

Lessons Learned: Accountability, Transparency, and Hurricane Mitch

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Preface

This document is not an assessment of USAID missions' ability to integrate accountability and transparency into Mitch reconstruction projects. Rather, this is an attempt to illicit lessons learned from the participants (USAID employees, host government officials, contractors, and civil society representatives) and to draw broader recommendations for USAID missions to improve the accountability and transparency in situations with large inflows of donor funding.

I traveled to Honduras and Nicaragua in November 2001 to conduct interviews. Both missions were in the midst of closing out most of their Mitch projects. I was unable to travel to El Salvador and Guatemala, the other Central American countries receiving large portions of the Mitch Supplemental funds, but spoke to USAID employees in both countries and received some written documentation of their efforts. I have included their experiences in my analysis.

The overarching question behind my research was sparked by the mandate of the Stockholm Consultative Group meeting in May 1999. In Stockholm, donors and beneficiary countries agreed upon seven principles to guide reconstruction; these principles were to take the countries affected by Hurricane Mitch beyond reconstruction to the point of "transformation." Transparency and accountability was one of these transforming principles. Three years after the devastating power of Hurricane Mitch decimated parts of Central America, I posed the question: To the extent that USAID focused on this principle during the reconstruction process, did it lead to sustainable, positive changes in the host countries' approach to accountable and transparent governance?

Before continuing, I want to emphasize a point raised by many USAID employees. An inherent tension exists between creating short-term results and long-term transformation. The Missions were under intense pressure from USAID/Washington and Congress to design and implement these projects quickly. Mitch projects not only had to be obligated, but completed by December 2001. With that short timeframe, Missions generally focused on straightforward emergency needs and reconstruction, avoiding as unrealistic any approaches that required institutional change (with often iffy political will). Unless they had a preexisting government counterpart that they trusted, most Missions turned to US contractors and PVOs to implement their Mitch activities. That said, the Missions found a variety of ways to emphasize the importance of accountable and transparent governance. If they did not work directly on causing transformations, they certainly created some changes at the margin and hopefully provided the impetus for greater change in the future.

Introduction

Hurricane Mitch affected Central America as September 11th affected the United States – it served to unite each country and was an impetus for major change. Life was never the same: citizens live with a heightened sense of vulnerability as well as a sense of hope that their country could be rebuilt better.

The hurricane hit the Central American countries on October 26-27, 1998, producing massive flooding and destruction. More than 9,000 people were killed, 13,000 injured, and 3 million displaced. Estimates of damages to homes, schools, businesses, roads, and other infrastructure exceed \$8.5 billion.¹ The United States quickly provided approximately \$300 million in humanitarian relief, followed by \$621 million in reconstruction assistance in May 1999.² Accounting for these funds was a major concern of Congress, USAID, and the recipient countries. Given the history of misuse of foreign assistance and public funds in Central America, those involved in reconstruction projects introduced multiple levels of controls.

USAID Initiatives to Promote Transparency and Accountability

Missions adopted a variety of approaches to promote transparency and accountability in the host countries. Some were targeted anti-corruption projects (i.e. *Inspectoria de Proyeptos*) while others incorporated participatory oversight mechanisms into the design of reconstruction projects. The examples below illustrate the principle models employed.

1. Donor Coordination and Promoting a Common Vision

Transparency and accountability were central policy issues from the first discussions on international assistance between donors and Central American nations. Given historic precedents, the Central American Presidents knew they would be under careful scrutiny and many issued statements declaring their support of a transparent and accountable reconstruction process. Leading up to the pledging consultative group in Stockholm, USAID wrote a discussion paper for Stockholm on mechanisms to ensure transparency and accountability in Hurricane Reconstruction and Transformation. The donors took these issues extremely seriously and in the final Stockholm Declaration, they included them as key principles:

- Reconstruct and transform Central America on the basis of an integrated approach of transparency and good governance; and
- Consolidate democracy and good governance, reinforcing the process of decentralization of governmental functions and powers, with the active participation of civil society.³

¹ United States Agency for International Development, “Hurricanes Mitch & Georges: From Relief to Reconstruction. The United States’ Response” (Washington, 1999), 2.

