

**IMPLEMENTATION OF THE
U.S. ANTI-CORRUPTION STRATEGY**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

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IMPLEMENTATION OF THE U.S. ANTI-CORRUPTION STRATEGY

THURSDAY, MARCH 21, 2024

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:30 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Benjamin L. Cardin, chairman of the committee, presiding.

Present: Senators Cardin [presiding], Shaheen, Coons, Murphy, Kaine, Booker, Van Hollen, Risch, Ricketts, Young, and Cruz.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

The CHAIRMAN. The Senate Foreign Relations Committee will come to order. I want to welcome our guests, and this hearing deals with the implementation of the U.S. anti-corruption policies.

Corruption is a cancer. It exists in every country and every society. It undermines the rule of law and good governance. It threatens the safety and security of people everywhere. It empowers dictators and authoritarians, terrorists and criminals, all over the world.

From Putin's \$1.3 billion-dollar Russian palace with a wine cave, an indoor hockey rink, and golden toilet brushes—that is pretty good for a career public servant—this has been documented by Alexei Navalny's anti-corruption foundation. To Xi Jinping's so-called anti-corruption purge of nearly 5 million people to strengthen his hold on China. To Hungary, Mexico, Liberia, Indonesia, no country is immune.

Our nation's Founding Fathers realized the threat of foreign influence. They included the Foreign Emoluments Clause in our Constitution to prevent foreign governments from enriching those who serve in the highest office in our country. Our Founding Fathers understood that the temptation to take shortcuts is part of human nature.

Today we must recognize that there will always be people in positions of power who will try to use their status to enrich themselves. The question is how can governments address this? How do we prosecute it? How do we stop it? How do we mitigate it?

Finding the answers to these questions is one of the keys to global peace and stability. I have long championed the fight against corruption here at home and abroad. In consultation with the State Department and USAID, Congress recently enacted my *Combating Global Corruption Act*. It requires the State Department publish a

public record on countries making progress against corruption to give them a pat on the back and encourage more to do the same.

Countries that are failing to make progress against corruption will be part of a report to Congress. It also asks administrations evaluate whether any foreign person in countries on the classified list should be sanctioned under the *Global Magnitsky Human Rights Accountability Act*, which was made permanent when it was reauthorized in 2022.

I want to underscore that the law asks the State Department to also present us with a budget for implementing this report each year, and moving forward. These are important tools in a long-term fight against corruption, a fight that I am pleased to say the Biden administration understands and has taken on with great gusto. In June of 2021, the Administration published a national security memorandum establishing the fight against corruption as a core United States national security interest.

It says as clear as can be that corruption threatens our “national security, economic equity, global anti-poverty and development efforts, and democracy itself.” Whether conducting oversight of aid in Ukraine, where the Administration has three inspectors general at work, or holding corrupt officials accountable as the Administration has done with over 80 visa restrictions and 61 designations of individuals under the Global Magnitsky law.

There is still more that we need to do. United States officials doing the people’s business must set an example by maintaining the highest degree of integrity, which is why we also passed an amendment last year that bars senior State Department officials from lobbying for foreign governments for at least 3 years after they conclude their government service, and bars Secretaries of State and their deputies from lobbying for foreign governments for life.

These are the kind of concrete steps we take that we think can provide real-world results and show a model program for other nations to follow.

I mentioned Russia at the start of my remarks and I want to ask to include in the record a statement prepared for today’s hearing by Maria Pevchikh. She is the chair of the board of directors of the anti-corruption foundation that was founded by Alexei Navalny. It is the source of some of the best information on corruption in Putin’s Russia. Without objection, it will be included in our record.

[EDITOR’S NOTE.—The information referred to above was not available at time of print.]

The CHAIRMAN. I look forward to hearing from our witnesses and to see what is working around the world, what we could do more, and what additional steps you need from Congress, and how we can deal with this national security core concern in fighting corruption.

With that, let me turn it over to Senator Risch.

**STATEMENT OF HON. JAMES E. RISCH,
U.S. SENATOR FROM IDAHO**

Senator RISCH. Thank you very much, Mr. Chairman. Important hearing, no doubt.

Corruption is an issue that undermines the health, safety, security, and economic prosperity of billions of people around the globe. It is not just an issue of good governance and transparency. Eliminating it is fundamental to the rule of law. It is a big, big issue and does not get nearly the attention that it deserves.

Strategic corruption, the weaponization of corrupt practices for geopolitical gain, is a key vehicle for Russian and Chinese malign influence. It is in our interest to identify international kleptocrats and crooks and hold them accountable.

We have a number of tools for doing this, including the *Global Magnitsky Act*. However, I am concerned about the potential misuse of some of these authorities, particularly the 7031(c) authority. I led a letter last month expressing concern of its misuse in Latin America and the Caribbean.

Russia keeps its war machine running by using corruption to evade sanctions. This evasion allows it to keep its economy alive and its military supply chains intact.

For China, bribes and under-the-table deals are key to its empire-building. In fact, corruption is China's largest export. China-linked criminal groups are rampant in the Pacific Islands, and those partners are asking for U.S. support on anti-corruption initiatives to tackle this issue. Chinese firms are also notorious for their corrupt behavior across Africa and in any nation where they are doing large-scale infrastructure projects.

The key question remains, how does the President's anti-corruption strategy address the serious problem of strategic corruption from China, Russia, and other adversaries? We are looking forward to hearing answers to those today at the hearing.

With China, we should expose high-level corruption by Chinese officials and demonstrate the real motives behind China's so-called "partnerships" abroad. We must hold these officials accountable and support our partners in doing the same.

We should also target China's illicit financing with our partners. I would like to know how China's efforts to sanctions-proof its economy and decouple from the U.S. are facilitating illicit financial flows globally, and particularly in Hong Kong.

With Russia, we must work with groups like Alexei Navalny's Anti-Corruption Fund to map, expose, and sanction those who are stealing from the Russian people and working to undermine Ukraine. We must also work more closely with Russia's neighbors to help them unwind the corrupt networks that both smuggle in sanctioned goods and undermine local governance.

In Africa, we must address endemic corruption. If we hope to achieve sustainable progress in development, democracy, and security, this must be done.

For instance, the "stability" of DRC's democracy is crucial for securing vital mineral supply chains and opposing China's influence. Corruption in the DRC significantly hinders these interests and their impact on U.S. national security. The Biden administration's

attempts to combat corruption, particularly in the context of PGI's investments, are notably inadequate.

Another example is Somalia. Transparency International consistently ranks it among the most corrupt countries. This corruption undermines U.S. efforts to combat the terrorism group al-Shabaab. For counterterrorism strategies to be effective, the U.S. must intensify its efforts to address corruption, including holding Somalia's Government more accountable.

In Syria, the Assad regime remains among the most corrupt on the planet. It continues to build luxury properties on the land of murdered Syrians, and Assad's narco-empire fuels continued atrocities against the Syrian people. My bill, the *Assad Anti-Normalization Act*, which overwhelmingly passed the House, awaits committee action and is a key tool to hold Assad accountable. I hope as we move forward on the agenda for the coming work period, we can get that bill on.

At home, weak foreign agent laws and post-employment restrictions exacerbate corruption. The Chairman and I passed a provision in State authorization a couple years ago to strengthen post-employment rules for the State Department, but more work needs to be done across the Federal Government.

I look forward to hearing from our witnesses on all of these issues. These are important issues.

With that, I turn it back to the chairman.

The CHAIRMAN. I want to thank Senator Risch for his opening comments and his commitment in fighting corruption.

I will now introduce our two witnesses. I thank them both for being here. Your entire statements will be made part of the record, and we ask that you summarize in about 5 minutes so that we can have a discussion among the members of the Committee.

Mr. Richard Nephew, who currently serves as the Department of State's Coordinator on Global Anti-Corruption is also the President of the Conference of State Parties to the United Nations Convention Against Corruption. Before returning to public service, Mr. Nephew was a Senior Research Scholar at Columbia University Center on Global Energy Policy. He also served as the Deputy Special Envoy for Iran, Principal Deputy Coordinator for Sanctions Policy, and Director for Iran on National Security Staff. He has also served in the Department's Bureau of International Security and Nonproliferation as well as in the Office of Nonproliferation and International Security at the Department of Energy.

Shannon Green, welcome, is the Assistant to the Administrator of the Bureau for Democracy, Human Rights, and Governance. In this role she leads USAID's efforts to invigorate democracy, enhance human rights and justice, and bolster governance that advances the public interest and delivers inclusive development.

Ms. Green was previously the Senior Advisor to the Administrator and Executive Director of the Anti-Corruption Task Force which she led, USAID's historic elevation of anti-corruption and aligned the agency's policies, programming, and resources to counter corruption at a global scale.

We welcome both of you. We will start with Mr. Nephew.

STATEMENT OF RICHARD NEPHEW, COORDINATOR, GLOBAL ANTI-CORRUPTION, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. NEPHEW. Great. Thank you very much. Chairman Cardin, Ranking Member Risch, members of the Committee, thank you for holding this hearing. I am honored to testify about how the State Department is implementing the U.S. strategy on countering corruption.

This is the first time the United States has ever had such a strategy, and it reflects the President's judgment that corruption represents a national security threat to the United States and our partners, that must be countered with an approach that enlists everyone in government.

While the strategy is a guiding document for the executive branch, we recognize the key role that Congress plays in fighting corruption, and that we can achieve so much more when we work in partnership.

Mr. Chairman, I would like to make particular note of the *Combating Global Corruption Act*, which as you mentioned you have been championing for many years. I am confident that the final legislation will prove very useful to the entire government in our common efforts to fight corruption. In fact, I have already started raising this act with our embassies and partners abroad, and we are working very hard to develop and draft the methodology report required by the end of the year. I look forward to consultations with your team concerning the methodology, and perhaps most important, how we can use the eventual reports that will be produced to advance our common anti-corruption agenda around the world.

While the United States has long been a leader in anti-corruption policy and practice, the strategy demonstrates we are looking for ways to improve our work. The strategy gives us the tools to assess gaps in our activities and assistance and to integrate the fight against corruption across the government.

The success of any strategy lies in its implementation and accountability for results. To that end, the State Department released our public implementation plan in September 2023, to outline ongoing and planned work under the strategy's five pillars.

My written testimony goes into the pillars of the strategy in some detail so I will not repeat those points here. Instead, let me ask for the entirety of my written testimony to be entered into the record and highlight just three points.

First, my job title involves the word "coordinator," and that is what I do, work with other parts of the State Department, U.S. Government, and international community to identify corruption challenges and strategies to confront them. To my mind, this is most effectively done by engaging with the specific challenges facing a country. I have yet to see two countries experiencing the same corruption challenges or for which there are identical solutions. Differences in history, economics, culture, international relations, and development status all have a bearing on how corruption manifests and how we should respond.

Second, doing this right requires resources, including foreign assistance, but not solely foreign assistance. We seek to use all of our resources in this work, including our leadership with multilateral

institutions, accountability tools like visa restrictions and sanctions, and direct diplomacy with countries to identify problems and find solutions.

Fighting modern corruption also requires information and analysis, including learning from all available sources about how corrupt actors operate and where. For this reason, we seek out to engage civil society, investigative journalists, the private sector and foreign governments regularly. We are trying to improve the flow of information through not only our government, but also within and among our international partners. Corrupt actors use their networks, so we need better ones. We are working to support an inclusive community of anti-corruption champions around the world to do just that.

Last, doing this work also requires mainstreaming anti-corruption into our foreign policy, because the problems that corruption creates or entrenches touch on every part of our international interests. Corruption saps economic growth, hinders developments, destabilizes governments, undermines democracy, fuels transnational crime, contributes to irregular migration, and foments global instability and insecurity. Fighting corruption is, therefore, not a nice-to-have, but rather an essential part of our work to preserve, sustain, and enrich democratic governance around the world as well as our work to address these specific direct national security challenges.

Fighting corruption is also not completely altruistic. Strengthening our international partners and their ability to confront and counter corruption certainly does help them. Fighting corruption abroad also helps us here at home, in many direct ways. Our anti-corruption work levels the playing field for American workers and businesses trying to operate abroad the right way. It protects the homeland from corrosive effects of proceeds of corruption, and it denies bad actors the opportunities they need to threaten or damage U.S. interests.

