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**AUDIT OF USAID'S  
ANTICORRUPTION  
ACTIVITIES IN THE  
DOMINICAN REPUBLIC**

AUDIT REPORT NO. 1-517-09-003-P  
DECEMBER 16, 2008

SAN SALVADOR, EL SALVADOR



**USAID**  
FROM THE AMERICAN PEOPLE  
*Office of Inspector General*

December 16, 2008

**MEMORANDUM**

**TO:** USAID/Dominican Republic Director, Richard Goughnour

**FROM:** RIG/San Salvador, Timothy E. Cox /s/

**SUBJECT:** Audit of USAID/Dominican Republic's Anticorruption Activities (Report No. 1-517-09-003-P)

This memorandum is our report on the subject audit. In finalizing the report, we carefully considered your comments on the draft report and we have included the mission's comments in their entirety in Appendix II.

The report includes seven recommendations for your action. Based on your comments, a management decision can be made on Recommendation Nos. 1, 2, 3, 4, 5, and 7 when USAID/Dominican Republic establishes target dates for completing the planned actions. A management decision for Recommendation No. 6 can be made when USAID/Dominican Republic develops a plan, with timeframes, for reporting on its performance management plan performance indicators in the operating plan results report. Determination of final action on the recommendations will be made by the Audit Performance and Compliance Division (M/CFO/APC).

I want to express my appreciation for the cooperation and courtesy extended to my staff during the audit.

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# SUMMARY OF RESULTS

On the World Bank governance indicator for control of corruption, the Dominican Republic's 2007 score was -0.65 on a scale from -2.5 (worst) to 2.5 (best), with a score of 0 representing the median for all countries that received a score. The 2007 score reflected a generally negative trend since 1996, when the country's score was -0.37 (page 3).

USAID/Dominican Republic's anticorruption program is designed to increase the transparency of public administration by strengthening demand for anticorruption reform; strengthening capacity to prevent, detect, and sanction corrupt behavior; and reducing corruption in selected pilot institutions. USAID/Dominican Republic spent \$4.4 million under its anticorruption program during the period covered by this audit, from fiscal year (FY) 2006 through June 30, 2008. That anticorruption program has now ended. The follow-on program is expected to begin early in calendar year 2009. Under the new program, activities will focus on anticorruption reforms within government agencies that are involved in implementing the Dominican Republic-Central American Free Trade Agreement and civil society monitoring of these reforms. Broader efforts to raise citizen awareness of corruption will be deemphasized under the new program (page 5).

As part of its FY 2008 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following questions (page 6).

- Did USAID's anticorruption activities in the Dominican Republic achieve planned results?
- Have USAID's anticorruption activities been coordinated with other U.S. Government agencies' and international donor activities?

With respect to the first question, USAID's anticorruption activities in the Dominican Republic did not fully achieve planned results, although there is evidence of progress in raising citizen awareness of corruption. Two civil society organizations supported by USAID have influenced the passage of key anticorruption measures through advocacy efforts and have helped monitor the government's anticorruption efforts. There is evidence that a mass media campaign in fall 2007 helped raise citizen awareness of corruption. Nonetheless, the ability of civil society organizations and the news media to monitor the government's efforts has been impaired by incomplete implementation of legislation providing freedom of access to government information. Key government institutions have not played the leadership roles envisioned for them, and the number of corruption cases being pursued through the justice system does not show a clearly increasing or decreasing trend (page 7).

With respect to the second question, USAID's anticorruption activities have been coordinated with those of other U.S. Government agencies and other donors, and USAID has taken a leadership role in coordination efforts (page 21).

The report recommends that USAID/Dominican Republic:

- Under its new anticorruption strategy, assign responsibility for meeting program performance targets to specific entities or partners where appropriate and obtain their concurrence that the performance targets are achievable within the strategy period (page 13).
- Follow up to ensure that the corruption case-tracking system has been put into use (page 13).
- Reach agreement with partners on procedures for systematically evaluating the effectiveness of training provided (page 15).
- Follow up to ensure that pilot institutions implement recommended anticorruption measures developed through the pilot projects (page 16).
- Revise the performance management plan to correct the reporting issues discussed in this report (page 20).
- Report on the performance indicators from the performance management plan in its next operating plan results report (page 20).
- Implement controls to provide reasonable assurance that the performance management plan and operating plan results report contain complete and accurate information. These controls should include assigning responsibility for verifying reported information and providing feedback to partners on progress reports to specific staff members (page 21).

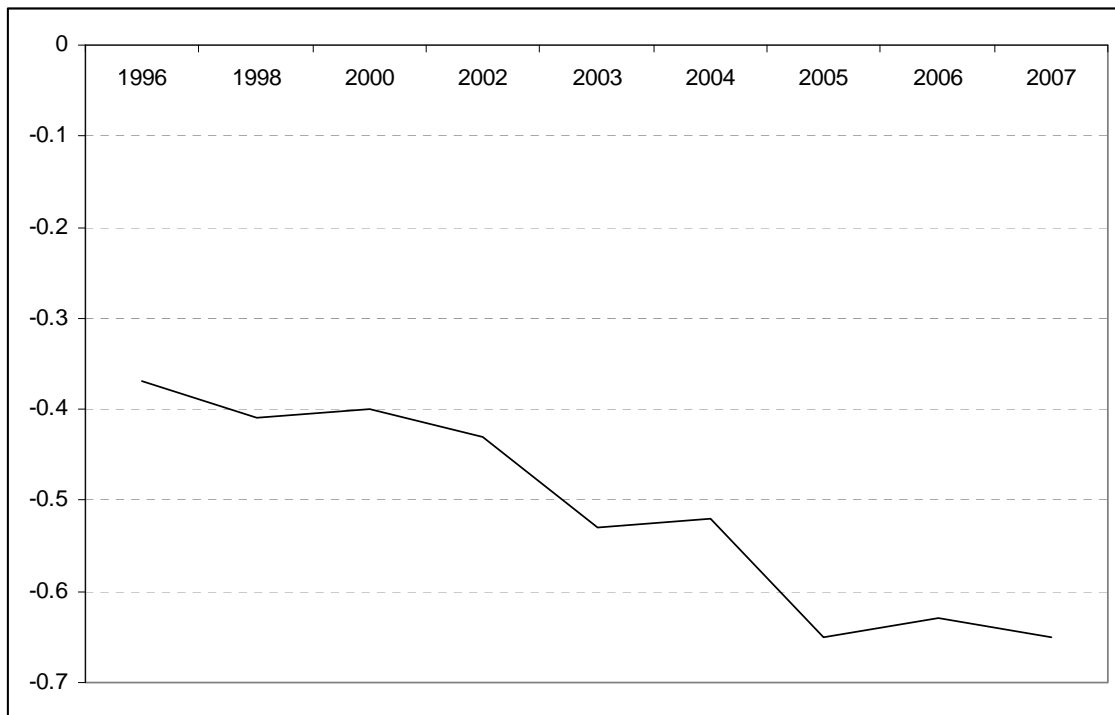
USAID/Dominican Republic generally agreed with the report recommendations and has developed specific plans to address most of the recommendations. An evaluation of management comments is provided on page 22, and USAID/Dominican Republic's comments in their entirety are included in appendix II.

