, p. 4.

[119] In the Soviet Union, for example, the long campaign to eliminate private property complicated concepts of corruption. See Jasmine Martirossian, "Russia and her Ghosts of the Past," pp. 81-108, and Maya Chadda, "India: Between Majesty and Modernity," p. 122, in Roberta Ann Johnson (ed.) *The Struggle Against Corruption: A Comparative Study. Perspectives in Comparative Politics* (Palgrave Macmillan: New York, 2004). For further discussion of the considerations of indigenous peoples in foreign assistance, see USAID, *Policy on Promoting the Rights of Indigenous Peoples*, March 2020.

[120] USAID, *Practitioner's Guide for Anticorruption Programming*, January 2015, p. 13.

overreliance on academic or business leaders' input to the exclusion of the broader public,[121] and varying understandings of the meaning of corruption.[122]

Given the diverse ways in which corruption manifests itself, some anti-corruption practitioners have lauded the indicators as useful, if imperfect. MCC, which uses WGI/Control of Corruption for its country selection decisions, cites their wide geographic availability and their strong connection to documented corruption. USAID, by contrast, chose not to include a corruption indicator in its country development indicators, asserting that corruption can manifest differently depending on the context.[123] MCC has also previously expressed interest in "more actionable" indicators, though the agency did not discuss that preference at length.[124]

Agencies have also broadened their efforts beyond the CPI and WGI/Control of Corruption. As Congress has encouraged agencies to better track aid effectiveness, agencies have increasingly chosen sector-specific indicators to monitoring program results. For instance, natural resource management projects may evaluate results against EITI standards rather than nationwide corruption perceptions indicators, allowing more targeted tracking of project performance. Agencies have also worked to expand data on corruption. Several U.S. agencies take part in the Governance Data Alliance, which seeks to coordinate and improve data collection methodologies across governance data providers.[125] Some have encouraged aid agencies to use their own cost data to identify inflated costs that could be evidence of fraudulent billing.[126] Congress may evaluate whether such efforts are uncovering indicators that could inform its own decisions about foreign assistance allocations.

Identifying and Tracking Anti-Corruption Funding

Congress often uses spending data to evaluate the extent of agencies' efforts in a particular sector. Several factors, however, complicate the tracking of such data for anti-corruption programming. Congress may consider the following issues when evaluating anti-corruption spending:

- **Corruption as a goal, not a program theme.** Programs may seek to address corruption but not police it directly. Agencies may categorize such programs as a "good governance" initiative, rather than an explicit anti-corruption initiative.
- **Combating corruption through local capacity-building.** U.S. agencies have sought to apply U.S. standards for transparency in procurement when channeling assistance through local entities. Such use of U.S. procurement regulations is seldom an explicit anti-corruption program, but it represents one plank of U.S.

[121] Alex Cobham, "Corrupting Perceptions," *Foreign Policy,* July 22, 2013. One analysis noted that corruption perceptions rise with total, rather than per capita, reporting of corruption, meaning populous countries may perceive greater corruption despite similar per capita levels as smaller countries. Dilyan Donchev and Gergely Ujhelyi, "What Do Corruption Indices Measure?," September 25, 2013, p. 3, https://uh.edu/~gujhelyi/corrmeasures.pdf.

[122] Casey Dunning, Jonathan Karver, and Charles Kenny, "Hating on the Hurdle: Reforming the Millennium Challenge Corporation's Approach to Corruption," Center for Global Development, March 2014, p. 13.

[123] USAID, "FAQs" at https://selfreliance.usaid.gov/.

[124] MCC, *Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2012*, September 2011, p. 8.

[125] MCC, "Progress made to Strengthen the Application of the Control of Corruption Indicator," April 11, 2016, p. 6. MCC has in recent years looked at new indicators, especially lauding the "exceedingly actionable" Global Integrity Country Reports.

[126] Savedoff, p. 12.

anti-corruption assistance efforts (see "Preventing Corrupt Use of Foreign Assistance").[127]

- **Incentives and conditioning.** Corruption may be a consideration in allocating foreign assistance, rather than the subject of a program. Congress conditions foreign assistance appropriations to certain countries on efforts to combat corruption, and MCC selects countries for funding annually in part on the basis of the prevalence of corruption. Such conditions are not an expenditure.