² These funds, the Central American and Caribbean Emergency Disaster Recovery Fund (CACEDRF), also included assistance to Caribbean countries hit by Hurricane Georges in September 1998.

³ <http://hurricane.info.usaid.gov/dcgroup.html>

By issuing a strong, shared vision for reconstruction, donors and host governments lay an important foundation for further work on accountability and transparency. Everyone interviewed agreed that the image of the donors as a united front with a shared policy was decisive for the progress to come. Even the normally critical NGOs, Oxfam and WOLA, praised the efforts of the donors in a letter dated Jan 9, 2001 to Carl Leonard, Acting LAC Assistant Administrator:

Since Mitch, the coordination between and among the G-6 donors has increased significantly and this has been very constructive. Donors have met each other regularly in both Nicaragua and Honduras, met with governments, and begun to meet with civil society groups. They have coordinated some reconstruction efforts and coordinated messages to governments about transparency and participation.

Putting anti-corruption concerns front and central allowed the donors to press on this issue throughout the reconstruction process. It was an important diplomatic tool.

Donor coordination, however, did not end with a joint policy statement. It was operationalized into regular meetings and follow-up plans. The best example of this coordination was in Honduras. The G5 (now the G15) was the central mechanism for coordination. After Stockholm, they decided to create working groups for each technical area, including Transparency. These “Sectorial Tables” took the lead in establishing progress indicators for each area. They created matrices with goals and clear timeframes. The donors then worked to incorporate civil society and the government into the tables, and by 2001, government representatives led them.

What began as a donor coordination effort has become a development tool for the country. With HIPC pending and the need to create a Poverty Reduction Strategy Plan (PRSP), the tables were a natural arena to discuss the issues. They are now poised to do follow-up. The tables are often civil society’s only venue for discussing national issues with the government on an equal footing.

The Transparency Table keeps all interested parties – government agencies, civil society, and donors -- involved and knowledgeable of what the various members are doing. Although it has an impressive and extensive matrix of goals, it is not particularly action oriented. This is mainly due to the large number of participants and the political nature of the goals. Its value, however, should not be underestimated. It provides an excellent opportunity for donors to push on issues at the technical level, for civil society to advocate for further reforms, and for the government to highlight the progress it has made. It has also set up an environment for different government ministries to learn from each other and perhaps compete. The current struggle is to keep the other donors involved. With limited staff, multiple meetings of different tables, and other duties, donors are finding it hard to stay active in every sector. USAID is the only active donor member of the Transparency Table.

2. *Inspectoria de Proyectos* (Project Inspection)

Almost immediately after Hurricane Mitch hit and it was clear a large amount of international funds would be flowing into Central America, donors began discussing mechanisms to monitor the use of these funds and the implementation of projects. Over several months of discussions, particularly between USAID, the IDB and the World Bank, a joint initiative eventually emerged. As part of a larger Procurement Reform loan package the IDB was developing for Nicaragua and Honduras, they would include an external oversight mechanism called the *Inspectoria de Proyectos*. USAID and several other bilateral donors pledged support for a total of approximately \$10-\$11 million in each country.

Described respectively as a “quality control entity” and an “ad-hoc parallel entity created to do international policing during an emergency” by two different IDB representatives, the *Inspectoria* was designed to put auditors and technicians from a Big Five firm into the implementing units of reconstruction projects. They would monitor the entire process from designing the procurement to physical completion. They would report to the donors who would make all audit reports public. Unlike other oversight mechanisms used by USAID, the *Inspectoria* would monitor national funds as well as international funds.

Unfortunately, as of this writing, the *Inspectoria* in neither country is up and running. Although USAID and IDB are hopeful in both cases that it will start soon – the host governments have agreed to the conditions of the initiative; the loans have been ratified; other donors’ funds are lined up; and the firms have been selected – it is clearly too late for USAID’s reconstruction efforts. When asked if he would recommend the *Inspectoria* model for similar situations with massive reconstruction projects, the IDB representative in Honduras replied, “Only if it could be up and running in three months.” Given the major hurdles of government intransigence and the slow IDB loan process, that timeframe is near impossible.