# BACKGROUND

The Dominican Republic has a population of 9.5 million and per capita income of \$7,000 (2007 estimate, purchasing power parity basis), and is classified as a developing country under the Department of State–USAID foreign assistance framework. From 1930 through 1996, authoritarian rule predominated, and regular, competitive presidential elections were only established in 1996. The amended strategy for USAID/Dominican Republic’s anticorruption program, dated March 2005, described a number of factors working for and against democratic consolidation. On the positive side, the country scores well on governance indicators measuring political rights and participation, and a number of civil society organizations with strong leadership serve as advocates for democratic reform. On the negative side, political competition tends to take the form of “clientalism,” in which people participate in politics and political campaigns with the hope of receiving rewards in the form of government jobs or other official “favors.” Government institutions are weak, and government authority is concentrated in the presidency. Finally, government corruption is endemic and a culture of impunity prevails.

Figure 1 presents the Dominican Republic’s scores on the World Bank governance indicator for control of corruption. (The World Bank scales these scores so that the median score for all countries is 0 and essentially all scores fall between 2.5 [best] and -2.5 [worst].)

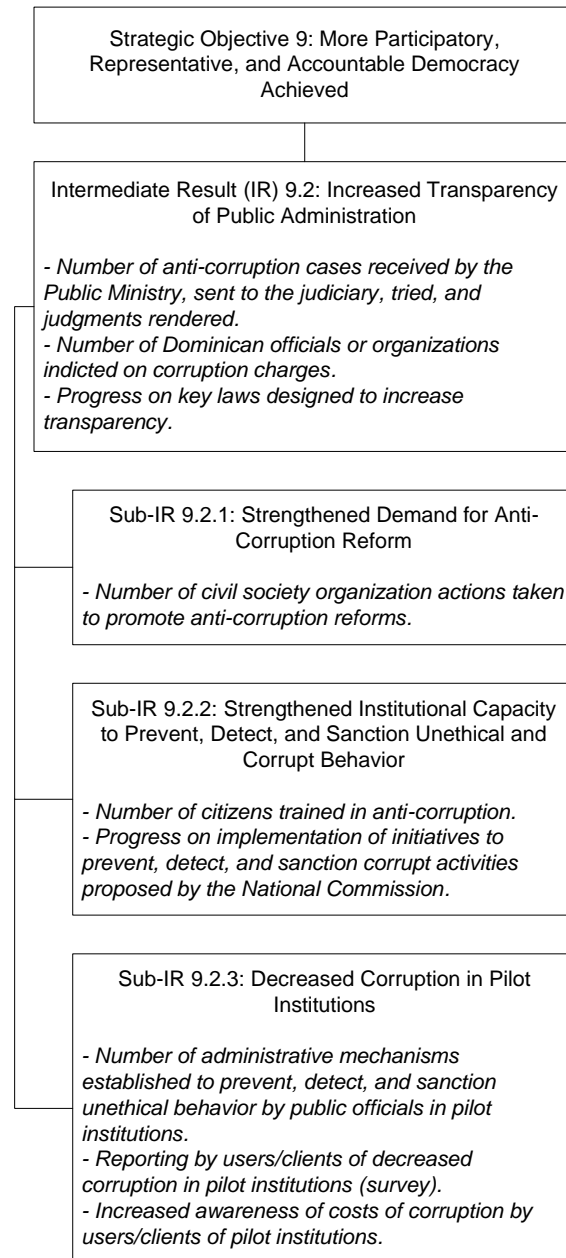
**Figure 1. World Bank Control of Corruption Indicator, 1996–2007**



USAID/Dominican Republic’s anticorruption program, outlined in figure 2, was designed to increase the transparency of public administration by strengthening demand for

anticorruption reform; strengthening capacity to prevent, detect, and sanction corrupt behavior; and reducing corruption in selected pilot institutions.

**Figure 2. Strategic Framework for USAID/Dominican Republic’s Anticorruption Program**



Note: IRs 9.1 (More Representative and Effective Electoral and Political Processes) and 9.3 (More Effective and Fair Criminal Justice System) are omitted from this framework because they are not directly related to the anti-corruption program.

USAID/Dominican Republic implemented its anticorruption program mainly through four contracts and agreements:

- DPK Consulting provided anticorruption and justice sector assistance under a \$9.5 million contract that was in effect from May 15, 2003, to March 31, 2008. The agreement included \$2.9 million specifically for anticorruption activities, but these activities ended in June 2006. Activities related to the anticorruption program included training for prosecutors in money laundering and other financial crimes, support for an office of public information in the National Procurement Department, a procurement pricing study in eight hospitals in the eastern region, technical assistance to institutions of horizontal accountability within the government (e.g., the comptroller general, the congress, the national school for judges, and the national anticorruption commission), and analysis to support a new public procurement law.
- A \$2.9 million contract task order with Casals and Associates, in effect from June 1, 2006, through November 30, 2008, provides resources for increasing citizen awareness of corruption issues through a mass media campaign; helping to build a network of local nongovernmental organizations (NGOs) working against corruption; strengthening citizen oversight of government activities; developing media grants to facilitate coverage of corruption issues; and strengthening the government's ability to respond to corruption through a tracking system for corruption complaints, training for prosecutors and judges, and demonstration projects in the passport and customs agencies.
- Participación Ciudadana, a local NGO, was awarded a \$6.5 million cooperative agreement that was in effect from December 30, 2002, to June 30, 2008. The agreement provided \$1.3 million to help Participación Ciudadana track anticorruption legislation, pay for media activities to raise citizen awareness of corruption issues, publish a transparency index for public institutions, and sponsor workshops and seminars.
- Fundación Institucionalidad y Justicia, a local NGO, implemented a \$1.7 million cooperative agreement from May 16, 2005, to December 31, 2007. The agreement provided \$194,410 for anticorruption activities.

In total, USAID/Dominican Republic obligated and spent \$4.4 million under its anticorruption program during the period covered by this audit: fiscal year (FY) 2006 through June 30, 2008.

The current anticorruption program has now ended. The follow-on program is expected to begin early in calendar year 2009. Under the new program, activities will focus on anticorruption reforms within government agencies that are involved in implementation of the Dominican Republic-Central American Free Trade Agreement and civil society monitoring of these reforms. Broader efforts to raise citizen awareness of corruption will be deemphasized under the new program.



## **AUDIT OBJECTIVES**

As part of its FY 2008 audit plan, the Regional Inspector General/San Salvador performed an audit of USAID/Dominican Republic's anticorruption program to answer the following questions:

- Did USAID's anticorruption activities in the Dominican Republic achieve planned results?
- Have USAID's anticorruption activities been coordinated with other U.S. Government agencies' and international donors' activities?