For these reasons, reporting on anti-corruption spending may not reflect all anti-corruption efforts. Members of Congress may consider the above tools in addition to dedicated anti-corruption programming when evaluating the extent of U.S. anti-corruption efforts.

Effectiveness

Multiple issues—including unclear indicators, the length of time potentially needed to produce results, mixed program objectives, and ambiguous evaluation plans—can complicate evaluations of effectiveness of anti-corruption program efforts. Although agencies often conduct evaluations of individual grants or contracts, few broader evaluations of U.S.-funded anti-corruption programs have been published to date. A USAID-sponsored study of USAID anti-corruption assistance from 2007 to 2013 found that "the majority of these projects did not monitor [relevant] activities explicitly through an anti-corruption lens and did not set targets to document their impact on corruption…. As a result, we often lack hard evidence about how the project activities directly contributed to reducing corruption."[128] The report did, however, identify results among projects that used "well-targeted and contextually appropriate indicators."

There is a growing sense among some experts that the international community's efforts to combat corruption, at a broad level, have had uncertain impacts to date. While donor-funded evaluations of individual projects do sometimes point to local impacts, few countries have substantially reduced corruption since these international efforts began in earnest.[129] A recent USAID-supported research paper noted that "despite two decades of anti-corruption reform efforts, the lack of significant success stories is striking."[130] On the other hand, some may caution against placing outsized expectations on the ability of the United States or other aid donors to bring about change at this scale. Among the few contemporary cases of sustained national-level advances in combating corruption, research indicates that their paths have varied widely and have often been driven by domestic political events and processes. For example, according to one analysis, Georgia's relative success in tackling corruption was achieved following the 2003 Rose

[127] Such efforts may occur when agencies fund local entities as sub-awardees or as direct implementers (regarding the latter, see also discussion of the use of "local systems" above).

[128] USAID, *Analysis of USAID Anticorruption Programming Worldwide (2007-2013)*, July 23, 2014, p. 15.

[129] Some analyses have found that corruption may have worsened in more countries than it has improved. According to an analysis of World Bank Control of Corruption indicator data, 151 of 196 countries did not experience any statistically significant change in their level of corruption between 1996 to 2013; among countries that did experience such a change, those that had regressed (27) outnumbered those that improved (21) in terms of corruption control. See Alina Mungiu-Pippidi, *The Quest for Good Governance: How Societies Develop Control of Corruption* (Cambridge: Cambridge University Press, 2015), pp. 50-53.

[130] Mariana Borge et al., *Combating Corruption Among Civil Servants: Interdisciplinary Perspectives on What Works*, USAID Research and Innovation Grants Working Paper Series, February 21, 2017, p. 6. See also Norwegian Agency for Development Cooperation, *Anti-Corruption Approaches: A Literature Review*, January 2009.

Revolution, "when a structurally cohesive young elite with similar ideology seized their chance and initiated 'big bang' reform."[131] (See also "Corruption as a Political Challenge" below.)

Corruption-related foreign assistance efforts funded by U.S. agencies and other international funders have at times favored the adoption of particular institutional tools. Some research indicates that tools such as those relating to public financial management, procurement reforms, and media oversight may have had some impacts (though not necessarily in the context of foreign assistance interventions), while for many others there is insufficient evidence of effectiveness one way or the other. Critics contend that funders have sometimes favored a one-size-fits-all approach and have been insufficiently sensitive to particular country contexts. For example, donor support for establishing specialized anti-corruption agencies emerged because of observations of their perceived effectiveness in Hong Kong and Singapore, leading to their being tried in a wide variety of other contexts. Research indicates that the effectiveness of these agencies elsewhere has often been limited, however, because target countries lacked the conditions that facilitated their success in those original cases, such as effective and impartial law enforcement and sufficient protection of the agencies from political interference, among other factors. Similarly, some analysis indicates that the effectiveness of freedom of information laws, another favored tool, may depend on the strength of civil society in the target country.[132]

Corruption as a Political Challenge

Experts contend that foreign assistance efforts sometimes feature an apparent misdiagnosis of corruption as a technical capacity challenge on the part of governments.[133] In many contexts, corruption may also, or even primarily, be a political problem, in that political actors benefit from the corrupt status quo and are dis-incentivized to change it. This may be particularly true with regard to systemically corrupt countries in which corrupt behavior is not an aberration but the entrenched norm across government institutions and the private sector. Such a state of affairs may be resistant to change from the introduction of the relatively narrow tools or trainings that have been a feature of many assistance projects, especially if these are pursued in isolation from broader reforms.