The Department is committed to implementing the U.S. Strategy on Countering Corruption using every tool available. We are also committed to working with Congress to identify emerging challenges and ways to address them. I would like to highlight that the Administration has offered a set of legislative proposals that would help us in our work to counter corruption. This includes a proposal from the State Department to extend Section 7031(c) to allow us to publicly designate private enablers of corruption. I would be happy to discuss this in more detail in the Q&A.

Mr. Chairman, I am deeply proud of the Department's efforts to do so holistically, particularly those to date in my tenure as Coordinator. I am also grateful for this Committee's bipartisan commitment to this issue, and I look forward to answering your questions. Thank you.

[The prepared statement of Mr. Nephew follows:]

Prepared Statement of Mr. Richard Nephew

Chairman Cardin, Ranking Member Risch, members of the Committee, thank you for holding this hearing. I am honored to testify about how the State Department is implementing the U.S. Strategy on Countering Corruption.

While the Strategy is a guiding document for the executive branch, we recognize the key role Congress plays in fighting corruption. The Department appreciates your

partnership, showcased recently in our consultations concerning the *Combating Global Corruption Act* that was passed last year. I am confident that the final legislation will prove useful to the entire government in our common efforts to fight corruption, and I've already started engaging with our posts and international partners, who are tracking the legislation with interest.

Corruption saps economic growth, hinders development, destabilizes governments, undermines democracy, fuels transnational crime, contributes to irregular migration, and foments global instability and insecurity. Promoting integrity and accountability is foundational to advancing other foreign policy objectives, including supporting democratic renewal, advancing a foreign policy that benefits all Americans, leveling the playing field for American workers and businesses, and protecting U.S. national security. Fighting corruption internationally also protects the homeland from the corrosive effects of proceeds of corruption.

Tackling corruption benefits our international partners, too. Countering corruption creates pathways for fair and equitable access to resources and opportunities, impedes the endeavors of criminals and terrorists, and ensures our international partners' stability, sovereignty, and security.

While the United States has long been a leader in anti-corruption policy and practice, the Strategy demonstrates that we can find ways to improve our work. The Strategy gives us the tools to assess gaps in our activities and assistance, and to integrate the fight against corruption across the government.

The success of any strategy lies in its implementation and accountability for results. To that end, the State Department released our public implementation plan in September 2023 to outline ongoing and planned work under the Strategy's five pillars. I would like to briefly summarize those efforts.

First, we are better modernizing, coordinating, and resourcing our work. That includes making sure we have the teams and people needed to elevate this work; improving our analysis and understanding of how corruption manifests and effective strategies to address it, informed by the intelligence community and non-governmental experts; and ensuring that our embassies have access to the information they need to operate most effectively. We are building structures to enhance internal collaboration and to ensure that anti-corruption considerations are incorporated into senior decision-making. In fact, that is the purpose of my office, which has since its inception in 2022 deepened integration of anti-corruption efforts at the Department and engaged in frank conversations directly with civil society, the private sector, and foreign governments.

Second, we are working with partners across the interagency to curb illicit finance, including by strengthening international frameworks to prevent and detect money laundering as well as improving international capacity to implement the Financial Action Task Force recommendations. We also support international partner capacities on asset recovery and return.

Third, we promote accountability for corrupt actors. We are engaging with foreign governments to bolster their mechanisms for pursuing accountability. When corrupt actors operate with impunity, we leverage tools such as sanctions and visa restrictions to deny safe haven to them and the proceeds of their crimes, disrupting their activities and protecting the U.S. financial system from corrosive inflows of proceeds of corruption. We are also taking action to disrupt networks that enable corrupt actors. For example, in December 2023, President Biden signed a presidential proclamation to expand the Secretary's visa restriction authorities to cover enablers of corruption and their family members, sending a strong message that the United States will not shy away from imposing consequences on those who engage in and facilitate corruption. The Department submitted a proposal to expand our authorities under Section 7031(c) of the State Appropriation to grant us the discretionary authority to publicly designate these enablers of corruption; I appreciate your consideration of this request and would be happy to discuss any questions. Likewise, we are committed to engaging and supporting non-governmental actors across civil society, media, and the private sector to expose corruption and pursue accountability.

Fourth, we are driving on these issues in multilateral fora. We promote implementation of treaty obligations and global standards to ensure that they are translated into action. When countries do not live up to their obligations, we raise it with them, and sometimes raise it publicly. We are committed to enhancing our engagement with multi-stakeholder initiatives like the Open Government Partnership, and we are continuing to elevate anti-corruption as a policy priority in other global and regional multilateral bodies. This past December, the United States became President of the UN Convention against Corruption Conference of the States Parties. Taking on this leadership role enables us to advance U.S. anti-corruption priorities, like championing the role of civil society, pushing for strong measures to promote accountability, and promoting law enforcement cooperation on asset recovery.

The fifth and final pillar of the Strategy addresses improving diplomatic engagement and delivering impactful foreign assistance resources to advance our policy goals. Consistent with prior fiscal years, the FY2025 Presidential Budget Request reflects the Administration's ongoing prioritization of anti-corruption investments to shore up institutional capacity gaps and legislative and policy points of vulnerability. We are raising corruption challenges with foreign governments and seeking out partnerships through our diplomatic engagement. My team convenes colleagues from across the interagency, both here in Washington and abroad, to discuss the corruption we're observing, identify concrete near-term objectives for mitigating it, and articulate plans to achieve these goals using the range of tools available to us.

The Department's foreign assistance in the anti-corruption space takes on a variety of forms. For example, our programs are training and supporting government actors on a range of anti-corruption functions, such as improving public financial management, bolstering anti-corruption institutions, and strengthening prosecutors and judiciaries to enhance oversight and accountability. We also provide support for investigative journalists and civil society to identify and expose corruption, advocate for increased accountability for corrupt actors, and advance transparency and anti-corruption reforms. We engage the private sector to identify where market-driven reforms align with our shared anti-corruption objectives.

Across our programming and policy engagement, it is clear that progress requires a bundle of reforms and persistent, collective efforts to achieve results, informed by an understanding of what works in particular contexts and an adaptive approach. The Department is committed to implementing the U.S. Strategy on Countering Corruption using every tool available. We are also committed to working with Congress to identify emerging challenges and ways to address them. I am deeply proud of the Department's efforts to do so holistically, particularly those to date in my tenure as Coordinator. I am also grateful for this Committee's bipartisan commitment to this issue. I look forward to answering your questions.

The CHAIRMAN. Thank you for your testimony. Ms. Green.

STATEMENT OF SHANNON GREEN, ASSISTANT TO THE ADMINISTRATOR, BUREAU FOR DEMOCRACY, HUMAN RIGHTS, AND GOVERNANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Ms. GREEN. Thank you. Chairman Cardin, Ranking Member Risch, and distinguished members of the Committee, thank you for your leadership on fighting corruption and the opportunity to be here today.

As this Committee knows, corruption is a threat to U.S. national security as well as USAID's mission to advance a free, peaceful, and prosperous world. We cannot achieve these objectives without addressing pervasive and systemic corruption. This year, corruption's drag on democracy is especially salient, given that more than 60 countries will hold elections. When candidates can be bankrolled by foreign corrupt interests and democratic institutions can be captured by kleptocrats, citizens lose faith in their governments and increasingly in democracy itself.

Corruption also threatens development progress across all sectors. When public officials use their positions of power to extort payment for basic services like clean drinking water or access to vaccines, citizens suffer dire, sometimes fatal, consequences. Given the stakes for both development and democracy, tackling corruption has been vaulted to the top of USAID's agenda. Both the President and Congress recognize the important moment we are in as evidenced by last year's *Combating Global Corruption Act*.

What I was hoping to do here today is share the bold actions we are taking at USAID to implement the U.S. Strategy on Countering Corruption.

First, the Administrator and agency leaders, myself included, consistently and pointedly raise concerns about corruption with partner governments and press them to take action. In tandem with our interagency partners, USAID is leveraging multilateral fora to advance anti-corruption policy reforms, like the effective use of beneficial ownership data and integrity in public procurement.

Second, we have overhauled our approach to foreign assistance. As outlined in our landmark Anti-Corruption Policy, the first of its kind for USAID, USAID has created new capabilities to confront 21st century corruption challenges. These capabilities include building country resilience to transnational corruption, grand corruption, and kleptocracy. We now have programs in place to help partner governments close financial, legal, and regulatory loopholes, detect dirty money, follow ill-gotten gains across borders, and ultimately hold corrupt actors accountable.

In Paraguay, USAID is training judges and prosecutors with an emphasis on criminal organizations and transnational corruption, while engaging the private sector and civil society in the investigation and oversight of corruption cases.

Expanding investigative journalism across borders, and enhancing protection. We are fostering regional networks of journalists to expose corruption, as in Latin America and the Caribbean, where our partners uncovered \$36.6 billion in mismanaged public funding. Knowing the risks these journalists face, USAID is ramping up its support to frontline anti-corruption champions, including through Reporters Shield, an innovative legal assistance program that has already enrolled 25 media outlets.

Responding to changing needs and windows of opportunity. USAID is providing timely assistance to seize opportunities for anti-corruption reform, knowing how fleeting they can be. At a pivotal time in Zambia's fight against corruption, for instance, we are bolstering Zambian anti-corruption institutions, processes, and policies that were weakened under the prior government.

Finally, countering corruption across sectors. Effectively fighting corruption requires us to tackle it from all angles and all sectors. Our global health colleagues are partnering with Ministries of Health in nine sub-Saharan African countries to detect falsified, counterfeit, and illicitly traded medicines, ensuring that quality, lifesaving medicines get into the hands of those who need them the most.

Third, USAID is enhancing its partnerships. In 2021, we launched USAID's 12th Grand Challenge, inviting problem-solvers from around the world to offer their best ideas on countering transnational corruption. The most recent activity under the Grand Challenge, Doing Business with Integrity, will make awards to entities demonstrating how anti-corruption efforts can be good for business.

In sum, USAID is fully invested in the U.S. Government's anti-corruption agenda. We are proud of the strides we have made.

Chairman Cardin, Ranking Member Risch, thank you for holding this hearing on implementation of the U.S. strategy. I look forward to your questions.

[The prepared statement of Ms. Green follows:]

Prepared Statement of Ms. Shannon Green

Chairman Cardin, Ranking Member Risch, and distinguished Members of the Committee, thank you for your leadership on fighting corruption and the opportunity to be here today. As this Committee knows well, corruption is a direct threat to U.S. national security and global peace and prosperity, as well as USAID's mission to promote and demonstrate democratic values abroad and advance a free, peaceful, and prosperous world.

We cannot achieve these objectives without addressing the root causes of poor governance, including pervasive and systemic corruption. Corruption is frequently cited as the primary driver of discontent with democratic systems. In global surveys, respondents often list corruption amongst the top challenges facing their country.

This year, corruption's drag on democracy is especially salient. Many have dubbed 2024 "the year of elections," as more than 60 countries—estimated to represent close to half the world's population and over 50 percent of global GDP—will hold elections. When candidates can be bankrolled by foreign corrupt interests and democratic institutions can be captured by kleptocrats, citizens lose faith in their governments—and increasingly in democracy itself.

Corruption also threatens the aim of sustainable, inclusive, and locally-led development across all sectors, which is why Administrator Power calls corruption "development in reverse." USAID recognizes that we can no longer address corruption in a silo, or focus solely on administrative corruption, when it is so closely interlinked with other sustainable development goals. When public officials use their positions of power to extort and demand payment for basic services—like clean drinking water or access to vaccines—citizens suffer dire, sometimes fatal consequences. And how can we achieve sustainable economic growth when 46 percent of companies surveyed in 2022 reported experiencing corruption, fraud, or other economic crimes in the last 2 years?¹ Or ensure fair and safe labor conditions when, as noted in the U.S. Strategy on Countering Corruption, human traffickers are among those that benefit most from environments with endemic corruption?