The audit scope and methodology are described in appendix I.

# AUDIT FINDINGS

## **Did USAID's anticorruption activities in the Dominican Republic achieve planned results?**

USAID's anticorruption activities in the Dominican Republic did not fully achieve planned results, although there is evidence of progress in raising citizen awareness of corruption.

USAID/Dominican Republic's amended strategy for its democracy portfolio, dated March 2005, envisioned a series of events in which—

- Civil society organizations would advocate for and influence the passage of key anticorruption measures. After passage, these groups would monitor implementation. Freedom of access to government information would be implemented, and civil society organizations and the news media would help monitor government conduct and report on abuses.
- The government would exhibit greater political will to fight corruption, with the National Ethics Commission playing a strong role in adopting and implementing anticorruption measures while Public Ministry staff would be better trained, resulting in a modest increase in corruption cases prosecuted and judgments rendered.
- For selected pilot government institutions, internal management would become more transparent and accountable, and the institutions' clients would report fewer cases of corruption.

The program can take credit for some significant achievements in terms of raising citizen awareness of corruption, but higher awareness of the issue has not led to greater political will by the government to tackle corruption or to greater transparency in pilot government institutions:

- Civil society organizations supported by USAID—Participación Ciudadana (PC) and the Fundación Insititucionalidad y Justicia (FINJUS)—have influenced the passage of key anticorruption measures through advocacy efforts and, in some cases, helping to draft legislation or commenting on draft legislation. These same organizations have helped monitor the progress of anticorruption measures and the progress of corruption cases through the Public Ministry and the courts. There is evidence that a mass media campaign in fall 2007 helped raise citizen awareness of corruption, although the campaign was abruptly halted when USAID and the U.S. Embassy became concerned that it could influence the presidential elections in May 2008. The ability of civil society organizations and the news media to monitor government conduct has been impaired by incomplete implementation of legislation providing freedom of access to government information.
- The government has not demonstrated greater political will to prosecute anticorruption cases, and the number of corruption cases being pursued through the justice system does not show a clear increasing or decreasing trend. Neither the

Public Ministry nor the National Ethics Commission has played the leadership roles envisioned for them.

- The mission originally expected to implement pilot anticorruption programs in selected hospitals in the eastern part of the country and in the energy sector to reduce the percentage of electricity lost to theft. Mission officials stated that a pilot project in the energy sector was not pursued because of a lack of interest in reforming the energy sector, but they could not recall or document why a pilot project in the hospitals was not pursued. Instead, the mission and its contractor identified opportunities to work with the passport and customs agencies on pilot projects. Through these pilot projects, consultants identified corruption risks and made recommendations to mitigate them, but the recommendations have not been implemented.

In its performance management plan (PMP), USAID/Dominican Republic established three performance indicators to measure the overall progress of the program toward increasing the transparency of public administration. The first two performance indicators focus on the number of corruption cases processed and the number of officials prosecuted for corruption. They do not display a clear pattern of either increased or decreased interest or success in prosecuting corruption cases.<sup>1</sup> The third indicator focuses on passage and implementation of key laws aimed at increasing the transparency of government operations. Passage and implementation of a law can easily take several years in the Dominican Republic, but 8 of the 11 laws reached the expected stage in fiscal year (FY) 2006 and 6 of 11 laws reached the expected stage in FY 2007. However, none of the laws reached the implementation stage in the sense that the term is usually understood. By the end of FY 2007, implementing regulations for several laws had been drafted, but none of the laws were in operation. Table 1 presents the performance indicators, targets, and actual results for FYs 2006 and 2007.

**Table 1. PMP Performance Indicators for Intermediate Result 9.2, “Increased Transparency of Public Administration”**

Performance Indicator	FY 2006		FY 2007	
	Planned	Actual	Planned	Actual
Number of anticorruption cases:				
• Cases received	30	24	30	153
• Arraignments	30	0	40	16
• Trials	10	21	15	6
• Judgments	5	21	8	17
Number of officials or organizations indicted for corruption	40	12	45	10
Progress on key laws designed to increase transparency:				
• Public contracts and	Approved in first	Met – Enacted by	Enacted by president	Met – Enacted by

<sup>1</sup> Of course, this conclusion depends on the frame of reference used. According to a Participación Ciudadana publication cited by USAID/Dominican Republic (*1983–2003: 20 Años de Impunidad*), only 6 of 227 corruption cases were concluded from 1983 to 2003. Against this admittedly low standard of comparison, the 21 judgments reached in FY 2006 and the 17 judgments reached in FY 2007 look more impressive.

Performance Indicator	FY 2006		FY 2007	
	Planned	Actual	Planned	Actual
procurement law	chamber	president		president
• New budget law	Approved in first chamber	Not met – Approved in Nov. 2006	Implementing regulations developed	Met – Implementing regulations developed
• Treasury law	Enacted by president	Met – Enacted by president	Implementing regulations developed	Met – Implementing regulations developed
• Public credit law	Enacted by president	Met – Enacted by president	Implementing regulations developed	Met – Implementing regulations developed
• Asset declaration law	Approved in first chamber	Not met – Bill expired	Enacted by president	Not met – Bill expired
• Controller General law allowing public access to audit reports	Enacted by president	Not met – Submitted to first chamber	Implementing regulations developed	Met – Implementing regulations developed
• Appointment of national ombudsman	Publication of enacted law	Met – Publication of enacted law	Implementing regulations developed	Not met – Publication of enacted law
• Access to public information (Freedom of Information Act)	Enacted by president	Met – Implementing regulations developed	Implementation	Not met – Implementing regulations developed
• Whistleblower protection	Bill drafted	Met – Bill drafted	Approved in first chamber	Not met – Bill drafted
• Independent department for prevention of corruption	Bill submitted to first chamber	Met – Bill submitted to first chamber	Submitted to ordinary or special commission after approval in first chamber	Not met – Bill expired
• United Nations anticorruption convention	Publication of enacted law	Met – Publication of enacted law	Implementing regulations developed	Met – Implementing regulations developed

Accomplishments and remaining challenges in each of the three major program areas (increasing demand for anticorruption reform; increasing institutional capacity to prevent, detect, and sanction unethical and corrupt behavior; and decreasing corruption in pilot institutions) are discussed in the following sections.

**Increasing Demand for Anticorruption Reform** – The PMP included one indicator for this part of the program. As table 2 indicates, the targeted level of performance was exceeded in FY 2006 and exceeded by a wide margin in FY 2007. However, as discussed in the finding beginning on page 18, this performance indicator is not very meaningful because it weights significant, far-reaching actions and routine actions such as freedom of information requests by civil society organizations equally. As a result, the number of reported actions does not predictably rise and fall in conjunction with the level of civil society organization activity.