Slow implementation aside, several people voiced their continued support for the *Inspectoria*. Its main selling point is its mandate to oversee nationally funded projects; it provides donors and citizens with the opportunity to monitor the government’s financial management and implementation. It also sets the precedent of providing access to information and could encourage citizen participation. Once it begins, it has funding for four years: four years of strict quality control, covering 80% of public investment (national and international). In theory, this means the houses, roads, and bridges built under its tutelage, will be “built back better.”

Will the *Inspectoria de Proyectos* increase Hondurans’ and Nicaraguans’ capacity to provide financial oversight and quality control? This is debatable. Some believe it will serve as an impetus to create a stronger internal audit function within the government. It will be operating in tandem with the IDB’s procurement reform program that will provide technical assistance and training to government line ministries. The *Inspectoria* could push the ministries to internalize the training lessons as they will be under constant vigilance and will have to put their training to test. The flip side of this debate is that the *Inspectoria* will serve only as an external entity for international policing replacing the

need of the host governments to do the job themselves. Once the funding leaves, so will the oversight.

To tip the balance, USAID should work with other donors to incorporate an internal audit entity into the ministries. These government officials could be trained by working directly with the *Inspectoria's* international firm and over the course of the four years, take over their role. The *Inspectoria* is an extremely expensive initiative to only provide four years of external oversight; the expertise involved should be harnessed to train a sustainable, indigenous cadre of internal auditors.

3. Citizen Participation

In both countries visited for this report, the governments, at donor insistence, had created official government-civil society bodies for consulting and collaborating with citizens post-Stockholm⁴. In both countries, civil society representatives recognized the importance of these openings but were critical of these attempts as not going far enough.

The director of the Nicaraguan group Fundemos voiced by far the most optimistic view of the opportunity provided by these forum (called COMPES in Nicaragua):

COMPES is a start. It took pressure from the international community just to form it. The government created it thinking it would never function but it has lots of potential and we should take advantage of it. Use it and strengthen it. Now more groups are interested in participating. The political parties all presented their electoral platforms to COMPES. They saw it as an important arena.

At a World Bank Institute teleconference on instruments for citizen participation in government affairs,⁵ a representative of the group Interforos (an association of Honduran NGOs) discussed how the “Commission for Civil Society Participation for National Reconstruction and Transformation” and other joint government-civil society initiatives have functioned in his country. He explained that while there has been formal consultation of civil society in which citizens and groups generated proposals, very few joint government-civil society recommendations were formulated and no joint decisions were ever made. Groups in Nicaragua had a similar analysis. Citizen participation in both countries was also limited by cynicism; some groups didn't trust the government to listen to them so didn't bother trying to participate in these official forums.

In both cases, the official arenas created for citizen participation became the main mechanism for citizen consultation for the HIPC required PRSP. Most interviewees focused their comments on this more recent process. While Mitch brought expectations for reconstruction, the poverty reduction strategy promised the broader notion of

⁴ In Honduras they created the *Comision de Participacion de la Sociedad Civil para la Reconstruccion y Transformacion Nacional* and in Nicaragua, the *Consejo Nacional de Planificacion Economica y Social* (COMPES), an entity that existed by law for several years but had never been realized until after Stockholm.

⁵ “Instrumentos para la Participacion Ciudadana en Cuestiones de Gobernabilidad,” November 12-13, 2001.

transformation. Both Interforos (Honduras) and Coordinadora Civil (Nicaragua) characterized this process as a sham and publicly denounced it. The World Bank representative in Honduras pointed out that the government held 13 community meetings around the country with about 200 participants at each. He argued that citizens were given the opportunity to contribute and they did; however, in the end, the government – quite appropriately -- wrote the document. Not all views could be incorporated. In the future, he would consider including representatives of civil society on the drafting team and noting in the plan that national consensus was not reached on every point.