Given the stakes for both democracy and development, tackling corruption has been vaulted to the top of our agenda.

Both the President and Congress recognize the important moment we are in, as evidenced by last year's *Combating Global Corruption Act*, enacted as part of the *National Defense Authorization Act* for Fiscal Year 2024. This builds on the bold action we are taking to implement the U.S. Strategy on Countering Corruption and to cultivate partnerships across the Federal Government.

In addition to elevating the issue, USAID is transforming how it fights corruption.

USAID is conveying the importance of countering corruption at the highest levels with our partner countries. The Administrator consistently and pointedly raises concerns about corruption in her engagements with heads of state and other senior officials. Agency leaders—myself included, as head of USAID's new Democracy, Human Rights, and Governance Bureau—amplify this message, press government officials to take action, offer assistance when needed, and demonstrate solidarity with anti-corruption champions who are advocating for reform against great odds.

Working across USAID and the interagency, and with our partners, we are promoting anti-corruption measures like the effective use of beneficial ownership data and integrity in public procurement and addressing the enablers of corruption. USAID and the Department of State have been co-leading a multi-stakeholder platform, together with the Brookings Institution and the Open Government Partnership, to accelerate uptake of these priority fiscal transparency and integrity reforms in order to address vulnerabilities in the international financial system that allow corrupt actors to hide, launder, and transfer their ill-gotten gains around the world. We are also aiming to accelerate this work through our programs.

Corruption has significantly evolved in recent decades to become a globalized, networked, and pernicious problem, which is why we have pivoted as an Agency—as codified in USAID's first ever Anti-Corruption Policy—to confront transnational corruption, grand corruption, and kleptocracy. USAID's approach to fighting corruption is multi-pronged, cross-sectoral, politically informed, and locally led, and focuses on constraining opportunities for corruption, raising the costs of corruption, and incentivizing integrity.

Over the past 3 years, USAID has overhauled its approach to anti-corruption and created new capabilities to address both long-standing and emerging threats and opportunities:

¹PwC, PwC's Global Economic Crime and Fraud Survey 2022, <https://www.pwc.com/gx/en/forensics/gecm-2022/pdf/PwC%E2%80%99s-Global-Economic-Crime-and-Fraud-Survey-2022.pdf>.

- The capability to build country resilience to transnational corruption, grand corruption, and kleptocracy. We now have programs in place that allow us to strengthen the systems and actors needed to close loopholes, detect dirty money, follow ill-gotten gains across borders, and ultimately hold corrupt actors accountable. For example, we are enhancing the capacity of key states in Eastern Europe to resist and respond to Kremlin-linked efforts to use strategic corruption and illicit finance to manipulate their domestic political processes and discourse.
- The capability to invest in and expand investigative journalism networks to root out corruption, including across borders. In Latin America and the Caribbean, a recent regional investigative journalism initiative supported by USAID and the Department of State produced over 200 high impact investigative pieces. This work uncovered more than \$36.6 billion in mismanaged public funding, led to arrests, investigations, and legal and policy reforms, and fostered a robust network of journalists that continues to protect public resources from graft. In North Macedonia, USAID created two interconnected programs that bring together anti-corruption champions across sectors—one that supports government reform while another that ensures civil society and media watchdogs have input into reforms and provide oversight. Through these integrated programs, civil society oversight and media coverage lead to concrete action. For example, as the media uncovered corruption in the construction sector, their stories motivated specific government reforms in that sector. Two months into implementation of the USAID-supported Asia Investigative Reporting Network, investigative journalists and media outlets are already strengthening collaboration across Southeast Asia.
- The capability to combat legal harassment meant to silence investigative journalists and activists. Reporters Shield, an innovative membership-based legal assistance program, has already received applications from more than 45 countries and, so far, selected 25 member organizations. Among selected organizations are outlets from the Republika Srpska entity of Bosnia-Herzegovina, where, last year, the National Assembly re-criminalized defamation, putting journalists and human rights defenders at risk for expressing their right to freedom of expression. Cognizant of the many dangers brave activists, reformers, and journalists face, USAID is ramping up its support to and protection of these frontline actors.
- The capability to be agile and responsive to changing needs and windows of opportunity. USAID is focused on providing timely and targeted assistance to seize opportunities for anti-corruption reform or stanch backsliding when it begins. At a pivotal time in Zambia's fight against corruption, for instance, we are bolstering Zambian anti-corruption institutions, processes, and policies that were purposely weakened under the prior government. This includes zeroing in on beneficial ownership, asset disclosure, civil society oversight, and rule of law reforms, especially in the health and extractives sectors. These efforts are necessary so that the Hichilema Administration can deliver on its campaign promises to turn the page on corruption and ensure that this window of opportunity in Zambia is not squandered. Beyond Zambia and more generally, through the Anti-Corruption Response Fund, USAID has supported efforts to prevent and detect corruption in licensing and procurement related to natural resources, strengthen central bank and supreme audit institution functions, and implement conflict of interest laws when windows of opportunity open for anti-corruption action.
- The enhanced capability to hold corrupt actors accountable. Across multiple countries, USAID is investing in programs that strengthen the capacity of executive, legislative, and judicial bodies and civil society to hold corrupt actors accountable and conduct effective oversight. For example, USAID and the Department of State have implemented activities to strengthen the Government of Liberia's capacity to investigate pharmaceutical crime. USAID is also mobilizing citizens to demand improvements in the pharmaceutical supply chain through public awareness campaigns and supporting civil society monitoring of medical supply distribution, while the Department of State trains Liberian justice sector officials to hold corrupt actors accountable—a continued challenge. In Paraguay, USAID is training judges and prosecutors with a new emphasis on criminal organizations and transnational corruption, engaging with the private sector and civil society to increase their collaboration in the investigation and oversight of corruption cases.
- The enhanced capability to counter corruption across sectors. Effectively elevating the fight against corruption requires us to tackle the problem from mul-

multiple angles and across all sectors. Deepening and accelerating integration of anti-corruption across sectors is central to USAID's anti-corruption agenda. Our Global Health colleagues, for example, are applying an anti-corruption lens to programming in a sector where, globally, corruption drives an estimated loss of \$500 billion per year. USAID has provided technical assistance to regulatory authorities in the Ministries of Health in nine sub-Saharan African countries that work to detect falsified, counterfeit and illicitly traded medicines—ensuring that quality, life-saving medicines get into the hands of those who most need them, and not corrupt actors who profit off others' misfortunes.

The systemic change that we are envisioning will require new and enhanced partnerships, which is why we are fortifying a multi-stakeholder base to counter corruption.

In 2021, we launched USAID's 12th Grand Challenge, inviting problem solvers from around the world to offer their best ideas on Countering Transnational Corruption. USAID is seed-funding more than a dozen promising innovations, including in mineral supply chains. Our innovators are working in more than 17 countries across Africa, Asia, and Latin America. For example, USAID and the Department of State are supporting an online platform, I-KEEP, that makes corruption data more accessible in public procurement so that it can be used by citizens, journalists, government representatives, and other stakeholders. Our recent Doing Business with Integrity call for innovations has received 100 proposals from the private sector and will make awards to entities demonstrating how anti-corruption efforts can be good for business.

We have also solidified strategic partnerships at the global, regional, and country levels with the Open Government Partnership (OGP) and the Extractive Industries Transparency Initiative (EITI), and recently provided direct grants to support country-level implementation of their work. Through U.S. leadership on the OGP Steering Committee, we hope to elevate our anti-corruption priorities within the broader global open government conversation and empower other members to act as good stewards of the cause.

USAID is fully invested in the United States Government's anti-corruption agenda, especially as an integral part of our broader work on democratic renewal, to respond to people's longing for dignity and greater agency to influence the decisions that affect their daily lives, enjoy fairer systems of government, and see their basic needs and concerns addressed by those in power.

Chairman Cardin and Ranking Member Risch, thank you for holding this hearing on implementation of the U.S. Strategy on Countering Corruption. USAID shares your commitment to the fight against corruption. We are grateful for the opportunity to share our experience with the Committee, and I look forward to your questions.

The CHAIRMAN. Let me thank both of you not only for your testimony, but for your public service and what you are doing on this issue. You both have outlined the risk factors that corruption involves, whether it is economic, whether it is political stability, whether it is democratic institutions, whether it is reliable allies. The list goes on and on and on.

At USAID, you have implemented the new policy. That policy is aimed at anti-corruption, and specifically you shift your attention to focus more where corruption is threatening democracy itself.

Let me put this in context. We have been now seeing a steady decline of democratic states around the world. Freedom House reports this every year, and every year there are more and more countries that are being challenged as being truly democratic states. Your policy has been in effect now for a short period of time, but how do you see this change policy having a positive impact in preserving democratic states?

Ms. GREEN. Thank you very much for this question. As you mentioned, corruption really undermines citizens' faith in democratic institutions, and you see it showing up again and again and again in public surveys, but also, in my travels, when you talk to citizens, they believe that government is working for the wealthy and the

well-connected and not for them. It is that sense of frustration or that disconnect between the promise of democracy and how it is performing that is leading to this erosion in support for democracy.

As you noted, the policy is very recent, but what I would say it is doing is shifting USAID's focus from administrative corruption, which is obviously a very important issue, to grand corruption and kleptocracy and transnational corruption, which really gets to the heart of how public officials are using their positions of power to siphon off resources.

I would say a couple of things about how this is manifesting in practice already. Number one, corruption used to be something that really stayed in the shadows. It was an uncomfortable topic for USAID mission directors and staff to talk about. That has absolutely changed. When I travel all around the world, from Nepal to Sri Lanka, to recently in Georgia, you see USAID mission directors really engaging with their country counterparts on corruption, and again sort of pointedly raising concerns about corruption and how it is affecting our development assistance in all of these different areas. That is one, and I think it is really fundamental, though less tangible.

The CHAIRMAN. On that point, I want to stop you so we can get Mr. Nephew involved here because what you said, in our missions it cannot be something that is just nice and must be essential. I am encouraged by what Ms. Green is saying in regards to it really being embraced at USAID. I have visited missions all over the world, our U.S. missions all over the world, and despite the best efforts of Senator Coons to get them all the resources they need, they still need more resources. We recognize that there are still a lot of responsibilities.

I know that they tolerate the congressional branch of government, but the law that we passed that is going to require them to do more on corruption, how is that being embraced at our missions, considering again that they have so many things they need to do. They try to establish a relationship with the country in which they are missioned at, and yet we are demanding that they pay attention to the anti-corruption within that country. How are you dealing with the leadership in our missions so that it is embraced, as it looks like it is at USAID?

Mr. NEPHEW. Mr. Chairman, thank you for that. I would say two things. One, most of the missions that I have been to, if not absolutely all of them, are focused already on the anti-corruption fight and want to make progress in addressing it. I think convincing our ambassadors and mission leadership that this is important really is not really much of a challenge.

The CHAIRMAN. I would say that they sometimes try to keep it quiet rather than putting a spotlight on it.

Mr. NEPHEW. I think what I would say is that depending on the circumstance, depending on the country, there is a strong desire to work directly with the government to try and address specific challenges, and then in some countries there is a desire to put it on the front page of the newspapers. Frankly, that depends a little bit, again, on this country context point that I made in my opening statement, that in some places it is seen as more effective and more useful to put the issue front and center, and in some places

quiet engagement directly with the government can be more effective.

I think this is one of the things that we are embracing as part of the development of the methodology for the reports that are required now, is to identify both the areas of progress, the areas of challenge, and then, importantly, think through what we do with that information. I am not content to just have this report. I want to think through what is our strategy to respond to it. I think this is where we are going to see, in a lot of missions around the world, a real desire to then make requests for what they think would be most effective. It might be working with USAID on specific programs and foreign assistance activities. It may be additional sanctions tools to try and put the issue front and center and increase accountability. It might be improving the economic investment of companies that are taking this issue quite seriously.

I think we will be thinking through what is the most effective way to respond to the information that we uncover as a result of this report.

The CHAIRMAN. I appreciate that. I think the support from the State Department itself is going to be absolutely essential to know that their work is really being utilized and it is a priority, not just by our words, but by our actions.