**Table 2. PMP Indicators for Subintermediate Result 9.2.1, “Strengthened Demand for Anticorruption Reform”**

Performance Indicator	FY 2006		FY 2007	
	Planned	Actual	Planned	Actual
Number of civil society organization actions taken to promote anticorruption reforms	50	59	55	204

**Strengthening Institutional Capacity to Prevent, Detect, and Sanction Unethical Behavior** – For this part of the program, the mission established two targets dealing with numbers of people trained and progress on initiatives proposed by the National Ethics Commission. The training targets have not been met, mainly because the overall program targets were not allocated to specific partners so that they could be accomplished, and because of a lack of monitoring by the mission (a related finding begins on page 15). Most of the initiatives proposed by the National Ethics Commission have not been accomplished or were accomplished by other donors with other sources of funding. Many initiatives were not accomplished because the National Ethics Commission did not play the leadership role it was expected to play under the program.

**Table 3. PMP Indicators for Subintermediate Result 9.2.2, “Strengthened Institutional Capacity to Prevent, Detect, and Sanction Unethical and Corrupt Behavior”**

Performance Indicator	FY 2006		FY 2007	
	Planned	Actual	Planned	Actual
Number of citizens trained in anticorruption	6,040	2,160	6,540	2,995
Progress on initiatives proposed by the National Ethics Commission:				
Social auditing commissions established and internal regulations developed and validated	✓	Not done		
National Ethics Commission monitoring and evaluation system designed, approved, and implemented by trained personnel	✓	Not done		
Two important social auditing experiences conducted and reported	NA		✓	Not done
Public procurement implementing regulations developed and approved	NA		✓	Done by European Commission
Verification procedures for asset disclosure designed and validated	NA		✓	Done by World Bank
Implementation of a pilot access to information office	NA		✓	Done

Performance Indicator	FY 2006		FY 2007	
	Planned	Actual	Planned	Actual
Monitoring by the National Ethics Commission	NA		✓	Not done

**Decreasing Corruption in Public Institutions** – The amended strategy, dated March 2005, indicated that three performance indicators would be used to measure results under this part of the program: (1) number of administrative mechanisms established to prevent, detect, and sanction unethical behavior by public officials in pilot institutions, (2) reporting by users/clients of decreased corruption in pilot institutions, and (3) increased awareness of the costs of corruption by users/clients of pilot institutions. However, the mission inadvertently omitted these performance indicators from the PMP.<sup>2</sup> As discussed above, USAID found that it was not practical to implement pilot projects in the entities it originally envisioned. Instead, Casals found two other government entities that were willing to implement pilot programs: the passport directorate and the customs directorate. However, the work that was done in these institutions was more limited in scope than the pilot projects envisioned by the mission’s strategy. Diagnostic studies and recommendations were made, but by the time the diagnostic studies were finished there was no time to support implementation of the recommendations before the contract with Casals ended. (A related finding begins on page 15.)

The following sections provide more information on areas where program performance fell short of expectations and include recommendations where appropriate.

### **Number of Corruption Cases Processed and Number of Officials Prosecuted Have Fallen Short of Expectations**

Summary: The number of corruption cases and number of officials prosecuted for corruption fell short of targets established by the mission. These results were not achieved because the government did not specifically commit itself to achieving the targets and because no other entity was assigned specific responsibility for influencing the government in the direction of increasing the number of prosecutions. In addition, the Dominican Republic lacks a “whistleblower protection” law, a case-tracking system installed with USAID financing has not been put into use, and two government entities did not play the leadership roles envisioned for them. Finally, it is possible that the mission’s strategy was too optimistic about the degree of change that could be expected during the strategy period. As a result of not meeting targets for sanctioning corruption—and of not meeting other performance targets discussed later in this report—the program has not achieved its overall objective of increasing the transparency of public administration.

<sup>2</sup> It is not completely clear what happened here. During the audit, no one in the mission could explain why these performance indicators were omitted from the PMP. The mission subsequently took the position that it decided to remove the indicators from the PMP because it decided that the political will required to implement the pilot programs was not present. However, the indicators were not included in the PMP as far back as April 2005, while the mission strategy that originally included the pilot projects was dated just 1 month earlier (March 2005). It is hard to understand how the mission’s judgments about the pilot programs and the level of political will could change so quickly.

As indicated in table 1 on page 8, neither the number of officials prosecuted nor the number of corruption cases processed through the justice system shows a clear increasing trend. In both FY 2006 and FY 2007, the results achieved fell short of established targets in important respects. In FY 2006, the targets for trials and judgments were met, but the targets for cases received, arraignments, and officials prosecuted were not. In FY 2007, the targets for cases received and judgments were met, but the targets for arraignments, trials, and officials prosecuted were not.

Actual results fell short of established targets in these areas for several reasons:

- Although the mission established targets for processing corruption cases and prosecuting corrupt officials, it did not obtain a clear commitment from the government to meet these targets. One of the mission's partners, a civil society organization, was asked to report on these indicators, but its role was limited to monitoring the government's performance. The partner did not engage in any advocacy activities that were specifically designed to influence the government to process more corruption cases or move them through the court system faster.
- The Dominican Republic does not have a "whistleblower protection" law that would make it clearly illegal to take reprisals against individuals who submit corruption complaints. According to a press report, such a bill has been approved in the lower chamber of the National Congress. It is reasonable to believe that the absence of formal legal protection for complainants inhibits complaints to some degree, and that fewer complaints mean that fewer cases against corrupt officials can be developed.
- With USAID financing, Casals adapted a case-tracking system to track corruption cases and installed it in the Department for the Prevention of Administrative Corruption, but the government has not begun using the tracking system. In addition, the relationship between the tracking system and number of corruption cases processed is very indirect. This system should make it easier for the government to track corruption cases through the court system and should make more accurate information available to the mission, but placing the system in use, by itself, is unlikely to increase the number of cases or officials prosecuted.
- There is little evidence that increased public awareness of the issue of corruption has led to greater political will to address the issue, as the mission's strategy anticipated it would, and in particular there is no unambiguous evidence of an increase in activity directed at prosecuting individuals who engage in corrupt behavior. One possible reason for the situation is that the strategy was overly optimistic about prospects for significant change during the relatively short 3 ½-year period from March 2005, when the amended strategy was completed, through September 2008, when the strategy period ended. Institutional change typically takes place slowly, and 3 ½ years may not be enough time to achieve significant institutional change. It must be noted that the May 2008 presidential election fell within the strategy period, presenting a significant distraction and introducing some uncertainty about the future course of government policies.
- The National Ethics Commission and the Department for the Prevention of Administrative Corruption did not play the leadership roles they were expected to play in promoting and coordinating anticorruption efforts within the government.

The failure to unambiguously increase the number of corruption cases and officials prosecuted for corruption contributed to failure to achieve the overall program objective—increasing the transparency of public administration.