How to introduce more productive citizen participation is problematic. While efforts at the local level do seem to be effective – public budget oversight and other initiatives do seem to be transforming the relationship between communities and their municipalities – national level initiatives are weak. It is unclear how to determine who represents civil society and it is difficult to reach consensual decisions with such a plethora of inputs. In the case of the PRSP, which inputs to include was complicated further because the final document had to be approved by the international financial institutions backing HIPC, with definite notions of how to address poverty.

No one doubts that the Mitch experience did open spaces for civil society. They now have greater access to the President and Congress. The formal initiatives, although flawed, are a beginning and did allow for greater citizen input into a long term strategy. Some believe the governments only listen because of international pressure. That may be true. The biggest hurdle, however, is how to turn this fledgling participation into accountability. While donors can require participation in projects, they cannot demand accountability.

4. Targeted Anti-Corruption Projects

Honduras was the only mission that opted to use Mitch funds for a targeted anti-corruption initiative beyond the Inspectoria. The two main components are (1) a public awareness and advocacy campaign run by a local NGO and (2) technical assistance to the Comptroller General Office to strengthen a special audit unit for internationally funded projects. Both are long-term initiatives by nature as their respective goals include cultural change and institutional development. They only make sense in the context of reconstruction funding if you are promoting “transformation” as part of the mandate AND you have reason to believe funding will be available beyond the reconstruction period to sustain these efforts.

CIPRODEH, a well-established human rights organization, is running the anti-corruption awareness campaign. They have worked with a media company to develop public service announcements (PSAs) that will run on TV and radio. They are publishing a newsletter, Trasluz, have created a website with informative information and valuable links, and will offer a variety of workshops on how citizens can participate in government oversight. During two major televised soccer games, they ran a PSA across the bottom of the screen promoting their website and advocating for greater government transparency. This is a nice example of an anti-corruption advocacy and public awareness project. It could be an impetus for longer-term change. However, it will take time to show any

results and its source of funding is short-term. Unless a strategy for continued funding is developed from the beginning, the effectiveness of a general advocacy campaign will be limited.

The second major component is technical assistance to the Comptroller General's Office (CG). USAID funded the creation of a special unit (UAPOI) within the CG that could provide quality audits of all international donor-assisted projects. This idea has some merit. By creating this specially trained unit, the overall capacity of the CG increases. The ownership of audits of internationally funded projects lies with the host government so they have easier access to information and use of the justice system to prosecute criminal findings, and moreover, they are under increased outside pressure to do so. Instead of using a private firm, donors could theoretically rely upon on this unit to complete audits, thus making them part of public record.

The extent to which this occurs depends upon how internalized UAPOI becomes within the CG. The government currently pays the salary of all the employees except for one USAID-funded technical consultant. These auditors were hired from outside, tested and selected by USAID but are considered full fledged CG employees. Although USAID has made use of UAPOI to oversee about half of its reconstruction funds, the other donors have been slower to warm to the idea. If a critical mass of donors don't use UAPOI for audit oversight in the future, it will not be worthwhile for the CG to maintain it.

The USAID project provided some additional technical assistance to the CG that could provide benefits beyond the walls of UAPOI. The technical consultant providing guidance to UAPOI developed a training course on auditing international entities that private firms now look to the CG to provide. UAPOI will soon (already?) be publishing their audits on-line, an important step in the struggle to improve access to public information. Additionally, the same consultant has developed a computerized system of audit findings follow-up that is currently woefully lacking in the CG. The Comptroller approved the system for the entire agency and all 77 internal audit entities in the line ministries. As of this writing, actual implementation of the tracking system is pending.

The biggest concern that interviewees raised about assisting the Comptroller General's Office was whether or not the CG has any political will to improve its effectiveness. It currently has very little credibility as an independent agency. Several people questioned whether creating a special unit for donor-funded audits changed that perception at all. They also doubted it would continue without USAID funding.