A significant example of this political problem was cited by SIGAR, which found that U.S. strategic plans for combating corruption in Afghanistan reflected an overly technical approach. In doing so, it largely neglected how U.S. assistance and broader U.S. policy might address the widespread "political roots of corruption" by directly confronting the incentive structures of the actors supporting the corrupt state of affairs. U.S. training for police, investigators, judges, and other officials were, in SIGAR's view, "useless in the long term" because these actors could not be expected to operate without political interference.[134] SIGAR documented how Afghan political

[131] See Georgia case study in Alina Mungiu-Pippidi and Michael Johnston, ed., *Transitions to Good Governance: Creating Virtuous Circles of Anti-corruption* (Cheltenham, UK: Edward Elgar Publishing, 2017), pp. 80-96, and other country case studies.

[132] See Jesper Johnson, Nils Taxell, and Dominik Zaum, *Mapping evidence gaps in anti-corruption: Assessing the state of the operationally relevant evidence on donors' actions and approaches to reducing corruption*, U4 Anti-Corruption Research Center, October 2012; Mariana Borge et al., *Combating Corruption Among Civil Servants: Interdisciplinary Perspectives on What Works*; Alina Mungiu-Pippidi, *The Quest for Good Governance: How Societies Develop Control of Corruption*, pp. 103-113; Norwegian Agency for Development Cooperation, *Anti-Corruption Approaches: A Literature Review*.

[133] See, for example, Norwegian Agency for Development Cooperation, *Anti-Corruption Approaches: A Literature Review*, p. 10, and relevant discussions in sources cited above.

[134] SIGAR, *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, September 2016, p. 52.

leaders consistently reined in and interfered with U.S.-supported Afghan government anti-corruption agencies and investigation and prosecution units. Consequently, these institutions were largely unable to carry out their mandates, eventually leading to a curtailing of U.S. support.[135]

Although many of the challenges in Afghanistan are contextual, the difficulty of U.S. programs, and of U.S. policy more broadly, to demonstrably reduce corruption appear to reinforce the broader critiques of experts who argue that assistance efforts should do more to take into account, harness, and support domestic political dynamics. According to one view, interventions should in some cases aim to identify and support actors, such as business groups, civil society organizations, or others who have incentives to push against the corrupt status quo toward the formation of coalitions for change.[136] Other related suggestions have included pursuing windows of opportunity based on political events in target countries (by making funds available more quickly and nimbly); another is targeted programs that focus on comprehensively tackling corruption within particular organizations or sectors, with the aim of gradually creating and expanding pockets of corruption control within systematically corrupt contexts.[137]

For some time, U.S. funders have explicitly invoked the need to account for political will when designing and supporting anti-corruption programs. However, doing so effectively can be challenging given the deep level of understanding of local political dynamics required. A second factor is the potential for misjudgment, such as the temptation to mistakenly interpret political rhetoric about combating corruption by a given politician or political group as genuine political will.[138] Projects that go beyond accounting for political will and that proactively seek to build or support reform coalitions may also be difficult to operationalize in practice and could have the potential to affect bilateral relations and the pursuit of other U.S. foreign policy objectives. These types of activities may also be more likely to engender restrictions and push back from foreign governments.[139]

When conducting oversight of U.S. programs in this area, Congress may consider questions such as

- how foreign assistance agencies examine the effectiveness of U.S.-funded programs as they relate to anti-corruption goals, in line with the aims of the Foreign Aid Transparency and Accountability Act of 2016 (P.L. 114-191);[140]

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[135] See discussion of the U.S.-supported High Office of Oversight and Anticorruption and the Major Crimes Task Force within Afghanistan's Ministry of Interior and Anticorruption Unit within its Attorney General's Office in SIGAR, *Corruption in Conflict*.