The following recommendations address the reasons that contributed to planned results not being achieved. The first recommendation deals with a project planning and management issue—namely, the need to get buy-in from partners that have key roles to play in achieving results. Where there is no buy-in, or where no partner has accepted responsibility for achieving a specific result, there is a high risk that the result will not be achieved. The mission might seek concurrence from its partners either formally or informally, but there should be no ambiguity over what the new strategy is designed to accomplish or who is responsible for accomplishing each planned result. The second recommendation attempts to protect USAID's investment in the corruption case-tracking system. USAID/Dominican Republic does not have the contractual or legal means to ensure that the system is used, but it is important for the mission to use its influence with the Government of the Dominican Republic to ensure that the USAID funds used to develop and install the corruption case-tracking system are not wasted.

*Recommendation No. 1: We recommend that USAID/Dominican Republic, under its new anticorruption strategy, assign responsibility for meeting program performance targets to specific entities or partners where appropriate and obtain their concurrence that the performance targets are achievable within the strategy period.*

*Recommendation No. 2: We recommend that USAID/Dominican Republic follow up to ensure that the corruption case tracking system has been put into use.*

## **Progress in Passing and Implementing Anticorruption Legislation Fell Short of Expectations**

Summary: Progress toward passage and implementation of 4 of 11 anticorruption laws outlined in the PMP has been slower than planned. The Government of the Dominican Republic did not commit itself to the timetable outlined in the PMP, and none of USAID's partners was given specific responsibility for achieving the established performance targets. Because these measures were not passed and implemented (together with the effect of not meeting other performance targets), the anticorruption program has not achieved its overall objective of improving the transparency of public administration.

The PMP includes a “policy matrix” with 11 anticorruption measures and targets for passage and implementation of each. The Government of the Dominican Republic has met the established targets for progress on most of the measures, but progress toward passing and implementing the following legislation has been slower than expected:

- Asset declaration by public officials (bill expired in the National Congress)
- Appointment of a national ombudsman (enacted law published, but implementing regulations not prepared)



- Access to public information (implementing regulations not prepared)
- Whistleblower protection (bill drafted but not approved in first chamber as expected)<sup>3</sup>
- Establishment of an independent department for prevention of corruption (bill expired)

Progress on these measures fell short of expectations for several reasons:

- The Government of the Dominican Republic did not concur that the targets were achievable and did not commit itself to meeting them.
- Although USAID-supported civil society organizations engaged in advocacy activities to promote anticorruption measures, and even helped draft some measures, none of USAID's partners had specific responsibility for achieving the targets.
- Anticorruption measures may upset delicate balances of power that have evolved over long periods, and they can be destabilizing when they challenge powerful interests. It can take time to find advocates for anticorruption measures who have the necessary political capital and are willing to expend it, and it is not easy to assemble coalitions with the necessary political will to pass these measures. As an example, according to FINJUS officials, the whistleblower protection law has been pending in the National Congress for 7 years awaiting action.

The effect of not passing and implementing these measures, in conjunction with other unmet performance targets, is that the anticorruption program has not been able to achieve its overall objective of improving the transparency of public administration.

This audit does not make a recommendation on this subject because the mission's current anticorruption program has ended. Recommendation no. 1 is intended to ensure that similar issues do not recur under the follow-on program.

## **Targets for Numbers of Citizens Trained Were Only Partially Achieved**

Summary: Training targets under the anticorruption program were only partially achieved, and the mission and its partners did not follow up with training participants to see if training was applied on the job and if anticipated benefits were achieved. The mission did not agree with its partners on the numbers of people to be trained or on procedures for evaluating the effectiveness of training. As a result, training targets were not met, and the mission and its partners could not reasonably ensure that training was having the intended impact.

<sup>3</sup> The bill was not approved in the first chamber by the end of FY 2007 as expected in the PMP, but, according to a newspaper account, reporting by a USAID partner, and a report on the bill published by the Congress, the bill was approved by the House of Deputies within the Congress in 2008.

As detailed in table 3, USAID/Dominican Republic's PMP anticipated that 12,580 citizens would be trained under the anticorruption program in FY 2006 and FY 2007. However, only 5,763 citizens were actually trained.

In addition, procedures and practices for evaluating training effectiveness could be strengthened. Training transfers new skills, knowledge, and attitudes to improve the performance of individuals and the organizations in which they work. Whether training actually improves performance is a question that can be answered through training evaluation. Best practices for training evaluation suggest taking a two-stage approach. First, participant learning during the training program should be assessed using pre- and post-tests, participant evaluations during or upon completion of training, or some other means. Second, at least for longer term training where the level of resources invested in each participant is more significant, the mission and its partners should assess how participants apply training on the job and whether anticipated benefits have actually been realized. This can be done through followup interviews, visits to participants on the job, or requests for participant feedback at intervals after completion of training.

One of the partners did obtain participant evaluations at the conclusion of longer term training, but none of the partners obtained participant evaluations for shorter term training, and none followed up with longer term training participants (e.g., participants in the investigative journalism diploma program) to see if participants could apply the training at work or to identify obstacles that prevented them from doing so.

These issues occurred because USAID/Dominican Republic did not allocate training targets to individual partners or agree with them on procedures for following up on training. The mission did agree on a training target for the third partner (albeit only for FY 2007), but the target was unrealistically low: The partner actually trained 2,610 people, well over the FY 2007 target of 300 people. As a result, training targets were not met, and the mission and its partners could not be sure that training was having the intended impact. Thus, the purpose of training under the anticorruption program—to enable citizens to monitor government performance, and assist in the implementation of the freedom of information law—was only partially achieved.

This audit does not make a recommendation regarding the need to allocate overall program targets to individual partners; recommendation no. 1 should address this concern. However, the following recommendation is intended to help ensure that expected benefits from training are realized under the new anticorruption strategy.

*Recommendation No. 3: We recommend that USAID/Dominican Republic, in its new strategy, reach agreement with partners on procedures for systematically evaluating the effectiveness of training provided.*

## **Pilot Project Recommendations Need to Be Implemented**

<p>Summary: The anticorruption program aimed to prevent, detect, and sanction unethical behavior by public officials in pilot institutions, but the work actually performed in pilot institutions was limited to identifying corruption risks and making recommendations to address them. Since the program did not include support for implementing the recommendations and assessing their effectiveness, the main</p>
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purpose of supporting pilot projects (to test and validate promising approaches to solving problems) was not achieved.

The objective of subintermediate result 9.2.3 is decreased corruption in pilot institutions. One of the ways this objective was to be achieved was by establishing mechanisms to prevent, detect, and sanction unethical behavior by public officials in pilot institutions. Among the activities Casals and Associates had to address, this objective was to assist in the implementation of strategies to increase transparency and reduce administrative corruption in two selected national government institutions. Within the two selected institutions, Casals consultants conducted risk assessments and diagnostic studies and developed action plans to address areas of weakness.