The Comptroller General's Office is certainly in need of major reforms. A World Bank "Modernization of the State" loan will soon come on line in Honduras that will hopefully help address some of these changes. But was it a mistake to try and work with the CG to the extent possible during the Mitch Reconstruction process? Although the UAPOI may not prove sustainable, the technical assistance provided by USAID did lay the groundwork for the type of reforms needed: higher quality audits, the trust of the international community, a tracking system for findings and follow-up, and public access to audit reports. USAID could not tackle larger institutional flaws within the context of

Mitch reconstruction, however, if these elements that promote transparency and accountability take hold, the project will have been a success. Unfortunately, that may be a large IF.

The Mission also supported some noteworthy “stand alone” projects that when viewed together work to improve accountability in the country. They were completed in a short-term timeframe and yet could provide an impetus for change without sustainable funding. The newly created National Anti-Corruption Council received technical assistance to assess the effectiveness of its structure and to develop recommendations to strengthen its role in the struggle against corruption. Cardinal Rodriguez who provides unprecedented legitimacy to the organization leads the Council. USAID’s small investment could go far under the leadership of this universally lauded “anti-corruption champion.” The Mission also supported a public opinion survey on corruption by Mitch Seligson. The results have proven useful for generating discussions at all levels of government and society. And finally, the Mission, through personnel time alone, is fostering closer collaboration between a diverse group of organizations (the Comptroller General’s Office, several NGOs, and the Ombudsman’s Office) all involved in “social audit” initiatives. USAID, recognizing the plethora of projects and the threat of duplication, brings the participants together to discuss coordination and the development of a common methodology. Social audit as a means of citizen oversight of government actions is not a new idea in Honduras but has become increasingly popular since Hurricane Mitch and is a very promising direction for citizen participation in good governance.

5. The Role of Local Government and Accountability

Several Missions offer excellent examples of promoting transparency and accountability at the local level through projects that have “brick and mortar” reconstruction as their primary goal. Their project designs included elements of accountability that not only made their project goals more successful but also improved the relationships between citizens and their local governments. The Roads Program in Nicaragua is one such model.

The Nicaragua project was designed for both road construction and income generation. Community members worked with their municipalities to define road priorities and then they were hired to construct the roads. The project, implemented by CARE, reached 17 municipalities, reaching 14,000 families. Of the project’s \$8 million, about half went to the community members in cash payments for work. Before beginning the work, CARE signed “agreements” with each collaborator in which roles and responsibilities were defined and agreed upon. For example, one responsibility of the community was to guard the donated tools and materials. If anything was missing, they had to pay for it. (Materials rarely went missing.) Likewise, CARE was responsible for providing those resources in a timely manner and the community held them accountable to this. The municipality was in charge of managing the payroll of workers. CARE worked with the town government to create a good financial system to track the cash payments. Providing accurate and reliable payments to community workers, improved the municipality’s credibility with its citizens. Establishing understanding of each collaborator’s

responsibilities created a system in which all participants were held accountable to each other.

Was this experience transformational? Only time will tell but it seems promising. Municipalities have learned to turn to their communities for input and assistance and the communities are demanding more from their municipalities. Both better understand their rights and responsibilities, and the concept of mutual accountability has shown proven results.

Protecting USG funds

This paper would not be complete without mentioning USAID's major achievement in monitoring and ensuring the proper use of USG funds in environments that are rife with corruption: Central America in general, and large scale construction specifically.

The Office of Inspector General (OIG) played an important role in this oversight. The CACEDRF appropriation included \$1.5 million for additional OIG operating expenses. They did a risk assessment of each planned activity and devised varied audit schedules accordingly. High-risk activities underwent concurrent audits. The OIG also provided fraud awareness training in Spanish to all USAID contractors and grantees. Overall the OIG found only low-level problems, associated with mismanagement not maleficence.⁶

USAID mission employees described a textured layering of control mechanisms. All projects were subject to normal USAID oversight. This includes voucher review by the CTO, hands-on assistance by a USAID financial analyst to help create strong financial management and to correct findings as they occur, and annual audits generally done by local branches of a Big-5 accounting firm. In addition for Mitch funded projects, the Regional Inspector General (RIG) required quarterly (i.e. concurrent) audits contracted through DCAA, and the GAO made frequent audit visits.