[136] Alina Mungiu-Pippidi, "Learning from Virtuous Circles," *Journal of Democracy*, vol. 27, no. 1 (January 2016), pp. 95-109.

[137] See Mariana Borge et al., *Combating Corruption Among Civil Servants: Interdisciplinary Perspectives on What Works*, USAID Research and Innovation Grants Working Paper Series, February 21, 2017; Abigail Bellows, "Ten Ways Washington Can Confront Global Corruption," Carnegie Endowment of International Peace, July 25, 2018; Norwegian Agency for Development Cooperation, *Anti-Corruption Approaches: A Literature Review*. With regard to interventions in the criminal justice sector, researchers also argue that funders should consider the downside risks that anti-corruption institutions whose capacities are built with the help of foreign assistance could be misused by political leaders to target political opponents.

[138] See discussions in Roberto Martinez B. Kukutschka, "Anti-corruption strategies for authoritarian states," U4 Anti-corruption Resource Center, May 20, 2018; U4 Brief, "Unpacking the concept of political will to confront corruption," May 2010; and Norwegian Agency for Development Cooperation, *Anti-Corruption Approaches: A Literature Review*, pp. 10-11.

[139] See discussion under "Civil Society Restrictions" in CRS Report R45344, *Global Trends in Democracy: Background, U.S. Policy, and Issues for Congress*, by Michael A. Weber.

[140] The Foreign Aid Transparency and Accountability Act seeks to elevate the efforts of agencies to connect foreign

- which types of programs and funding approaches are best suited to address the challenges of a given context;
- the extent to which agencies can demonstrate how programs concretely take into account and leverage the specific political dynamics of target countries, including how they may fit into and interact with broader governance reforms or reform movements; and
- how the Administration has applied the lessons learned from the U.S. engagement in Afghanistan, Iraq, and elsewhere, such as how corruption is approached in the Stabilization Assistance Review.[141]

Prioritizing Anti-Corruption in U.S. Foreign Policy

Congress may wish to consider how assistance programs align with broader U.S. foreign policy priorities, as the prioritization of corruption issues relative to other foreign policy objectives has the potential either to constrain or support the impact of these programs. Some analysts have argued that democracy assistance generally, of which anti-corruption assistance may be a part, is most effective when it is supported by a broader suite of foreign policy tools such as diplomatic pressure, economic sanctions, and aid conditionality.[142] Discontinuity between U.S. diplomacy and U.S. assistance or a lack of overall policy coherence may conversely undermine assistance efforts. For example, anti-corruption efforts in Afghanistan have arguably been hobbled in part by the United States' focus on maintaining the stability of the Afghanistan government in order to pursue security goals. SIGAR reporting describes an apparent reticence on the part of the United States generally to take diplomatic or other actions that could have complemented anti-corruption assistance efforts, despite a realization among some officials that pervasive corruption was itself undermining U.S. security goals over the long term.[143]

In many cases, anti-corruption priorities may be perceived to be in tension with other policy priorities, particularly in the short-term. For instance, some analysts may argue that U.S.-supported anti-corruption programs in Central America are presently in friction with the U.S. policy prioritization of what are perceived as more immediate security and migration issues. Notably, after former Guatemalan President Jimmy Morales announced his intent not to renew the mandate of the U.S.-supported International Commission against Impunity in Guatemala, senior U.S. officials continued to express support for his government on the basis of its counternarcotics and security efforts.[144] In addition, the provision of foreign assistance for other foreign policy

assistance expenditures to results. See U.S. Government Accountability Office (GAO), *Federal Monitoring and Evaluation Guidelines Incorporate Most but Not All Leading Practices*, GAO-19-466, July 2019.

[141] Department of State, USAID, and Department of Defense, *A Framework for Maximizing the Effectiveness of U.S. Government Efforts to Stabilize Conflict-Affected Areas (SAR)*, 2018.

[142] Sarah Sunn Bush, "Three Lessons for Democracy Assistance Effectiveness," in *Does Democracy Matter? The United States and Global Democracy Support*, pp. 54-56.