Following the cost-of-corruption survey, which expressed the cost of official corruption in monetary terms based on interviews with Dominican citizens, Casals contacted a number of government institutions to assess interest in implementing pilot projects to reduce the corruption identified in the survey. Casals encountered very little interest, although the passport directorate and the customs directorate were willing to participate. Therefore, Casals began working with these institutions, analyzing one pilot process in each institution: the process of issuing a new passport in the passport directorate and the customs dispatch process in two ports (Punta Caucedo and Haina). The work in each institution included conducting risk diagnostics and developing corruption risk management plans, but the project did not include plans to implement the corruption risk management plans, and in fact they have not been implemented.

By not including implementation in the scope of the pilot projects, USAID/Dominican Republic and its contractor missed out on the main purpose of supporting pilot projects: the opportunity to try out approaches, refine them, and then implement them in other institutions.

These projects are very important for the program objectives since they can demonstrate concrete action in response to the results of the cost-of-corruption survey. Without implementation of the recommendations, the pilot projects would have no positive effects and would represent a wasteful use of USAID funds.

The following recommendation recognizes that USAID cannot compel agencies of a sovereign government to implement any particular recommendation or reform. Nonetheless, USAID supported these pilot projects with the expectation that the recommendations would be implemented to the degree that it was practical and possible to do so. Therefore, it seems reasonable that USAID should exercise its influence with the Government of the Dominican Republic to see that the recommendations made to both the customs and passport directorates are implemented.

*Recommendation No. 4: We recommend that USAID/Dominican Republic exercise its influence with the Government of the Dominican Republic to ensure that the pilot institutions implement the recommended anticorruption measures that were developed through the pilot projects.*

## **Small Grants Program Was Less Successful Than Expected**

Summary: The contract with Casals and Associates included funding for 20 small grants of up to \$5,000 each for civil society organizations in FY 2007. However, only six small grants were made, mainly because the targeted civil society organizations could not meet the requirements for the grants. As a result, opportunities to broaden participation in the anticorruption program and strengthen smaller civil society organizations were forgone.

Casals' approved work plan has four program components, one of which is citizen oversight. This component was to promote and support civil society organizations and coalitions in demanding transparency in the public sector. Through a small grants fund, the program was to finance the development of projects involving social auditing, participatory budgeting, and other initiatives that increase citizen involvement in monitoring government operations. Casals expected to award 20 grants, for a maximum of \$5,000 each, during FY 2007.

However, the small grants program awarded only six small grants during 2007 because the requirements were too onerous for many prospective applicants to meet. Proposals had to include acceptable objectives, planned results, indicators, and budgets. Most of the targeted civil society organizations could not meet these requirements. Out of 191 civil society organizations that initially expressed interest in the grants, only 42 applications were received, and most were of unacceptable quality.

Casals undertook many activities to encourage applications and orient prospective applicants to the requirements, including sponsoring 26 workshops and meetings with civil society organizations throughout the country and inviting a second round of applications after the number of applications received in the first round proved disappointing. Also, while Casals recommended three awards from the second round of proposals in May 2007, it was uncertain at that time whether USAID would exercise its option to extend Casals' contract beyond September 2007, and Casals decided that not enough time was available to completely implement the additional grants before September.

As a result of the low number of small grants awarded, opportunities to broaden participation in the project and strengthen smaller civil society organizations were lost. This audit does not make a formal recommendation because the program will end in November 2008 and the funds that were to be used for small grants are expected to be fully used for other purposes. However, similar programs in the future might consider whether the application requirements are reasonably attainable by the target population of civil society organizations and are reasonable in light of the grant amounts.

## **Performance Planning and Reporting Needs to Be Improved**

Summary: USAID's procedures for "managing for results" emphasize the need to carefully define performance indicators and accurately report actual results achieved. However, not enough attention has been paid to these issues for the anticorruption

program, and much of the information reported in the performance management plan was inaccurate or incomplete. Mission staff relied on partners to report accurate information rather than taking steps to validate the information. As a result, the information in the performance management plan was not reliable.

USAID's Automated Directives System (ADS) 203.3.3.4.5 states that each indicator should include performance baselines and set performance targets that can optimistically but realistically be achieved within the stated timeframe and with available resources. Beyond what the ADS states, it is obviously important to the success of any program that program performance indicators and targets be unambiguous and consistently expressed. To permit USAID staff to manage for results and produce credible reporting, ADS 203.3.5.1 requires performance data to be precise and reliable. USAID TIPS Number 12 emphasizes the importance of documentation, stating that proper documentation helps to facilitate the maintenance of quality performance indicators and data. Such documentation should provide an opportunity for independent checks concerning the quality of the performance measurement system. Since information in partner progress reports, the PMP, and operational plan results report may be used to make decisions about the success of USAID's programs and the level of resources needed to implement the programs, it is important to present complete and accurate information in these documents.

In reviewing the PMP and partner reports for FYs 2006 and 2007, the audit team found the following inconsistencies:

- The PMP did not include a calendar of performance management tasks, did not provide a justification of why each performance indicator was selected, and did not describe the quality assessment procedures that would be used to verify reported information. Also, performance targets were not disaggregated by gender as required by ADS 203.3.3.1.a.
- One of the six performance indicators, "number of civil society organization actions taken to promote anticorruption reforms," was neither adequate (in capturing the phenomena it was intended to capture) nor objective (in having a clear operational definition independent of the person collecting the data) in accordance with TIPS Number 12. The indicator mixed very significant actions (e.g., an anticorruption march involving thousands of people and a mass media campaign) with much less significant actions (e.g., letters written to the government). As a result, increases or decreases in the number of civil society organization actions reported did not relate in any clear, predictable way to the level of civil society organizations' activities.
- USAID/Dominican Republic did not report on two standard indicators for anticorruption programs—"number of people affiliated with nongovernmental organizations receiving U.S. Government-supported anticorruption training" and "number of government officials receiving U.S. Government-supported anticorruption training"—in the operating plan results report for FY 2007.
- The mission did not maintain an audit trail to show the source(s) of information in the PMP and how statistics reported by each partner were aggregated to arrive at the figures reported in the PMP.

- The mission did not verify the results reported by partners in their progress reports, and some partners said that they did not receive any type of feedback from USAID on the information they reported.
- The operating plan results report did not include any of the PMP performance indicators.
- The only performance indicator for the anticorruption program included in the operating plan results report was “number of U.S. Government-supported anticorruption measures implemented.” The mission reported that 30 measures were implemented in FY 2007 but could not explain where this figure came from or what it represented.
- The mission did not update the PMP to incorporate actual results in FY 2007. The mission prepared the PMP in March 2006 and September 2008. Data that are available after a delay of a year or more may be difficult to use.
- Of the 11 results reported in the PMP, 1 was accurate, 6 were inaccurate (the reported information was not consistent with supporting documentation available from partners), 3 were unsupported (the mission reported information based on phone calls or other undocumented sources and did not have any supporting documentation available), and 1 was incomplete (the reported information was accurate but the PMP did not mention that the results were achieved by another donor or by USAID under a separate strategic objective). Table 4 provides more detailed information on these results.