Senator Risch.

Senator RISCH. Thank you, Mr. Chairman. Mr. Nephew, I want to start with you. I assume you are familiar with the report that was done by the nonprofit NGO, Global Financial Integrity, in 2022, and I guess it is a little shocking in there, their explanation, or their shining a light on China's role in drug trafficking, counterfeiting, IP theft, human trafficking, wildlife trafficking. When you read that, you are just taken aback at how involved China is in that sort of thing.

Can you talk to us a little bit, in detail if you can, about what you are doing in that regard? It is there. We know it is there. It is happening. Specifically, what is your agency doing?

Mr. NEPHEW. Senator, thank you very much for the question. I would say a couple of things. We are approaching this issue of fighting corruption in a holistic way and also working with other parts of both the Department, the Department of the Treasury, and other parts to deal with the broader set of challenges associated with illicit financial crime.

I would say that our responses depend a little bit on what we find in the circumstances of those countries. In some places we are doubling down on our prevention programs and working to support the development of financial intelligence units and to make sure that they are very effective in identifying and reporting illicit financial movements so that they can then be subject to prosecutions and investigations. In some cases we are also working to strengthen the multilateral system and the rules that are around financial transactions so as to improve transparency and to make sure that there is the ability to take those sorts of actions.

This is part of the reason why we embrace things like the Conference of the States Parties, which looked to improve accountability and implementation of the U.N. Convention Against Corruption and to take those steps forward.

We are, of course, also very active in the Financial Action Task Force, to try and strengthen and improve standards around the world, as well.

Again, depending a little bit on the country in question, we are taking a holistic approach in terms of improving the protection systems that exist to respond to financial crime, and then responding to those instances, as appropriate.

Senator RISCH. It strikes me, too, that there are two very different buckets here. One is where the government itself is involved in the corruption versus ones where the government is trying to do something about it or at least looking the other way.

China, as we all know, keeps an eye on its citizens pretty closely, and with the kinds of things that they are doing, one can only assume that the government, probably at the highest levels, is fully aware of the corruption that is going on. That obviously presents a particular challenge.

What are your thoughts on that? How do you get your arms around something like that?

Mr. NEPHEW. Senator, thank you. I would say a couple of things. I would say, first, this is where I am going to come back to the issue of prevention. Prevention is not the end all and be all. You also need accountability, but if we are in a position to strengthen the prevention systems of countries around the world so that they can identify, detect, and respond to corruption that is in their own systems, that is the most effective strategy, especially when you consider how many countries corruption afflicts and how big this sort of problem is.

Second, we, of course, continue to do our own investigations, our own information analysis and to share that information with partners so that they can then use those protection systems and accountability tools that they may have at home to be able to respond to that, as well. I think this is where we get back to the importance of information and building networks. It is why we are so committed to the idea of engaging with civil society, engaging with the private sector, to get understanding of what they are seeing, what they are learning, as they operate internationally, to bring all that information back so that way we can have a much more cohesive approach.

I will say, Senator, just to highlight the point in general. We are absolutely as committed and as focused as you are on the strategic corruption issues that emanate from China, and we are very much sighted on how we can respond to it, especially thinking more about what our strategy is already achieving and how we can improve upon it, as well.

Senator RISCH. I appreciate that. Ms. Green, I have only got a few minutes left, but I wanted to drill down for just a minute on Ukraine. Prior to the war, Ukraine had a well-deserved reputation for being one of the most corrupt countries in the world. As a result of that, all of us who were interested in helping Ukraine push back against the Russians were concerned about the money that was going in there, the weapons that were going in there.

This Committee held a hearing with the IGs of three different agencies led by DoD, and were incredibly impressed with the work that they were doing, with the hundreds of people they had audit-

ing, looking over their shoulders, and what have you. What struck me was with all the money that has gone in there, and with the ability these people have—these are the professionals and they have been doing this a long time—were unable to find any significant corruption in Ukraine. Talking with the Ukrainians, they do not push back when you talk to them about their reputation for that, and they say, “Well, things have changed because it is unpatriotic to be corrupt.”

With USAID, what is your involvement as far as auditing in Ukraine and looking out for that sort of thing in Ukraine?

Ms. GREEN. Thank you for that question. When I was the head of the Anti-Corruption Task Force, I worked really closely with the OIG, our Office of Acquisition and Assistance, and the Management Bureau to strengthen the already robust safeguards that we have in place across the entire agency and to make sure that we were consolidating those into easy-to-use reference guides and then making sure that everybody was aware of all those options.

In addition, we worked through some of the ways in which we could strengthen those safeguards, like enhancing third-party monitoring, increasing auditing, et cetera, et cetera. A lot of those strategies are being used in Ukraine.

While I do not have day-to-day engagement on that, a lot of the thought leadership from the task force has contributed to that very strong system of safeguarding.

Senator RISCH. Even though you do not have day-to-day leadership, in your oversight capacity, do you agree with what I think most of us here agree with, and that is that we are watching really, really carefully about every dime that is spent in Ukraine. Are you in agreement with that?

Ms. GREEN. I am 1,000 percent in agreement with that.

Senator RISCH. Are you in agreement that there has been—they have found no significant instances of corruption and siphoning off U.S. taxpayer money in Ukraine, or not going where it should go?

Ms. GREEN. That is correct, and the thing that I would add is that there is also a very robust civil society presence in Ukraine that has long been monitoring corruption, and they are also watching very closely and carefully, and they will bring to light when there are those instances. I do have confidence in the system in place.

Senator RISCH. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Shaheen.

Senator SHAHEEN. Thank you. Thank you both for being here. Just to follow up on Senator Risch’s point, because Ukraine has definitely improved its anti-corruption standing. It is meeting anti-corruption benchmarks that are set by the European Union as it goes through the accession process to the EU. I know, Mr. Nephew, that you talked about differences in corruption in different countries present different challenges.

Given some of the remarkable progress that Ukraine has made, are there lessons that we can take from what they have done in Ukraine that we can share with other countries who are also trying to fight corruption?

I will ask you to begin, Mr. Nephew.

Mr. NEPHEW. Thank you, Senator. Absolutely. I would say maybe two or three things at the top. First, it is the whole-of-government nature both of Ukraine and the United States as we are working with one another on this. There is a lot of work that is being done, not just at USAID and the State Department, but also DoD, throughout the rest of the government, to try and identify what are the challenges that are facing Ukrainian partners and how we can support them on this, and that work is constant.

Second, that it is absolutely essential to have the engagement of civil society organizations to both provide a check against government, but also to keep us all informed as to what the challenges are.

Third, that multilateral support and bringing in all the parts of the international system is absolutely vital, both because they can also put more eyes on the issue in question, but also additional resources. Here again, I want to be clear, not just foreign assistance resources. I am not talking just about programmatic dollars. I am talking about diplomatic resources, investigatory resources, all the different pieces of government interaction.

Senator SHAHEEN. Thank you. I have another question for you, Ms. Green, but I want to get to the Western Balkans first because the Treasury Department and State have taken really important steps in designating corrupt officials in the Western Balkans, as recently as this week. Particularly as many Balkan countries like Bosnia and Herzegovina progress through the EU accession process, I think the U.S. needs to take a more active role in supporting democratic institutions and pushing for transparency and accountability in the region, and in really fighting back against malign Russian influence, which has been significant in that region.

This is probably for you, Mr. Nephew, although if you have any additions, Ms. Green. What programs in the Western Balkans have been most successful, and in addition to sanctions designations, what else can we do to hold corrupt officials accountable?

Mr. NEPHEW. Thank you very much. I would say that a lot of the programs that we at the State Department do are in support of the judicial sector and improving the judiciary, the prosecutors, the police forces, both to improve their anti-corruption character, so that way we do not have corrupt officials operating inside those sectors, and then their capacity to hold officials and individuals accountable in their own countries.

While sanctions and visa restrictions are incredibly useful tools, and we will continue to use them, accountability is best when it is done at home. We are working very closely with all the countries in the Western Balkans to improve their own accountability tools.

We are also doing a lot to work with investigative journalists, civil society actors to improve their ability to both identify and report on these challenges, and importantly, that they feel secure in doing so. It is worth noting that anti-corruption champions around the world are under threat and under attack, and we are always thinking about ways in which we can strengthen their own protections and make sure that they have the space to do their vital work.

Senator SHAHEEN. Thank you. Ms. Green, can you also respond to that, but add into that the role of media, because you talked in

your opening remarks about the importance of independent media to be able to look at corruption and expose it in individual countries, and clearly in the Western Balkans there are some countries that have more independent media than others. There are some countries where the administration has actually taken over the media. Serbia is probably the best example of that.

Can you talk about why that independent media is so important?

Ms. GREEN. Thank you for that question, Senator. Similar to what Richard was saying, we also have efforts in the Western Balkans to strengthen the anti-corruption architecture or the institutions that are really pivotal for preventing, detecting, and ultimately holding corrupt actors accountable. As you mentioned, part of that system is strengthening independent media who are often the ones who expose corruption, bring it to light, and then force the political figures to do something about it. In addition, it is often-times civil society and the media who are documenting corruption that then results in evidence that can be used for sanctions and other accountability measures.

Senator SHAHEEN. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Ricketts.

Senator RICKETTS. Thank you, Mr. Chairman, and thank you to our witnesses for being here today.

We cannot have a hearing on corruption if we are not going to talk about the Palestinian Authority. Corruption within the Palestinian Authority is widespread, including nepotism, blackmail, embezzlement. In fact, the Palestinian Authority's corruption is so widespread it really led to the rise of Hamas in Gaza.

Initially, President Mahmoud Abbas of the Palestinian Authority was touted as being a reformer. I might note that he is in the 20th year of a 4-year term, the only one he was elected to, and he has exercised autocratic power in the West Bank for nearly two decades now. He has diverted public funds and international aid to enrich himself and his family, and in 2020 a Palestinian whistleblower revealed that Abbas' office had been regularly transferring European aid money into the President's personal accounts. Critics of the Palestinian Authority's rule have often faced torture and arbitrary arrest. In 2021, Nizar Banat, a popular opposition figure and anti-corruption activist was killed by the Authority's security forces. Around 80 percent of Palestinians view the PA as being corrupt.

Mr. Nephew, do you agree that the Palestinian Authority is a corruption organization?

Mr. NEPHEW. Senator, thank you for the question. We have consistently reminded the Palestinian Authority's leadership that they have a responsibility to reform and improve the PA's governance so that it can effectively support the Palestinian peoples' aspirations, and this is including at the level of the Secretary, who is engaged with the PA leadership on the need for revitalization and reform. A senior team continues to engage Ramallah on this topic now.

The issue of reform and addressing corruption is absolutely a key part of our engagement with the Palestinian Authority.

Senator RICKETTS. You agree then that corruption is a big problem for the Palestinian Authority?

Mr. NEPHEW. Senator, I think we are very much sighted on the fact that corruption is a big challenge for the Palestinian Authority

and that it needs to be managed and responded to through reforms and revitalization.

Senator RICKETTS. Is this a new thing or is this a long-standing problem?

Mr. NEPHEW. Senator, I think we have seen corruption issues in the Palestinian Authority for some time, and again, we believe that the only people who can reform and address this issue are the Palestinian people themselves and the Palestinian Authority, and we are engaged with them on that important mission.

Senator RICKETTS. What steps did the Administration take before October 7 with regard to corruption in the Palestinian Authority? Is it just reminding them that they need to take on this stuff, or are there actually concrete steps the Administration can point to that we took with regard to the Palestinian Authority? Were people held accountable for corruption?

Mr. NEPHEW. Senator, thank you. We have been through a variety of different programs at various different points and times, attempting to improve the accountability systems of the Palestinian Authority as well as to improve their own ability to manage resources and so forth. Those activities and programs have, in some cases, had some successes, but again I think we agree that there are still many steps that need to be taken by the Palestinian Authority to be able to address this challenge.