[143] SIGAR, *Corruption in Conflict*, pp. 54-57, pp. 67-69, p. 78; SIGAR, "Rule of Law in Afghanistan: U.S. Agencies Lack a Strategy and Cannot Fully Determine the Effectiveness of Programs Costing More than $1 Billion," July 2015, pp. 19-20. See also discussion in CRS Report R46197, *The Washington Post's "Afghanistan Papers" and U.S. Policy: Main Points and Possible Questions for Congress*, by Clayton Thomas.

[144] Mary Beth Sheridan, "How U.S. apathy helped killed a pioneering anti-corruption campaign in Guatemala," *Washington Post*, June 14, 2019. See also "Good Governance as a U.S. Policy Priority" in CRS Report R45733, *Combating Corruption in Latin America: Congressional Considerations*, coordinated by June S. Beittel.

goals may itself sometimes risk engendering corruption in target countries (see "Risks of U.S. Aid Exacerbating Corruption" below).

Risks of U.S. Aid Exacerbating Corruption

Some observers argue that foreign assistance may actually facilitate corruption in certain environments,[145] though the effect of many variables makes definitive conclusions difficult. Some research suggests that foreign assistance can reduce incentives for governance reform when powerful individuals and groups are able to benefit from significant influxes of aid.[146] Certain studies have found that volatility in foreign aid flows is associated with increased corruption because it fails to keep receiving governments committed to governance reforms,[147] while others have found that assistance's effect on corruption differs by sector.[148]

Still others focus on the amount of foreign aid in comparison to a country's gross domestic product (GDP) and on the oversight challenges of providing assistance in conflict and disaster environments. Some scholars suggest that countries are generally able to absorb 15-45% of their GDP in aid ("absorptive capacity") without significant social, political, or economic upheaval.[149] While these scholars caution that this is a rule of thumb and not a scientifically determined limit, they suggest that relatively large aid flows can hamper government institutions, increase corruption, and slow development, including by overwhelming a weak state's ability to oversee and use assistance funds effectively.[150]

This phenomenon can arguably also be seen in Afghanistan, where a 2016 SIGAR report found that "the United States contributed to the growth of corruption by injecting tens of billions of dollars into the Afghan economy, using flawed oversight and contracting practices, and partnering with malign powerbrokers."[151] Between 2004 and 2013, U.S.-appropriated reconstruction funding for Afghanistan was above the general absorptive capacity range, reaching over 100% of Afghan GDP in 2010.[152] Afghanistan and other recipients affected by conflict or other crises may also present challenges for oversight due to security issues. In July 2019, the USAID Inspector General (IG) testified before Congress that "[i]nsecure environments are especially vulnerable to individuals intent on stealing U.S. funds and goods."[153] That testimony identified several

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[145] Such arguments are frequently situated within advocacy to reduce foreign aid generally. See for example, Dambisa Moyo, "Why Foreign Aid is Hurting Africa," *The Wall Street Journal*, March 21, 2009, and Al Mariam, "Trump's Suspicion of Foreign Aid to Africa is Right on the Money," *The Hill*, March 9, 2017.

[146] Some scholars suggest that foreign aid can increase rent-seeking behavior, in which individuals increase their own wealth without having contributed to greater overall wealth, such as by exacting bribes or tax evasion. Eugen Dimant, Tim Krieger, and Daniel Meierrieks, "Negative Returns: U.S. Military Policy and Anti-American Terrorism," Economics Working Paper 17106, Hoover Institution, September 2017, p. 3, and Jakob Svensson, "Foreign Aid and Rent Seeking," Policy Research Working Paper 1880, The World Bank Development Economics Research Group, February 1998.

[147] See, for example, Thierry Kangoye, "Does Aid Unpredictability Weaken Governance? New Evidence from Developing Countries," Working Paper No. 137, African Development Bank Group, September 2011, pp. 25-26, and Sven Tengstam, "Aid Volatility and Domestic Governance," in *Globalization and Development: Rethinking Interventions and Governance*, ed. Arne Bigsten (New York, NY: Routledge, 2013), pp. 73-75.