**Table 4. Reported and Verified Results for PMP Indicators**

<b>Result</b>	<b>Reported</b>	<b>Verified</b>	<b>Comments</b>
Number of anticorruption cases sent to the judiciary, FY 2006	12	0	The 12 reported arraignments were from the previous year.
Number of anticorruption cases tried, FY 2006	49	21	Twenty-eight of the 49 reported trials were from the previous year.
Number of current or former officials or organizations indicted on corruption charges, FY 2006	12	-	Information reported by the mission was based on phone calls or other undocumented sources, and no supporting documentation was available.
Number of current or former officials or organizations indicted on corruption charges, FY 2007	10	-	Information reported by the mission was based on phone calls or other undocumented sources, and no supporting documentation was available.
Progress on key laws designed to increase transparency, FY 2006	-	-	The status of four laws (the new budget law, sworn declaration of property law, whistleblower protection law, and independent department for the prevention of corruption law) was different than

Result	Reported	Verified	Comments
			the status reported.
Progress on key laws designed to increase transparency, FY 2007	-	-	The status of five laws (the new budget law, treasury law, sworn declaration of property law, whistleblower protection law, and independent department for the prevention of corruption law) was different than the status reported.
Number of civil society organization actions taken to promote anticorruption reforms, FY 2006	50	59	
Number of civil society organization actions taken to promote anticorruption reforms, FY 2007	56	204	
Number of citizens trained in anticorruption, FY 2006	2,768	2,160	
Number of citizens trained in anticorruption, FY 2007	1,156	2,995	
Milestone progress on implementation of initiatives to prevent, detect, and sanction corrupt activities proposed by the National Ethics Commission, FY 2007	-	-	The information on progress was accurate, but the PMP did not mention that the results were achieved by another donor or by USAID under a separate strategic objective.

These issues occurred because mission staff relied on their implementing partners to report results data and did not recognize the importance of independently verifying data quality. Also, to some degree, it was not clear to mission staff who in the mission was responsible for verifying information reported by partners. Finally, the absence of an audit trail linking the PMP information to the sources from which it was drawn made it difficult to recognize discrepancies between the PMP information and partner reports.

As a result, the information on actual performance reported in the PMP could not be relied on, and the information in the operating plan results report did not give a reasonably complete picture of program activities and their progress. To address these issues, this audit makes the following recommendations.

*Recommendation No. 5: We recommend that USAID/Dominican Republic revise the performance management plan to correct the reporting issues discussed in this report.*

*Recommendation No. 6: We recommend that USAID/Dominican Republic report on its performance management plan performance indicators in its next operating plan results report.*

*Recommendation No. 7: We recommend that USAID/Dominican Republic implement controls to provide reasonable assurance that complete and accurate information is reported in the performance management plan and operating plan results report. This should include assigning responsibility for verifying reported information and providing feedback to partners on progress reports to specific staff members.*

## **Have USAID's anticorruption activities been coordinated with those of other U.S. Government agencies and other donors?**

USAID's anticorruption activities have been coordinated with those of other U.S. Government agencies and other donors. USAID has taken a leadership role in convening roundtable meetings with other donors involved in anticorruption assistance, such as the Organization of American States, the World Bank, the European Union, the United Nations, the Inter-American Development Bank, and the Spanish Government. Within the U.S. Embassy community, the Public Affairs Office has provided advice and assistance for public service announcements related to the anticorruption themes and reviewed and cleared the announcements.

USAID is a member of a law enforcement working group and is cognizant of the efforts of U.S. law enforcement agencies to assist Dominican Republic counterparts. Other U.S. Embassy components are consulted and kept informed of USAID's anticorruption efforts.



# EVALUATION OF MANAGEMENT COMMENTS

USAID/Dominican Republic generally agreed with the findings and recommendations in the draft audit report. The mission plans to implement recommendation nos. 1, 2, 3, 4, 5, and 7. Management decisions can be reached on these recommendations when USAID/Dominican Republic provides target dates for implementing the recommendations.

In response to recommendation no. 6, the mission stated that it included one of the PMP performance indicators related to the anticorruption program (the number of citizens trained in anticorruption) in its most recent operating plan results report. This is a positive step, but we would like to see the mission go further. The PMP performance indicators are the ones that the mission has chosen as being most relevant for measuring the progress and ultimate success of its anticorruption program. The results report is the only means of reporting on progress with respect to these indicators to important stakeholders in USAID and the State Department. Moreover, the results report is used to answer inquiries from the Congress and Office of Management and Budget, as well as to prepare the Congressional Budget Justification and Annual Performance Report. For these reasons, it would be appropriate for the mission to include reporting on all, or substantially all, of its PMP performance indicators in its next results report.

The mission's comments in their entirety are presented in appendix II.

# SCOPE AND METHODOLOGY

## Scope

The Regional Inspector General/San Salvador conducted this performance audit in accordance with generally accepted Government auditing standards to determine if USAID/Dominican Republic's anticorruption activities are achieving their intended results and if the anticorruption activities have been coordinated with other U.S. Government agencies' and international donors' activities. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Audit fieldwork was conducted at USAID/Dominican Republic from September 2 through September 19, 2008. The audit covered the period from October 1, 2005, through June 30, 2008. In planning and performing the audit, we assessed management controls related to management review and review of performance measures and indicators. Specifically, we obtained an understanding and evaluated (1) the fiscal year (FY) 2006 and FY 2007 annual reports, (2) the FY 2006 and FY 2007 operational plans, (3) the FY 2007 performance management plan (PMP), (4) the mission's Federal Managers' Financial Integrity Act of 1982 assessment, (5) the oversight performed by cognizant technical officers, (6) performance measures, (7) actual performance results, and (8) data quality assessments. We also interviewed key USAID/Dominican Republic personnel, implementing partners, Dominican government officials, and beneficiaries. We conducted the audit at USAID/Dominican Republic in Santo Domingo and visited implementing partners and beneficiaries.

We reviewed the 11 democracy and governance program indicators included in the FY 2006 and FY 2007 PMPs. The main implementers were Participación Ciudadana, Fundación Institucionalidad y Justicia, Inc., and Casals and Associates. DPK Associates activities related to the anticorruption program ended in June 2006.

## Methodology

To answer the audit objective, we reviewed the FY 2006 annual report and the FY 2007 operational plan and the PMPs' planned and actual results. At USAID/Dominican Republic, the democracy and governance program reported results for six standard indicators in FY 2006 and five standard indicators in FY 2007, according to the PMPs.

We validated performance results and compared reported information to documented results (progress reports, participant training lists, draft laws, etc.) for these indicators in order to verify the mission's determination of the project's performance.

We reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/Dominican Republic's anticorruption program, including the following: (1) the mission's 2007 Federal Managers Financial Integrity Act of 1982 assessment, (2) Foreign Assistance Act of 1961 section 116 (e), (3) USAID guidance

TIPS 8 and 12, and (4) Automated Directives System chapters 200, 201, 202, 203, and 253.

We also interviewed USAID/Dominican Republic's democracy and governance cognizant technical officers, regional legal advisor, financial analysts, program office officials, embassy political office members, implementing partners, and beneficiaries to determine the progress of activities, how targets were established, and what evaluation system was in place for training activities.

To answer the second audit objective, we interviewed officials from USAID, the State Department, and international donors such as the Organization of American States, the World Bank, the European Union, the United Nations, and the Spanish Embassy. We also reviewed documentation such as working group minutes and joint work plans to determine what kind of coordination takes place.

# MANAGEMENT COMMENTS

## MEMORANDUM

To: Timothy Cox, RIG/LAC

From: Richard J. Goughnour, Mission Director, USAID/Dominican Republic

Date: December 8, 2008

Subject: Mission Review and Comments on RIG Audit Recommendations  
Regarding USAID/DR Transparency and Anticorruption Program

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USAID/Dominican Republic very much appreciates the efforts undertaken by the RIG to conduct the subject audit. It is worth noting the consummate professionalism and amiability with which the auditors conducted their work and interacted with Mission staff and counterpart organizations. USAID/DR views the audit as an opportunity to correct deficiencies and improve systems so that, in the future, our programs will have increased impact.

Following are the Mission's reply and planned management actions in response to the recommendations made in the audit report.

*Recommendation No. 1: We recommend that USAID/Dominican Republic, under our new anticorruption strategy, assign responsibility for meeting program performance targets to specific entities/partners where appropriate and obtain their concurrence that the performance targets are achievable within the strategy period.*

While assigning responsibility to specific partners for meeting program performance target has been a regular practice already, USAID/DR concurs with this decision, with particular attention to ensuring that such actions are fully documented. USAID/DR is currently developing the PMP for its new strategy in Democracy and Governance, and specifically in anticorruption, which will include working with program implementers in the design of their monitoring and evaluation plans. In those plans, specific indicators will be developed and/or adopted by implementers to measure program performance. We expect that our new standard operating procedures will have institutional contractors work with beneficiary institutions to identify indicators already in use and to develop appropriate indicators where none yet exist; provide technical assistance to beneficiary institutions to develop procedures and mechanisms to track indicators; work with beneficiary institutions to set targets and gain the institution's concurrence that the established targets are achievable; reach specific agreements with the beneficiary institutions, to define roles for defining indicators, collecting data and setting targets. With respect to civil society implementers, USAID will encourage partners to attempt to use government indicators and targets, where such data exists, and/or to establish indicators and targets in coordination with appropriate government institutions.

*Recommendation No. 2: We recommend that USAID/Dominican Republic follow up to ensure that the corruption case tracking system has been put into use.*

Although USAID/DR does not believe that the leverage exists to ensure the implementation of this recommendation, since we no longer have a specific contracting mechanism to provide direct technical assistance to implement the system to receive complaints and then track what happens to them, we will work with the Public Ministry to encourage them to implement the complaint system fully. USAID has met with the Attorney General to request a letter of commitment to implement the corruption complaint and tracking system fully.

*Recommendation No. 3: We recommend that USAID/Dominican Republic, in its new strategy, reach agreement with partners on procedures for systematically evaluating the effectiveness of training provided.*

USAID/DR agrees with this recommendation. USAID/DR has been working with all DG implementing partners to improve the measurement of impact of training programs. When finalized, USAID will help develop indicator sheets for anticorruption implementing partner that will define their plans to track impact of training programs over the medium term.

*Recommendation No. 4: We recommend that USAID/Dominican Republic exercise its influence with the Government of the Dominican Republic to ensure that the pilot institutions implement the recommended anticorruption measures that were developed through the pilot projects.*

USAID/DR partially agrees with this recommendation. To the degree possible, given the design of the follow-on strategy, which focuses on DR-CAFTA related institutions, USAID/DR will work to implement fully the recommendations that came out of the diagnostic and expand the methodology to other institutions. However, this will mean primarily working with Customs, since the Passport Agency does not fall within the purview of the Mission's follow-on strategy. USAID will meet with the Director of the Passport Agency to request a written commitment to implement the recommended anticorruption measures.

*Recommendation No. 5: We recommend that USAID/Dominican Republic revise the performance management plan to correct the reporting issues discussed in this report.*

USAID/DR agrees with this recommendation. USAID/DR will review the PMP to ensure that all anticorruption indicators are up-to-date and will work with implementing partners to correct inconsistencies and incomplete information. USAID notes that it will not be possible to make all corrections as the opportunity to collect some of the needed information has passed.

*Recommendation No. 6: We recommend that USAID/Dominican Republic report on its performance management plan performance indicators in its next operating plan results report.*

USAID/DR has already submitted the FY2009 PPR that includes the following two performance indicators:

1. Number of prosecutors and public defense attorneys in the civil service career

## 2. Number of citizens trained in anti-corruption.

***Recommendation No. 7:** We recommend that USAID/Dominican Republic implement controls to provide reasonable assurance that complete and accurate information is reported in the performance management plan and operating plan results report. This should include assigning responsibility for verifying reported information and providing feedback to partners on progress reports to specific staff members.*

USAID/DR agrees with this recommendation. USAID/DR will review its overall process for designing, tracking, and verifying indicator information. Procedures will be established to formalize responsibilities and processes for collecting and verifying indicator information. This will include establishing formal opportunities to provide feedback to implementing partners and local counterparts, such as periodic meetings with all partners, individual meetings with implementing organizations, and reporting to partners of meeting minutes and/or sharing of information presented in such meetings.

USAID notes that the information summarizing USAID investment in anticorruption activities (p. 5) is somewhat misleading because a number of the assistance mechanisms active during the period under review were not limited to anticorruption programming and funded activities in different program areas. We therefore respectfully recommend that the audit report revise and replace overall values of cooperative agreements and contracts with the specific amount obligated to each cooperative agreement or contract for anticorruption activities, to wit:

<u>Partner</u>	<u>Document No.</u>	<u>Total Budget</u>	<u>Budget for Anticorruption</u>
DPK	517-C-00-03-00116	9,570,748.00	2,896,300.00
Part. Ciudadana	517-A-00-03-00105	6,530,303.00	1,268,889.00
FINJUS	517-A-00-05-00108	1,632,134.00	194,410.00
Casals & Assoc.	517-DFD-I-00-03-00139	2,918,787.00	2,918,787.00

Once again, USAID/DR would like to express its appreciation for the effort made by the RIG auditors and for the clear observations made regarding the program. The Mission will work assiduously to respond to the findings in the report and to close the recommendations as soon as possible.

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