Senator RICKETTS. This is an important point because the Biden administration views the revitalized Palestinian Authority as a key governing opponent for Gaza after Israel finishes destroying Hamas. In February, *The Wall Street Journal* reported that the Administration was trying to financially prop up the Palestinian Authority to maintain its hold on power. President Abbas recently appointed a new Prime Minister, Mohammad Mustafa, who has been promoted as being somebody who can bring about these reforms, and he has been talking about institutions having a zero policy toward corruption.

How do you assess Mustafa's stand on getting corruption and making reforms, given his previous connection to the PA and their web of nepotism, and so forth? How do you assess that?

Mr. NEPHEW. Senator, thank you. We will assess it based on what we see in terms of actual progress and actual results. I cannot speculate now on whether or not there is going to be progress. I think that we continue to press the point that there needs to be reform, that there needs to be work done to address this challenge. That remains something that is a priority, again, for our senior leadership, including at the level of the Secretary.

We will continue to push for reform, we will continue to urge the Palestinian Authority to take these steps, and then we will see, based upon the actual steps taken, whether or not those kinds of reforms have taken root and whether or not they are being effective.

Senator RICKETTS. All right. Mr. Nephew, it sounds like you are from Missouri. You are skeptical. You want to see it. Show me that there is actually going to be progress here. It is important, though, because if we are going to see progress in Gaza there has got to be a government that can be trusted, and so far the Palestinian Authority has not demonstrated that. They have got their "pay for

slay” program still in place, some of the issues I have already mentioned, that without getting these reforms it seems like the Administration’s plan to have the PA take over Gaza is just not going to be successful.

Thank you, Mr. Chairman.

Senator SHAHEEN [presiding]. Thank you, Senator Ricketts. Senator Booker.

Senator BOOKER. Thank you, Chairwoman. It is really great to have you two here, and I know a lot about your commitment and work over the years. I am just grateful for your steadfast focus.

I am doing a lot of work trying to really focus on Africa. I was there a couple of weeks ago. Hopefully we will get over there with Chairman Cardin’s help on Monday. When I was mayor of the City of Newark, we saw a big turn in financial just growth and investment and corporations moving there and partnerships. One of the best pieces of advice when I got to be mayor was the two things you should really focus on is safety, just crime in general, and corruption, and that if people know those rules of the game.

What is really worrying me about a lot of my trips to Africa, coming back from Tanzania and Kenya, most recently, is when I land there I just hear stories replete with the challenges that are still being faced with corruption, and even how it affects the political thinking of when I meet with civil society groups about trying to choose between who might steal the least amount of money.

It is difficult. You take a country like Kenya that is such a critical partner for ours, globally, but their process towards creating the kind of confidence and transparency. You have Kenya just being gray-listed, for example, again, which is a tremendous setback for the country and really a blow to a lot of our investments and efforts in the country, as well.

As I prepare to go to Ghana now and to Nigeria, two other countries that are facing a lot of challenges, I am wondering, Mr. Nephew, what kind of progress we have made. The President’s five pillars that he put out in December, in combatting corruption, I thought were ambitious and strong, but I am wondering what measurable progress we have made and what are some of the important pressure points as we try to partner with these extraordinary nations in Africa that are critical partners now, but I think are going to be growing in their urgency and importance on a global scale in the years to come.

Mr. NEPHEW. Thank you very much for the question, Senator. I would say maybe two things. First, I very much appreciate your engagement on this topic and especially with local African leadership to reinforce that this is a cross-government U.S. focus and topic. When I travel to Africa, I am always struck with a similar sense of real opportunity if we can just help get the bad actors out of the way.

A lot of the work that we have been doing has been about, again, improving the accountability systems of local authorities so that way they can hold their actors accountable, but also providing support through sanctions tools, visa restrictions, investigatory support, and those sorts of thing.

The second point I would make on this, is that we do have a whole-of-government approach that we are taking to this, including

foreign assistance activities that are operating out of USAID, work that we are doing at the State Department, work that we are doing through our Treasury Department colleagues to try and improve financial integrity and transparency, work that is being done by the FBI to be able to support investigations, including investigations that might have impacts here, where we can hold people accountable.

What I can say in terms of progress is we have absolutely seen that there is government commitment, depending again on the country, to be able to take this agenda up, because they see the investment challenges—

Senator BOOKER. Let me pause here. I usually talk to Deputy Secretary of State Chris Coons [sic] before I go over to any trip in Africa, but perhaps you and I can talk before this next trip about some of the pressure points when I meet with officials.

Before I lose all my time, I just want to bring up one of the highlights of my journeys in this past year, which was to Estonia. You want to talk about best practices, there were things I think our government can learn in terms of their use of technology and innovation to create transparency, as I found when I was mayor, is the more sort of objective systems that you create, the harder it is to create corruption.

I am wondering what we are doing to take best practices like Estonia is showing and help other governments avail themselves of these systems and the tools that they are using.

Mr. NEPHEW. Senator, and Shannon may also want to jump in here, too. Actually, I am glad you mentioned Estonia. I am almost the unofficial ambassador of Estonia's digital tools because I talk about Estonia and they work that they can do around the world. In fact, I was just in Guatemala, bringing up the importance of working with the kinds of digital tools that they have developed.

One of the jobs that I have as Coordinator is to actually take and identify best practices that we see from around the world and take them elsewhere, because things that may work here do not necessarily work in other countries, which have different cultures, different contexts, but could certainly work in countries that have similar size or economic background.

A lot of what we do is identify those kinds of steps that could be taken and then bring them to other places and make those kinds of connections.

Ms. GREEN. Senator, I just wanted to add that we do see Estonia working with a number of different countries to bring the innovations they have made on e-governance to those countries, so Nepal, Tanzania, Zambia, and Malawi come to mind. We are absolutely helping them export what is so innovative and novel about their approach.

Senator BOOKER. Thank you very much. Chairwoman, thank you so much.

Senator SHAHEEN. Thank you. We would actually like Estonia to export that to some of our states in the United States, as well.

Senator Kaine.

Senator Kaine. Thank you, Senator Shaheen, and thanks to the witnesses.

A couple of things. I think in this area what we really need to do, or what I am focused on, is let's find a win. Let's find a win, a nation that really can move the needle in a big way with respect to fighting corruption. We have an opportunity right here in the hemisphere with Guatemala, and I want to spend some time on Guatemala. The President, President Arévalo, just was inaugurated. There was a huge effort to stall his inauguration by the outgoing Giammattei government that was very corrupt. President Arévalo was not expected to win the election. He ran an anti-corruption campaign. He is not the first person to run an anti-corruption campaign in Guatemala, but huge segments of voters have not believed people when they have campaigned against corruption, and they were right not to believe them because presidents like Jimmy Morales and others get into office and immediately shed their anti-corruption platform.

Some colleagues and I happened to be in Guatemala to meet with outgoing President Giammattei and incoming President Arévalo in early December, and just coincidentally we were there on the day the coup was launched. It was an effort by the Attorney General's Office, which has no authority over elections, to declare the election unlawful, to keep the bad guys in power. Both the outgoing government and business community had a lot at stake in maintaining a corruption society rather than welcoming a society that was trying to rid itself of corruption.

The election of President Arévalo was occasioned by massive involvement of indigenous communities and young voters—Swifties, TikTokers, they got engaged and they helped block this coup from happening. Even the inauguration of President Arévalo was delayed for a number of hours, a little bit like January 6 here, as there was an effort at the last minute by the legislature to block him from taking power. It was unsuccessful. He is now the President.

I hope that both State and USAID might look at this as an opportunity because I believe that President Arévalo is sincere in this desire to combat corruption that has been endemic in Guatemala for a very long time. If that project is successful, it will send such a message throughout a region that needs a success story, more than us lecturing anybody on, you shouldn't be corrupt. Watching a nation go from one that has had endemic corruption problems to one that is successfully battling corruption, that will have a much bigger impact in the Americas than anything we might say, any dollar we might spend, any project that we might promote.

I would like to ask each of you, are you following the situation in Guatemala and what might we do, from State or USAID, to assist them successfully in making a transition to a more transparent, less corrupt government?

Ms. GREEN. Thank you for that question, Senator. The idea of investing in winners is really part and parcel of USAID's approach to anti-corruption, so I could not agree with you more. Specific to Guatemala, we also recognize this massive opportunity. During the transition period, USAID actually started priming the pump to support the Arévalo administration when it comes into power.

Before being officially appointed, the mission in USAID organized a technical exchange with Mexico's national anti-corruption

system and also completed an assessment to make sure that Arévalo knows what resources and plans are in place. We are now pivoting to help with the establishment of the National Anti-Corruption Commission. We are absolutely seized with this moment in mobilizing all of the resources that we have in order to support this.

Senator KAINE. Mr. Nephew.

Mr. NEPHEW. Thank you, Senator. In fact, I am just 48 hours returned from Guatemala, where I joined Under Secretary Jose Fernandez who led a high-level economic dialogue with the Guatemalan Government, including President Arévalo and his entire cabinet, frankly, were gathered there. The explicit purpose of the trip was to talk about ways in which we can support both economic revitalization and investment in Guatemala and also improve the governance structures that, frankly, at this point are making it very hard for investors to go into the country. We had wide-ranging discussions about the various different types of activities that we could do to support the anti-corruption institutions there, from procurement reform to accountability to strengthening their own ability to conduct investigations, and so forth.

We are absolutely committed to the success of the new government, and we are working very hard on not just the general sense of what we can do, but specific programs and activities that we can do in cooperation with them.

Senator KAINE. I want to finish just by commenting on Senator Ricketts' questions about Palestine. One of the things that is discouraging to me, well, but encouraging and discouraging, is any time I ever got Israel, I go to the West Bank, and I interact with Palestinians. I see such a talent pool in young Palestinians. That is encouraging. Then I say, "Wow, it is people like you that should be running for office and thinking about being in government," and they say, "That is too corrupt. I want to be a doctor. I want to be an entrepreneur."

Corruption ends up chasing away a talent pool that is ready to assume the mantle of leadership in a Palestinian future. Dealing with these corruption issues is really, really important. There is a talent pool there that is going to do fantastic things, but if they do not believe government is an avenue where they can do fantastic things for their people, they will not pursue it, and it will be to the detriment of Palestinians, Israelis, and the entire region. Thank you.

The CHAIRMAN [presiding]. Senator Murphy has allowed Senator Coons to go next.

Senator COONS. Thank you, Mr. Chairman, and I thank my colleague from Connecticut. I want to congratulate you, Chairman Cardin, on seeing the *Combatting Global Corruption Act* become law. I think this is an important step forward, and I think this hearing is a critical step in our making sure that it becomes an effective tool for interagency cooperation and for a whole-of-government approach that incorporates anti-corruption efforts at all levels, with multiple stakeholders. I look forward to partnering with you and ensuring that it is funded and sustained for the long term.

As you have heard from everybody on this panel, combatting corruption is critical. It is also strategically important in the sub-Sa-

haran region that I have dedicated a lot of time and effort to, direct competition with China, and more recently Russia, in particular the Wagner Group, brings corruption particularly directly to the fore. Endemic corruption is a widespread challenge. Half of the 20 most corrupt countries in the world are in sub-Saharan Africa. It is also a region with unbelievable potential, both natural resources, human resources, and a population that is dispirited, angry at the level of both petty and large-scale corruption they see every day.

If we were to successfully earn the reputation for being champions of rule of law and anti-corruption in the region, I think it would be a significant competitive advantage for us and reinforce our core values. We have long had business competitors from even European countries that are more comfortable with corruption than we are. The *Foreign Corrupt Practices Act* has for decades prohibited U.S. companies from engaging in corruption, even when some competitors that are close allies did not have restrictions on anything like that.

First, apparently there was just a Summit on Democracy in Korea, which I just discovered in doing some research for this hearing, where combatting corruption was a principal pillar of it. I would be interested in hearing, Mr. Nephew, what you see as the future of combatting corruption in sub-Saharan Africa, in particular, what tools you think might be particularly effective that we might borrow from other regions of the world, and what you saw as the most important outcomes from the recent summit in Korea.

The CHAIRMAN. I would point out that Ms. Green was at that summit.

Senator COONS. Forgive me.