[148] Uchenna Efobi, Ibukun Beecroft, and Simplice Asongu, "Foreign Aid and Corruption: Clarifying Murky Empirical Conclusions," *Foreign Trade Review*, vol. 11, no. 1 (2019).

[149] See discussion in SIGAR, *Corruption in Conflict*, September 2016, p. 51.

[150] Steve Radelet, *Challenging Foreign Aid*, (Peterson Institute for International Economics), 2003, pp. 129-131.

[151] SIGAR, *Corruption in Conflict*, p. i.

[152] Ibid., p. 51.

[153] Testimony of USAID Inspector General Ann Calvaresi Barr, in U.S. Congress, House Committee on

examples of USAID assistance having been affected by allegations of fraud, waste or misuse, including in the 2014 Ebola response in West Africa and assistance efforts in Iraq and Syria. One USAID investigation into a corruption scheme involving Turkish vendors and Syrian refugees resulted in the suspension of $239 million in funds and efforts to improve fraud prevention, though according to the USAID IG, "ongoing efforts continue to substantiate allegations of fraud and mismanagement."[154]

In its appropriation and oversight activities, Congress may devote attention to risks of U.S. assistance contributing to corruption, especially with regard to assistance in high-risk environments. This may include, for example, monitoring countries for which assistance (either from the United States alone, or in conjunction with contributions from other donors) may exceed absorptive capacity. According to 2018 figures from the World Bank, 15 countries and territories received net Overseas Development Assistance (ODA) amounting to at least 15% of their GDP. Such countries are typically small island states, as well as countries with significant security and development challenges.[155]

Challenges Conditioning Aid on Anti-Corruption Efforts

While placing anti-corruption conditions on foreign assistance may reflect Congress's desire to limit the potential for misuse and/or to incentivize countries to take substantive steps toward anti-corruption, some observers have posited questions about the efficacy of such restrictions and the rationale underlying which countries are subject to such conditions.[156]

Stakeholders may contend that some decisions to place anti-corruption conditions on a country's foreign assistance have reflected noncorruption-related national security and foreign policy interests and that certain conditions have been placed on countries to which aid funding has been contentious, rather than on countries that are reported to have the most corruption. In FY2020, for instance, SFOPS appropriations placed explicit anti-corruption conditions on the government of El Salvador (which had a score of 34 out of 100 on the 2019 CPI, with lower scores indicating higher levels of corruption"), but not on Burundi (score of 18) or Equatorial Guinea (score of 16).[157] Explicitly anti-corruption conditions were placed on South Sudan from FY2015 to 2018, when its score ranged between 11 and 15 on the CPI, but were removed in FY2019, despite its score on the 2019 CPI decreasing from 13 to 12.[158]

Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *USAID's Top Management Challenges and OIG's Continuing Oversight*, hearings, 116th Cong., 1st sess., July 11, 2019 (Washington, DC: GPO, 2019).

[154] Ibid.

[155] According to the World Bank Databank, countries and territories for which Net ODA amounted to 15% or greater of GDP were Afghanistan, Central African Republic, Kiribati, Liberia, Malawi, Marshall Islands, Micronesia, Nauru, Palau, Somalia, Tonga, Tuvalu, West Bank and Gaza, and Yemen.

[156] See an interview with Charles Kenny in Malaka Gharib, "Is Corruption Really a Big Problem in Foreign Aid?" *NPR*, August 4, 2017, as well as Shanta Devarajan, "Aid and Corruption," The World Bank, November 19, 2009.

[157] Differences in conditions may also reflect a range of other factors, including the ratio of direct government-to-government assistance to aid programs that are implemented by a third party.

[158] Other reports also highlight ongoing significant corruption-related issues in certain countries with low CPI scores, but no corruption aid restrictions. See, for example, the 2018 Human Rights Report entry on Somalia by the U.S. Department of State, which cited "increasing allegations of corruption" in judicial bodies in Somaliland. "2018 Country Reports on Human Rights Practices," U.S. Department of State, March 13, 2019; and Transparency International, *Corruption Perceptions Index 2019*, 2019.