In some cases, the Missions added further controls. In Honduras where more projects were implemented through the government, USAID hired firms like Price Waterhouse Cooper (PWC) to provide additional financial administrative support. This often included designing a system for financial management within the government agency implementing the project. For example, PWC developed an administrative and internal controls manual for COPECO (Disaster Mitigation) that covers areas such as accounting, personnel, and an organizational chart. In four projects, USAID included Concurrent Audit Teams (CATS) into the design of the project. The teams were hired by the GOH as independent auditors to work within the implementation unit but they were paid and reported to USAID.

Many people expressed the belief that this control system was useful and necessary. If it did not discover major findings, it is because it acted as a preventative measure: everyone was forced to take these controls seriously and they knew they were under near constant

⁶ "Statement of Everett L. Mosley, Inspector General, and Timothy Cox, Regional Inspector General, before the House Committee on Appropriations Subcommittee on Foreign Operations," March 21, 2001.

supervision. One U.S. contractor did feel they were more vigilant than usual because of the frequent visits by auditors. In those cases where host government agencies had some participation in the implementation, they arguably learned from the experience of imposed stringent internal and independent, external controls.

Many others, however, felt the control system was overkill. They questioned how much more development USAID could have done if so much money weren't spent on oversight mechanisms. The concurrent audits by the DCAA were most often criticized as duplicative. One USAID employee argued that, "After the first year without many findings, we should have reassessed the need for this constant vigilance. The cost-benefit analysis shows it wasn't worth it." For example, in Nicaragua with \$100 million in projects, only two cases of fraud emerged, each for \$10,000. In both cases, the US contractor caught the problem and resolved it before the external auditors stepped in.

Historically, USAID has done an excellent job controlling its resources with its normal control mechanisms. They appear to be sufficient. The corruption problem USAID must tackle is not the proper use of USG resources but rather the host country's ability to manage its own. Money is fungible. Until USAID is confident that for every dollar it carefully provides to a country, it is not freeing a host government dollar to be mismanaged or stolen, we will continue to see stunted development.

USAID would be well served to examine more closely the usefulness of these internal and external controls and to try to pare down those that proved purely duplicative. From a development perspective, those efforts that led to institutional learning and capacity building in country should be emphasized. Many people mentioned the increased capacity of local CPA firms after USAID trained them in USG auditing standards and provided quality control of their reports. These firms now have the knowledge and skills to produce high quality audits. Likewise, local NGOs with sub-grants benefited from fraud awareness training and improved financial management. Other efforts, like the CATS and the financial management assistance within government entities, can only be transformational to the extent that the counterparts internalized these procedures. It is unclear if these approaches introduced any sustainable changes to the institutions or if they simply served as parallel control units that substituted the need for the government entity to develop its own internal controls.

Recommendations

Every country that USAID works with faces different challenges. They have different histories, political leadership, institutional strengths and weaknesses, cultural idiosyncrasies shaping the interactions between citizens and their government, and relationships with the United States and other donors. All of these factors affect the level of concern USAID puts on accountability and transparency when providing a large amount of assistance as well as how it addresses this concern.

The Central American countries ravaged by Hurricane Mitch had a reputation for weak control institutions and a high level of corruption. Many of the models described above were shaped by that environment and will not seem appropriate to the specifics of other countries and regions posed to receive a large inflow of donor funds. However, they do provide an excellent foundation for thinking about how to improve the accountability and transparency within a country while implementing a larger reconstruction strategy.

The recommendations presented below are an attempt to cull out the lessons learned from the experiences of USAID and some of their counterparts in Central America and to establish them as fundamental building blocks for promoting accountability and transparency.

1. Develop Guiding Principles

Bring the host government, civil society, and donors together to develop a common set of principles to govern the reconstruction process. They should be discussed in detail to ensure a common language and shared expectations. By including transparency and accountability within these guiding principles, they become legitimate goals to fund, monitor, and expect results. Establishing these upfront is a useful tool – both as a stick and carrot.