Mr. NEPHEW. Senator, if I may, maybe I will start it, but then I will transition to Shannon to speak about the summit.

Senator COONS. Please do.

Mr. NEPHEW. To your point and question about working with sub-Saharan Africa, in particular, I think that there are maybe three things that are our highest priority activities. First, is helping to create the kinds of systems that are just less easy to corrupt, and this goes back to the question earlier about issues of digitalization, improving procurement reform, improving transparency, working with civil society groups. There is no one particular piece of the prevention puzzle that will address that, but it is all of those pieces that will ensure that budgetary resources are going where they need to go.

Second, is ensuring that there is accountability and ensuring that bad actors, when they are identified, are responded to. I think this has proven uncomfortable in some places, especially as you see transitions in political power where there is a desire to maybe protect some of your own and only go after the other side.

One of our main messages is the rule of law does not work if it is just one sided. It needs to hold everyone equal to those same sorts of standards, and that is why the accountability measures need to also take the same approach.

The third thing I will say is that looking to find ways to increase business investment, especially reputable business investment, to your point, sir, about making sure that we are focused like a laser on how much we can encourage American businesses and others

that have high standards of performance in anti-corruption to respond.

Senator COONS. Thank you. Ms. Green.

Ms. GREEN. On the Summit for Democracy, I did indeed just return from Seoul yesterday. There are three things that I think are of note in terms of outcomes.

Number one, the theme of the summit was “Democracy for Future Generations,” so there were a lot of young people there, which I think, as several of your colleagues have noted, are absolutely critical for moving democracy forward, but also this drive on anti-corruption.

Secondly, the first Summit for Democracy resulted in a lot of commitments, 750 from 100 different countries, many of which were in the anti-corruption space. There was reporting out on those commitments, and countries were really pushing each other to go even further. I think that was really important.

Third, sharing of best practices, particularly on financial integrity issues. There were a number of convenings. Then fourth, really building this community and solidarity amongst anti-corruption champions.

Senator COONS. Thank you. I hope, depending on the timing of this body, to be traveling to Angola, Zambia, and Malawi next week as well as Cabo Verde, a country with a relatively good reputation. Zambia, in the middle of complex political transition in an environment where anti-corruption is a key part of the Hichilema government. Angola, a country trying to move forward after decades of both civil war and profound corruption.

I would be interested, briefly, what you see as the most important steps we could take to support anti-corruption campaigns in any of these three countries, in particular, and then I will yield.

Ms. GREEN. I will start with Zambia. I think the number one thing is accountability. There has been impunity for endemic corruption for a very long time, and people really need to see that high-level actors are being held accountable for corruption in order to deter it in the future.

Mr. NEPHEW. Sir, just again, being brief, I would agree with Shannon on the accountability piece. I will also say it is ensuring that especially extractive industries are held to the highest standards, and this is why we have been working with things like the Extractive Industries Transparency Initiative, to try and improve those standards, and working with companies operating in that space to only take the highest standards into their business activities.

Senator COONS. I worked for years, in a bipartisan way, on combating wildlife trafficking, in no small part because that is often an entryway to then much larger corruption.

Thank you for your forbearance, to my colleagues and the Chairman.

The CHAIRMAN. Senator Cruz.

Senator CRUZ. Thank you, Mr. Chairman. Mr. Nephew, corruption in the Western Hemisphere poses direct risks to American national security. Our adversaries exploit that corruption to literally buy up governments. To counter such corruption, Congress has pro-

vided the President with powerful sanctions, including, and especially, the so-called 7031(c) sanctions.

Now in your opening statement you discussed the Administration's desire to extend those sanctions, but as I have discussed with the State Department multiple times, I am deeply concerned that the Biden administration has politicized corruption sanctions. Those decisions have broadly undermined the integrity of our sanctions regime. You have used corruption sanctions to bludgeon countries and international figures whom Democrats simply do not like, while ignoring much more significant violations by those embraced by the global populous left, by the Castristas and Chavistas across the hemisphere.

The State Department has imposed corruption sanctions multiple times against Western Hemisphere figures they perceive to be conservative, most recently against the former President of Guatemala. Christina Fernández Kirchner, Argentina's former Vice President, was convicted of corruption in her own country for skimming nearly \$1 billion from fake construction contracts. I have repeatedly asked State Department officials why the Biden administration has not sanctioned her for her corruption, and I still have not gotten a satisfactory answer.

Now I am asking you. Why haven't you imposed corruption sanctions on her and her associates?

Mr. NEPHEW. Thank you, Senator. Sir, we do not speculate or discuss or preview sanctions designations, visa restrictions, before they take place, or comment on any investigations that may or may not be underway. Sir, I would not have any comment on that specific case.

On the broader point, sir, we undertake our visa restrictions and sanctions designations on the basis of the importance of combating corruption and the statutory requirements for taking those sorts of actions. Political affiliations play no part in who we decide to impose those sanctions on or how to use those tools. Thank you, sir.

Senator CRUZ. With all due respect, that is just objectively not credible. You sanction governments you do not like, and you ignore leftist friends of yours who are utterly corrupt.

How about Lula in Brazil? Lula was convicted by multiple Brazilian courts of corruption and money laundering. His conviction was annulled on jurisdictional grounds. After Lula's election, President Biden invited him to the White House, embraced him as a "friend and partner in democracy." Lula later partnered with Iran to allow Iranian war ships access and services in the Western Hemisphere.

Given Lula's past corruption, are you concerned that his assistance to Iran is linked to current corruption?

Mr. NEPHEW. Senator, as I said, we do not comment on any particular investigations that may or may not be underway or comment on particular individuals and—

Senator CRUZ. That is a convenient stance, but on the face of it, it is very easy. If you want to be corrupt, be a leftist, then the Biden administration will pat you on the back and encourage you. It is obvious to anyone watching. Simply saying we do not comment on it, look, you guys are doing the same thing in Israel, where you sanction Jews and you do not sanction Hamas. It is very simple.

You use sanctions as a political bludgeon and as political protection for the people you decide you like.

Let's shift somewhere else, which is South Africa. I am concerned that corruption in South Africa is undermining American interests. Under the Ramaphosa government, South Africa has been swamped by endemic corruption. South Africa's chief justice recently submitted a 5,000-page report detailing just some of the corruption from just the last few years. Are you tracking these concerns? What is the State Department doing to combat corruption in South Africa?

Mr. NEPHEW. Senator, thank you very much for the question. Corruption issues have been a focus of our work in South Africa, again across the arc of different activities, whether we are talking about specific prevention-related programs or support to the financial intelligence units and to prosecutors and accountability institutions there, as well. We are also very much engaged with civil society organizations and others to improve reporting on corruption-related trends and problems that are identified.

Senator CRUZ. One place in particular where we have seen the consequences in South Africa is related to our ally, Israel. South Africa has become a global leader in undermining Israel, including lodging a case against Israel in the International Court of Justice. There are multiple serious, credible allegations that South Africa's decision-making is being driven by corruption related to Iran. South African Foreign Minister Pandor met with Iranian President Raisi in Tehran to coordinate, and Ramaphosa himself has been implicated in bribery scandals.

Are you concerned that corruption and bribery are greasing the Iranian-South African relationship?

Mr. NEPHEW. Senator, we have been very clear that we have got concerns regarding corruption activities coming out of Iran. As I have been saying, we are concerned about corruption around the world and any instances of it will be investigated by the Department of State, the Department of Treasury, the intelligence community, and others in order to respond.

I should also note, sir, that when I was describing some of the activities we have got ongoing in South Africa, one of the other activities we have is support to the FBI to be able to have an investigator and a supporter of improving the systems that are there, as well, who also engages in regional activity, as well. We are very much focused on corruption challenges in South Africa, and as a relation to that we are also focused on the challenge of Iran and Iranian corrupt activities that might be taking place internationally.

Senator CRUZ. Thank you.

The CHAIRMAN. Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman. Mr. Nephew, I wanted to sort of ask you a big-picture question here. The very nature of authoritarian, kleptocratic regimes are inherently corrupt. Many of our closest security allies, in a place like the Middle East, are stealing from their people on a daily basis. They get celebrated state visits here in Washington, they meet with members of the Foreign Relations Committee, and every single day they are robbing from their people.

This is not a circumstance of this Administration. This is a circumstance of broader American policy. As we start to use corruption sanctions more aggressively, what stands out to folks is that if you have a key strategic security relationship with the United States, we tend to look the other way. If you are not essential to U.S. national security, you are just more likely to be on the list.

I just think this is a legitimate critique, and I wonder what you have to say about this idea that a country's security relationship with the United States ultimately has a lot to do with whether leaders of that country are going to find themselves the subject of U.S. sanctions.

Mr. NEPHEW. Senator, thank you for that question. I would say two things. First, again as a general principle, we, again, do not comment on any investigations that may be taking place. Our investigations are not limited to any particular geography. There are no countries where we have said this is a no-go in terms of doing investigations. We follow the information that is available to us, and then apply the measures that we have statutorily provided to us, again, using the resources that we have available. Our resources are not infinite to conduct these sorts of investigations.

The second point I would make on the broader kind of challenge I think you are identifying, we look at sanctions as being one part of the whole toolkit, and the toolkit includes a number of other different activities, including support for strengthening accountability institutions, but also transparency, procurement reform, those sorts of steps, as well. In some cases it may be most effective to improve the transparency systems of the country in question to support its accountability missions as opposed to taking action coming from the United States directly.

I think one element of this is that there are different ways that in different countries we might be most effective. We are very much willing to both investigate individuals in the countries that you are identifying, but we are also cognizant of the fact that there are other tools that may be more effective in certain circumstances.

Senator MURPHY. Yes. You do not have to conduct an investigation to figure out that the very structure of many of these countries involve taking resources that should be available for the benefit of the entire nation and using them in a way to benefit only a handful of families. There may be a very good reason why you do not want to sanction the leaders of countries that we have deep security relationships with, but I just pointed out we sometimes celebrate the fact that we are increasingly using sanctions as a means to protect our values. It works both ways.

Ms. Green, I wanted to talk to you, and I am happy if there is time to get your thoughts on this, as well, Mr. Nephew, about how we staff anti-corruption work. I made a proposal a few years ago that we should have a core of dedicated anti-corruption officers in the State Department and perhaps at USAID. Because right now this work is being done by USAID FSOs or political officers at the State Department who have huge briefs, and you only get to use a portion of your time to do anti-corruption work. Listen, we have a bigger fight here about how to better resource the State Department and diplomacy, but this, frankly, would not cost a ton of money to decide that we are going to develop a dedicated core of

anti-corruption officers. We are going to put them on the ground in key places so that there is somebody, one person, waking up every day in countries where rule of law is slipping away, thinking about this issue and this issue only.

Just reflect on your thoughts on that proposal.

Ms. GREEN. Thank you, Senator. When I started at USAID nearly 3 years ago as the head of Anti-Corruption Task Force, there was one person in Washington solely focused on anti-corruption. We now have seven direct hires focused on anti-corruption and then other program-funded staff in the Anti-Corruption Center, which is now is the Democracy, Human Rights, and Governance Bureau. We have increased incrementally. USAID missions, we are also training people who are both democracy and governance officers as well as cross-training people who focus on education, health, environment, et cetera, et cetera, to be champions and experts in anti-corruption, but there is no question that we need to continue to build capacity.

Senator MURPHY. Mr. Nephew.

Mr. NEPHEW. Thank you, Senator. Actually, one of the outcomes of the CGCA that was passed is the identification of a POC, one individual who is responsible for anti-corruption efforts at all of our embassies, a project that we had already initiated, to some extent, by seeking out those individuals and staffing the embassies to make sure there is at least one person in those places that is responsible for these portfolios.

I think to Shannon's point, as well, we are always looking to identify how we can better resource this activity. I think one of the things that will come out of the methodology report, as the Chairman mentioned, was the question about resourcing the implementation of the act as well. I think we might have more information going forward about how we can better resource this.