Some practitioners contend that conditions on U.S. foreign assistance have not been proven to effectively incentivize anti-corruption efforts. Such conclusions could point to a range of issues: inherent problems with the tool of conditioned assistance, inconsistent adherence by U.S. government entities to conditions (perhaps through the use of waivers or pro forma certification), and/or context-specific concerns, such as the proportion of assistance that is provided directly to foreign governments.[159] Some U.S. agencies have also expressed concern over the use of conditions. In a 2017 working paper, the MCC found that the "approach of punishing back-sliders through negative incentives has had very limited success"; it argued instead that political will and ownership contributed to aid effectiveness.[160] Using the CPI as an indicator, some recently conditioned countries, such as South Sudan, have maintained similar levels of corruption during and after anti-corruption restrictions. Assistance to Afghanistan has been heavily conditioned by Congress, yet has shown only mixed results with regard to combating corruption and improving governance. Its CPI score was 15 in both 2016 and 2017, and improved to 16 in 2018 and 2019, while its governance score worsened from -1.34 to -1.50 (on a -2.5 to 2.5 scale) on the World Bank's Worldwide Governance Indicators from 2014 to the present. Some observers go further and reject the premise that aid should be restricted in corrupt environments. One prominent international economist, for example, contends that foreign aid can be effective in corrupt environments, and that donor fixation on accounting for funds risks derailing progress that has been achieved.[161]

Interagency Coordination

As in other sectors, agencies' coordination of assistance to combat corruption through interagency policymaking may be a congressional concern.[162] Several bills proposed in the 116th Congress aim to improve such coordination in certain countries. Although agencies describe regular coordination among themselves to carry out programs, no whole-of-government strategy to address corruption through foreign assistance exists, and agencies' efforts may overlap. Judicial reform programs, for instance, may be funded through State INL- or through USAID-managed assistance accounts. This may create opportunities for agencies to engage and make use of comparative strengths through collaborative or complementary programming, but it may also lead to duplicative or contradictory efforts.[163] In Afghanistan, SIGAR criticized the reconstruction effort as contributing to the corruption other programs sought to address.[164]

[159] CRS was not able to gain access to all of the certifications and waivers associated with the most recent corruption-related conditions and is therefore unable to describe definitive patterns.

[160] See "Building Public Integrity through Positive Incentives: MCC's Role in the Fight Against Corruption," Working Paper, *MCC*, 2017, p. 4, and associated works cited.

[161] Kenny and Gharib, "Is Corruption Really a Big Problem in Foreign Aid?," and Charles Kenny, "Results Not Receipts: Counting the Right Things in Aid and Corruption," CGD Brief, Center for Global Development, June 2017.

[162] See, for example, Conor M. Savoy and Erol K. Yayboke, *Reforming and Reorganizing U.S. Foreign Assistance: Increased Efficiency and Effectiveness*, Center for Strategic and International Studies, July 2017, p. 3; and Gordon Adams and Robert Goldberg, "Rex Tillerson Is About to Make a Terrible Mistake," Foreign Policy, December 14, 2017.

[163] GAO, "Foreign Assistance: Better Guidance for Strategy Development Could Help Agencies Align Their Efforts," GAO-18-499, July 2018.

[164] SIGAR, Corruption in Conflict, pp. 9-10. See also CRS Report R46197, *The Washington Post's "Afghanistan Papers" and U.S. Policy: Main Points and Possible Questions for Congress*, by Clayton Thomas.

Outlook

Foreign corruption will likely continue to pose broad and geographically diverse threats to a range of U.S. foreign policy objectives and interests, leading Congress in turn to face policy options for addressing this issue. As it takes stock of policy tools, Congress may consider the multifaceted role of foreign assistance to date through programs to address corruption, efforts to prevent the corrupt use of foreign assistance, and corruption-related aid conditionality. Congress is presently considering numerous bills that would shape or modify some aspects of these approaches, and may continue to engage on this issue through recurring appropriations and authorization bills.

Author Information

Michael A. Weber
Analyst in Foreign Affairs

Nick M. Brown
Analyst in Foreign Assistance and Foreign Policy

Katarina C. O'Regan
Analyst in Foreign Policy

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