Guiding principles should not simply be a formal written document. Donors, governments, and civil society need to act on them to take them beyond rhetoric. Creating some sort of mechanism, like a working group for each principle, will bring all the actors together on a regular basis to share information and monitor progress. They can set goals with identified responsible parties and a timetable. This process will facilitate donor coordination, avoiding duplication of efforts and clarifying where holes exist in a strategy. It can help a government identify the resources available as well as put pressure on the government to fulfill its promises. It also provides civil society with an equal place at the table to advocate for further action and to act as a full partner.

2. Provide Access to Information

Access to information is the core of a transparent reconstruction process in which all interested parties can be held accountable for their contribution⁷. Providing easy access to information, however, often runs counter to the cultural practices of developing countries and many donors. Donors should begin with leading by example. Disseminate detailed information about what projects are being funded, who is implementing them, the budget, and the expected timeframe. Provide the information directly to the communities affected. Update this information as the projects progress including changes in budget and audit reports. Donors should pressure the government to do likewise. If transparency and accountability are guiding principles for reconstruction, agreeing to provide timely information on all public investment could be an official condition for receiving aid.⁸

⁷ Access to information was the issue most often identified by interviewees as missing during Hurricane Mitch reconstruction, hindering transparency.

⁸ The HIPC agreements set a precedent for requiring certain good governance conditions (with floating completion points) to be met before receiving assistance (in this case, debt forgiveness). In Honduras, one

Instead of spending millions of dollars on an overarching external control mechanism, donors should consider jointly funding a mechanism through the host government to collect and disseminate information on projects on a regular basis, from the community level on up. In some cases, this will require greatly improving the country's data collection and analysis systems and should be considered a long-term endeavor. The Internet is one tool for posting project information and subsequent reports. Government entities contributing information, the international community, and the media would all have easy access.⁹ However, other mechanisms of dissemination -- such as radio, newspaper, town hall meetings, church events, community campaigns -- would also be needed to reach a broader audience of citizens.

Mobilizing citizen involvement in oversight is a critical aspect of accountability but will only be effective if reconstruction efforts enjoy a high level of local visibility and sufficient information is available. In addition to communicating reconstruction plans in a readily understood way to the average citizen, donors should also work with civil society to encourage active and effective oversight of the reconstruction projects.

3. Stress Mutual Accountability

It is extremely difficult to effect transformational changes toward accountability and transparency in a country without working with the government. Likewise, the government must learn to work with its citizens and organized civil society. Donors, host government, and civil society must be equally invested. The most fundamental step they can take to improve long-term accountability is to establish an environment in which everyone is held accountable to each other in the short-term. As the Nicaraguan roads project did at the local level, define each participant's role from the beginning. Support projects that rely upon coordinated efforts; transparency and mutual accountability will be necessary to complete them and future collaboration will be more likely.

Mutual accountability applies to donors as well. They should be held accountable to their financial pledges and should be ready to answer questions about their procurement practices. They should consider using local companies and resources rather than bringing in international contractors for reconstruction projects. The quality of work is rarely different, more resources enter the local economy, and more development work can be completed because less is spent on overhead. If donors don't treat the government as an

condition is the preparation and implementation of a participatory and comprehensive anti-corruption strategy. In Nicaragua, conditions include satisfactory progress in strengthening the Comptroller General and introducing a satisfactory system of management and inspection of public sector procurement. These are rather broad and do not specify what will be considered "satisfactory" but they send an important message. Donors are serious about anti-corruption and will not put their money on the line without certain assurances.

⁹ For an excellent example of such a website, see the Honduran FHIS web page (www.FHIS.hn). Although this came on line in November 2001 a bit too late for Hurricane Mitch oversight, it is an impressive initiative, created without donor assistance. It contains a database of 10,000 FHIS projects by location, date, cost to date, total budget, donor assistance, and sector of work. It is still in development and unclear if the new administration beginning in 2002 will continue to support it.

equal partner in reconstruction to whom they are accountable and whose best interests they serve, governments are less likely to be accountable to donors.