Senator MURPHY. I will just make one last point. This also would be a way to not be so heavily reliant on sanctions policy, if you had people on the ground who were sort of doing the slow, hard work with civil society. You would not only have the—I know this is not our only tool, but you would not be so reliant on the punitive tool.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Murphy, your point is so well taken. One of the principal objectives of combatting global corruption is to develop the capacity not just at the State Department, but at our missions, particularly in countries where it is a major, major concern on the government. Yes, the bill will require a point of contact, but we hope that it will also lead to a budget that will reflect having the type of person Senator Murphy is referring to in those countries, where it is needed, a person whose sole responsibility is to deal with anti-corruption. I very much appreciate you raising that issue.

Now it is my pleasure—

Mr. NEPHEW. Mr. Chairman, if I may, just because I want to come back on this exact point. One of the other pieces that I should have mentioned, as well, of course, is through our INL sections. In many parts of the world we already have some individuals who are solely focused on the anti-corruption mission, as well. It is not yet uniform, I would say, across all of our missions around the world,

but depending on the country in question and depending on what types of sections we have, in some cases we have very full staffs and in other places less so. Thank you, sir.

The CHAIRMAN. We would like you to share that information with us. The Combatting Global Corruption has been frequently mentioned. Senator Young was the principal leader on the Republican side on that legislation. I want everyone to know that when we were getting close to the finish line, we would have not gotten to the finish line but for Senator Young's efforts in breaking a couple of arms on the floor of the United States Senate. I want to thank him for that, and recognize him. Senator Young, take as much time as you want.

[Laughter].

Senator YOUNG. That was kind of you, Chairman. Chairman, you have shown such amazing leadership on this issue, and it was a privilege to have an opportunity to partner with you on the last mile of this effort.

Thank you both for being here today. Thank you for your work. I am glad Senator Murphy asked some questions about localization and related topics. I wanted to turn to that provision in the law that supporting localization of the Department's anti-corruption efforts through the creation of an anti-corruption points of contact at our embassies. You spoke some to that, Mr. Nephew. I am going to give you an opportunity to maybe unpack a little bit more how you anticipate this new authority aiding the Department's implementation of Pillar 1 of the strategy, how all that will interact. Yes, expound on your previous remarks.

Mr. NEPHEW. Thank you very much, Senator. Maybe two things then I would emphasize. First, we are very focused not just on the development of the report, but also what comes after. We think the report is going to be a very useful document, especially the public one, to help encourage investment, to help encourage other countries around the world to also apply support for those countries that are making a lot of progress. We think that the classified report will be very useful in terms of directing where additional activities may be needed.

We are focused on that piece—what do we do thereafter? I think this goes to the question of the localization piece. One of the efforts that will come out of the report will be identifying what we think the root cause is of the challenge that we are facing with either corruption backsliding or where we are seeing progress what more can be done. That will help to identify where we need additional programmatic resources. That might be something that either comes out of USAID or comes out of the State Department or elsewhere.

The second thing is we think that the report will help to, again, mainstream anti-corruption into the overall work of the foreign missions that are in question. One of the things that we have already seen is when we raised the issue of a congressional report, including with our foreign interlocutors. Their ears do perk up and there is a question as to how that report is going to be drafted and what kinds of steps need to be taken to demonstrate progress. We think it will help to galvanize ambassadors, deputy chiefs of missions, and certainly support from Washington to bring those kinds

of demand signals that will be necessary to make progress over the course of the report.

Senator YOUNG. Thank you. Ms. Green, I saw you nod affirmatively as Mr. Nephew spoke. Do you have anything to add?

Ms. GREEN. Yes. The things I wanted to add is in a number of embassies around the world you see cross-cutting teams from all of the different sections coming together to focus on anti-corruption. Just a couple of weeks ago, I was in Sri Lanka. The ambassador has decided that this is the year in which they are really going to double down on anti-corruption. You already have all of the components of the U.S. Government coming together in many, many countries and thinking strategically about what they can do on corruption together. I have found that to be very encouraging.

Senator YOUNG. That is fantastic. It is as though you are anticipating my follow-up questions. Yes, I was going to ask you by way of follow-up how the Department intends to continue empowering individuals so that they can effectively contribute to our diplomatic and development priorities at their respective posts. It seems as though the incentives are there. It is already sort of happening. Do you have anything to add on that topic?

Mr. NEPHEW. Senator, if I can, I will just say one of the things that we have also embraced is the idea of a learning agenda and making sure that we are not just resting on old assumptions about what works, especially in the fight against corruption. We are doing a lot to both bring new research, new evidence, new information out to our posts, but also give them a sense of what kinds of programs exist and ask them, "Is there more that you need?" "Are there different tools that you could potentially use?" "What are the things that would be most empowering here?"

We are trying to make this also not just a one-way communication effort with posts, but also solicit from them what else they need in terms of support.

Senator YOUNG. Thank you. Yes, Ms. Green.

Ms. GREEN. Yes, just very quickly adding to that. I think the biggest change over the past couple of years is what we have learned on anti-corruption and transmitting those lessons. We have invested in several research products, including on dekleptification, how do you use social and behavioral change approaches to address corruption, and then also how to address corruption in low political will environments. Those are all resources that we are training our local staff on so that they can be more effective in fighting corruption.

Senator YOUNG. Very good. Thank you, Chairman.

The CHAIRMAN. Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman. I thank both of you for your service and testimony. I do want to applaud my friend and partner from the state of Maryland, the Chairman of the Committee, Senator Cardin, for all his work in this anti-corruption area. He is the author of the original *Magnitsky Act* and then, of course, expanded to include the *Global Magnitsky Act*, which is a very important tool.

Mr. Nephew, I am trying to sort through the different authorities that are available with respect to imposing sanctions, visa restrictions on individuals or entities, because there does seem to be a

mish-mash, an overlap of these authorities. We have got, for example, the ability to target corrupt actors in human rights abuses under the Global Magnitsky Sanctions. There is also a provision embedded in the SFOPS bill since 2008, which is Section 7031(c), that imposes visa restrictions on individuals committing human rights abuses or engaged in corruption, as well as another authority in Section 212 of the *Immigration and Nationality Act*. There are a couple of others I may get to.

I am just trying to figure out how, between the State Department and the Department of Treasury you decide to apply these different tools, and when. Can you just try to quickly highlight the differences and how you use one versus another?

Mr. NEPHEW. Senator, I am also a sanctions professor, so I am going to avoid that too much. Let me say, very briefly, I think you highlighted a couple of provisions that are with the State Department that deal with visas, and those ultimately come down to the fact that it is the State Department authority and State Department that makes the visa determinations as part of the visa restriction programs. The work we do when we are considering whether or not to impose a visa restriction is in part determined by statutory requirement—7031(c) designations are required when we have evidence of significant corruption, but other visa authorities are more discretionary, if we have indications that we have got concerns there.

The Treasury Department has got asset freeze primarily related sanctions, most notably through GloMag, but also through some country-specific programs. We were talking earlier about the Western Balkans. Lebanon also has a country-specific program, as well.

The practical difference in terms of what people on the outside see is pretty modest. Whether or not you use the Lebanon authority or GloMag authority, it is an asset freeze and instruction coming from the Treasury Department. We do see utility in the messaging of which tool is potentially used as well the teams, frankly, that are doing this kind of work inside the government from a bureaucratic perspective.

You asked about how we decide. Again, the State Department has got some authorities that are statutorily mandated. 7031(c)'s are if we find that there is a significant corruption, so we take those actions as we find those determinations. In other cases we have just a straightforward conversation to coordinate with the Treasury Department and others to say is this one where you think you have got the right kinds of information to pursue an asset freeze, and is that the right tool to use against that particular individual or entity, will that be the most effective step.

Senator VAN HOLLEN. Are there different standards that apply using different authorities with respect to findings of corruption or human rights abuses, and quickly if you could identify the most salient differences.

Mr. NEPHEW. Yes. I would say as a general matter the GloMag authority is about significant corruption or significant human rights-related abuses, and there are practical ways in which the word "significance" is used to make discrimination against others, but that is the general kind of big basket is corruption and human rights.

In cases like Western Balkans and other places, the prongs in the Executive orders that are important here talk about whether or not there is an impact on peace and stability in the Western Balkans or peace and stability in Lebanon. The words are very specific in the Executive order. Depending on which order you are using, you would have to both substantiate that there is a bad act that is taken, but also potentially there is a connection to instability, insecurity, or those sorts of things.

I think there are different standards that are used, and frankly those get into very weedy technical definitions that the lawyers would want to have that concrete discussion. The upshot is in any case we have to be able to demonstrate and prove that there are significant acts of corruption, significant violations of human rights that are being taken, and be able to defend those actions in court.

Senator VAN HOLLEN. Understood, and I may follow up with you on some of the in-the-weeds stuff through a question. I do have a question regarding coordination because I took an official trip overseas a number of months ago. One of the countries I visited was Sri Lanka. In that case the State Department had, through the normal process, issued visas to some senior Sri Lankan Government officials. They showed up at the airport to travel to the United States only to be turned away because the Department of Homeland Security had used Section 3(e) of the INA to designate somewhere in the process these individuals as having been somehow tagged or involved with torture in the past.

Now, obviously this is a very significant charge, and we want to make sure that anybody who has been engaged in torture is flagged, but what this demonstrated, though, was a real lack of coordination. Again, regardless of the merits of the underlying DHS claim, it was embarrassing to the United States Government to have a senior Sri Lankan official get a visa through the normal process, show up at the airport only to be denied. Can you talk about that? I have heard that this is not just an isolated case.

Mr. NEPHEW. Senator, on this specific case I am not familiar enough to comment.

Senator VAN HOLLEN. No, I don't mean that, but I mean the issue.

Mr. NEPHEW. I would say, as a general matter, again, the title "coordinator" indicates an ambition as well as something that we are already attempting to do. We are always attempting to improve the internal coordination mechanisms, whether it is between DHS and the State Department, State Department and Treasury, and others, as well. I would be happy to take back that specific question to get you an answer as to what happened and—

Senator VAN HOLLEN. Yes. I am not so worried about this specific case, although I am interested. My understanding is this is not an isolated situation, this lack of coordination, and the subsequent embarrassment to the embassies overseas. My understanding is that DHS officials have a lot of sort of lower set of requirements that they have to establish before they tag someone's name in the system, and that they do not necessarily coordinate or report that to the State Department, which is why you have these things. Again, if there is a clear process where someone is identified as involved in torture, obviously we want to make sure they do not get

a visa, but this was a case where the State Department went through its normal process, granted the visa, and again, only to have the person stopped and embarrassment caused.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Van Hollen. I would point out that from a legal point of view the standards concerning the issuance of visas or right to come into our country, there is a lot more latitude given than if it is a financial sanction such as what Treasury has to sign off on, in regard to the rights of property.

We do want to make sure that the policies are consistent with our laws and our values, and that is, of course, always a challenge when you have different agencies that are looking at it from a different point of view. Thank you for being the coordinator. I wish you good luck in that regard. I try to coordinate the members of this Committee. That is not an easy task, so thank you for that.

The record of the Committee will stay open until close of business tomorrow for questions for the record. We would ask that you try to respond to them in a timely way. I thank you very much. This has been an extremely important and informative hearing, and thank you for your participation.

With that, the hearing will stand adjourned.

[Whereupon, at 12:04 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MR. RICHARD NEPHEW TO QUESTIONS SUBMITTED BY SENATOR JAMES E. RISCH

Question. Which criteria does the State Department use to determine which officials from Latin American and Caribbean governments are subject to 7031(c) designations? Which criteria does it follow to determine which designation should be public or private?

Answer. Section 7031(c) designation criteria are the same for officials of all countries, requiring that the Secretary of State make such determinations if he has credible information of an official's involvement in significant corruption or a gross violation of human rights. The Department conducts a rigorous review of a variety of sources to determine whether information meets the threshold for such designations. The Department generally prefers to designate publicly but designates privately when necessary to accommodate sensitive considerations, in keeping with the spirit of the legislation.

Question. Which criteria does the State Department use to determine which officials from Latin American and Caribbean governments are not subject to 7031(c) designations despite evidence of their involvement in cases of significant corruption? Which criteria does it follow to determine which designation should be public or private?