Conclusion

Before embarking on the field work for this paper, I outlined a series of questions I wanted to address:

- Did the work on accountability and transparency lead to Transformation?
- Did the government gain capacity to control corruption? Or did we “untransform” the government by setting up systems that answered to donors rather than the government?
- Did civil society gain capacity to control corruption? Has their relationship to government changed?
- What opportunities were missed that should be considered in the future?

Unfortunately, the answer to the first three bullets is Yes and No. Mitch-funded projects, donor coordination, and the multiple systems of external oversight all contributed to more accountable and transparent development in Central America. Reconstruction was well done overall; donors pressured governments into more accountable actions; new relationships between civil society and government began; and people learned about proper internal and external controls by example as well in some cases through training and technical assistance.

But it would be difficult to argue that the government or civil society gained any sustainable capacity to control corruption quite yet. Mitch provided the impetus for lots of good beginnings but it is unclear if they will take hold. We could have done more to train the government about control systems while implementing our own; but it may have slowed down the reconstruction process. We helped create a space for citizen participation in national forums, but transforming participation into accountability will be a long process requiring cultural change on behalf of the government and civil society.

With designated short-term funds and reconstruction as the central mandate, expecting transformations may be overly optimistic. But seeds can be planted. We can create systems that ensure the proper use of our funds while increasing the local capacity to do the same through training, joint audit teams, and encouraging arrangements that require mutual accountability. We can sustain accountability and transparency as core policy issues and involve government and civil society in discussions of long-term goals. And we can provide detailed information to citizens about all donor-assisted reconstruction while supporting (demanding) the government to do the same. If through reconstruction efforts, we can establish the precedent and systems to provide easy access to public investment information and facilitate citizen oversight of this information, then we would be taking a giant step toward creating a more transparent society with a government held accountable to its citizens.

Interviews

Honduras (November 12 – 16):

Lorena Aguilar, Anti-corruption CTO, USAID
Richard Layton, USAID Controller
Joe Lombardo, Deputy Director, USAID
Timothy Mahoney, Mission Director, USAID
Todd Sloan, Democracy Team Leader, USAID

Sergio Diaz-Briquest, Casals and Associates
Mauricio Diaz-Burdett, Interforos
Selma Estrada, Administrative Probity
Miguel Manzi, IDB
Joe Owen, World Bank
Ricardo Puerta and Marlin Oscar Avila, consultants to National Anti-Corruption Council
Cardinal Rodriguez, National Anti-Corruption Council
Moises Starkman, Minister of FHIS
Sally Taylor, Casals and Associates
Leo Valladares, Human Rights Ombudsman
Staff of CIPRODEH
Unit for Audits of International Organization Programs of the Comptroller General
Representatives of Comptroller General “Contraloria Social” program
Members of the Transparency Table (government, civil society, and donors)

Nicaragua (November 17-21):

Karen Anderson, Democracy Team Leader, USAID
Ray Baum, Agriculture Team Leader, USAID
Rodger Garner, Deputy Director, USAID
Tomas Membreno, Mitch Reconstruction Coordinator, USAID
Cynthia Pruett, USAID Controller
Tanya Urquieta, Democracy NEP, USAID
Sergio Watson, Financial Analyst, USAID

Minoru Arimoto, JICA
Mauricio Gomez Lacayo, Ministry of Foreign Relations
Geronimo Giusto Robelo and Jose Lainez Tercero, National System for the Prevention, Mitigation, and Attention to Disasters
Violeta Granera de Sandino, FUNDEMOS
Mayumi Hashimoto and Naohito Watanabe, Japanese Embassy
Felix Jimenez, CARE
Karin Metell Cueva, Swedish Embassy
Alfredo Oliveros, IDB
Ana Quiroz, Coordinadora Civil
Anastasio Somarriba, COSEP (Consejo Superior Empresa Privada de Nicaragua)
Luis Urbina and colleagues, Anti-corruption Commission, National Assembly
Members of the Comptroller General