Answer. Because Section 7031(c) is a mandatory statutory authority, the Secretary must publicly or privately designate officials about whom he has credible information of involvement in significant corruption or a gross violation of human rights. The Department conducts a rigorous review of a variety of sources to determine whether information meets the threshold for designation. The Department generally prefers to designate publicly but designates privately when necessary to accommodate sensitive considerations, in keeping with the spirit of the legislation.

Question. Which criteria does the State Department use to determine which officials from Latin American and Caribbean governments are subject to Section 212(a)(3)(C) designations?

Answer. Under Section 212(a)(3)(C) of the *Immigration and Nationality Act* (INA), an individual is inadmissible if the Secretary determines that the individual's entry or proposed activities in the United States "would have potentially serious adverse foreign policy consequences for the United States." In the Western Hemisphere, the Department has established policies under Section 212(a)(3)(C) that target persons

involved in undermining democracy and the rule of law in Northern Central America, operating street gangs and other criminal organizations in Haiti, and facilitating irregular migration to the United States, among others. Any individual falling within the target class of such policies may be identified for visa restrictions.

Question. How does the State Department assess the effectiveness of sanctions and 7301(c) designations in achieving their intended goals in Latin America and the Caribbean?

Answer. Sanctions and other authorities, including Section 7031(c), are important tools in the Department's efforts to promote accountability for human rights violations and abuses, counter impunity for corruption, and address democratic backsliding in the Western Hemisphere. Financial sanctions in particular are designed to promote individual behavior change and spur meaningful systemic change in furtherance of our foreign policy objectives. During this Administration we have used these tools across the region, including but not limited to Colombia, Cuba, Guatemala, Haiti, Nicaragua, and Paraguay. Designations are highly fact-based and context-specific, and the Department works with our embassies, the interagency, and civil society to gather and analyze relevant information regarding impact, including impacts that may manifest themselves over the long term.

Question. Has the State Department taken any steps since October 2023 to consider the evidence of former Ecuadorian President Rafael Correa's acts of significant corruption, as evidenced in his 2020 bribery conviction and all other evidence related to activities during his presidency?

Answer. The Department continually reviews and assesses information on officials' involvement in corrupt acts. While the Department does not comment on specific Section 7031(c) cases, we welcome any credible information your offices would like to provide on current or former government officials' involvement in significant corruption.

Question. Does the State Department assess that there is evidence that Correa engaged in acts of significant corruption?

Answer. While the Department does not comment on specific Section 7031(c) cases, we welcome any credible information your offices would like to provide on current or former government officials' involvement in significant corruption.

Question. What criteria is the State Department using to determine whether Correa has engaged in acts of significant corruption?

Answer. The Department does not comment on specific Section 7031(c) cases. A Section 7031(c) determination requires that the Secretary of State have credible information of the official's involvement in significant corruption or a gross violation of human rights. The Department conducts a rigorous review of a variety of sources to determine whether information meets the threshold for designation.

Question. Has the State Department taken any steps since December 2023 to consider the evidence of former Vice President of Argentina Cristina Fernandez de Kirchner's acts of significant corruption, as evidenced in her December 2022 conviction and all other evidence related to activities during her presidency and vice presidency?

Answer. The Department continually reviews and assesses information on officials' involvement in corrupt acts. While the Department does not comment on specific Section 7031(c) cases, we welcome any credible information your offices would like to provide on current or former government officials' involvement in significant corruption.

Question. Does the State Department assess that there is evidence that Fernandez de Kirchner and her family members engaged in acts of significant corruption?

Answer. While the Department does not comment on specific Section 7031(c) cases, we welcome any credible information your offices would like to provide on current or former government officials' involvement in significant corruption.

Question. What criteria is the State Department using to determine whether Fernandez de Kirchner and her family members have engaged in acts of significant corruption?

Answer. The Department does not comment on specific Section 7031(c) cases. A Section 7031(c) determination requires that the Secretary of State have credible information of the official's involvement in significant corruption or a gross violation of human rights. The Department conducts a rigorous review of a variety of sources to determine whether information meets the threshold for designation.

Question. What specific actions has the State Department taken to utilize sanctions to target corruption related to or in benefit of the malign activities and influence of the People's Republic of China in Latin America?

Answer. The Department does not share details of our deliberative process for sanctions or visa restriction actions. To implement these authorities, we conduct a rigorous review of information from a variety of sources, including credible media reporting, civil society reporting, U.S. Government reporting, and other sources of information. We continue to review and assess information regarding foreign malign activity throughout the region. We also continue to engage diplomatically on these issues with partners in the region, and encourage civil society, activists, and journalists to raise concerns with their governments about corruption. Last, all of our anti-corruption prevention-focused activities are intended to deny corrupt actors the opportunity and means to operate, regardless of their origin or affiliations.

Question. Please provide the full list of individuals or entities in Latin America and the Caribbean sanctioned for corruption related to the activities of the People's Republic of China, the Russian Federation, or the Islamic Republic of Iran since January 2021.

Answer. The Department does not share details of our deliberative process for sanctions or visa restriction actions. We continue to review and assess information regarding corruption related to foreign malign activity throughout the regions.

We can share the public designation from November 18, 2022, by the Department of the Treasury, Office of Foreign Assets Control (OFAC), in coordination with the Department of State, of one Russian national, Dmitry Kudryakov, one Belarusian national, Iryna Litviniuk, as well as three associated entities, for their role in exploiting the Guatemalan mining sector. Litviniuk conducted corrupt acts in furtherance of Russian influence peddling schemes by unlawfully giving cash payments to public officials in exchange for support for Russian mining interests.

In addition, the Department works globally in coordination with Treasury and other partners to levy sanctions and other measures to address foreign malign activity and promote accountability. For example, the United States has sanctioned numerous individuals and entities connected to the violent Russian military group PMC Wagner (Wagner Group). Targeting these types of corrupt actors reduces their ability to conduct their activities in other regions, including Latin America and the Caribbean.

Question. What criteria is the State Department using to sanction individuals or entities involved in corruption in Latin America and the Caribbean related to the activities of the three above mentioned countries?

Answer. Sanctions and visa restrictions to promote accountability for individuals and entities involved in corruption is part of an interagency process, including the Departments of Treasury, State, and other partners. These tools are part of a multifaceted efforts to counter corruption globally. We do not comment on specific steps or cases under consideration, but all cases go through a rigorous review process, including evaluating a variety of sources and undergoing a robust legal review.

Question. Please describe how the U.S. Anti-Corruption Strategy has been applied in Venezuela.

Answer. We have advanced our anti-corruption efforts in Venezuela through both diplomatic and foreign assistance efforts. We also continue to review and assess information on officials' involvement in corrupt acts to consider additional sanctions and accountability measures, where appropriate.

On the diplomatic front, senior Department officials, including myself, engage with civil society, private sector, and other non-governmental actors who are working to promote rule of law and accountability in Venezuela. On foreign assistance, the Department is working to enhance coordination on existing programs, highlight ongoing needs, and integrate anti-corruption into a wide range of projects. For example, the Bureau of International Narcotics and Law Enforcement is supporting efforts to gather information for criminal proceedings that could serve as evidence to corruption, money laundering, or other crimes. In addition, the Bureau of Democracy, Human Rights and Labor supports work to expose supranational grand corruption networks originating in Venezuela and to seek accountability through third-country mechanisms.

Question. Please describe how implementation of the U.S. Anti-Corruption Strategy will target individuals and entities involved in corruption in Venezuela.

Answer. We continue to review and assess information regarding officials' or entities' involvement in corrupt acts to consider additional sanctions and accountability measures, where appropriate.

Question. Please list the individuals and entities involved in corruption in Venezuela that have been sanctioned since January 2021.

Answer. The United States has not levied sanctions or imposed visa restrictions for significant corruption on individuals or entities in Venezuela within that timeframe.

Question. What specific steps is the State Department taking to target corrupt individuals and entities in Venezuela?

Answer. While we continue to assess information regarding corrupt actors in Venezuela and throughout the region, the Department does not share details of our deliberative process for sanctions or visa restriction actions. We continue to review and assess any information regarding officials' or entities' involvement in corrupt acts to consider sanctions and accountability measures, where appropriate.

Question. What is State Department's plan to address money laundering and illicit finance activities in Venezuela within the U.S. Strategy on Countering Corruption?

Answer. The Department is working on several fronts to address these issues. First, we continue to bolster implementation of international anti-money laundering standards, including through the Financial Action Task Force and other efforts. In addition, we are utilizing foreign assistance resources to combat these challenges. The Bureau of International Narcotics and Law Enforcement Affairs facilitates regional dialogues to discuss methods and potential evidence of money laundering through and out of Venezuela, including but not limited to smuggling of gold, cryptocurrencies, and state-owned enterprises. We are also engaging with civil society, the private sector, and other non-governmental partners who are focused on tracking, investigating, and reporting on money laundering and illicit financial activities in Venezuela. Finally, the Department continually reviews and assesses information on officials' involvement in corrupt acts to consider additional sanctions and accountability measures, where appropriate.

Question. What specific steps is the State Department taking to persuade the EU to match U.S. sanctions until there is a credible transition to democratic order in Venezuela?

Answer. Last year, Department officials engaged European counterparts on Venezuela sanctions policy on multiple occasions. Officials travelled to Madrid and Berlin to reinforce the importance of the EU staying aligned with the United States on Venezuela sanctions policy and maintaining EU sanctions on Venezuela. The EU renewed their sanctions regime on Venezuela in late 2023. State continues to urge the EU to remain aligned with the U.S. on Venezuela sanctions policy.

Question. What is the State Department's assessment of how much revenue has dictator Maduro received since the November 2022 Chevron sanctions relief?

Answer. We do not have reliable figures on the additional revenue received by Maduro and the institutions he controls as a result of the Chevron license due to the opacity surrounding PDVSA's operations. Although we assess that the revenue generated from the Chevron license was sufficient to prompt Maduro to proceed with signing the humanitarian agreement in November 2022, our assessment is that the impact from the license has been underwhelming compared to Maduro and his representatives' expectations. Providing the Chevron license did reduce Venezuela's use of Iranian diluents and enabled Chevron to recoup debt owed by Venezuela.

Question. What is the latest impact assessment of the USG's foreign policy of giving sanctions relief and corresponding revenue flows to the Maduro regime?

Answer. As money has gone into the oil and gas sector, Venezuela has slowly accrued some additional revenue. PDVSA's outstanding debt obligations has limited the amount of revenue flowing to Venezuelan institutions, as a sizable percentage goes for debt repayment. Venezuela's oil and gas production is limited by persistent technical and maintenance problems. Industry estimates note that Venezuela would need about \$100 billion and 10 years to restore its oil production capacity to peak production levels. We retain the authority to amend or revoke authorizations should Maduro and his representatives fail to negotiate in good faith or follow through on their commitments.

Question. Please describe all programs and policies within the U.S. Strategy on Countering Corruption that the State Department is using specifically to counter the acts of significant corruption in the Maduro regime.

Answer. We continue to engage with civil society, private sector, and other non-governmental partners, along with international partners to call out and counter

corruption in Venezuela. Ongoing Department initiatives include the Bureau of International Narcotics and Law Enforcement Affairs' work to support regional law enforcement dialogues to discuss methods and potential evidence of money laundering and other illicit financial activities, as well as the Bureau of Democracy, Human Rights and Labor's work to expose supranational grand corruption networks originating in Venezuela and to seek accountability through third-country mechanisms. The Department also continually reviews and assesses information on officials' involvement in corrupt acts to consider additional sanctions and accountability measures, where appropriate.

Question. How is the State Department collaborating with the Treasury Department in implementing Executive Order 13850, specifically targeting corrupt individuals involved in Venezuela's gold sector or any other sector of the Venezuelan economy?

Answer. The Treasury Department's Office of Foreign Assets Control (OFAC) issued in October General License 43 authorizing dealings with Minerven—the Venezuelan state-owned gold mining company. This license was revoked in January due to noncompliance with the Barbados agreement. The revoked license applies to both entities and individuals.

OFAC also amended relevant licenses to remove the secondary trading ban on certain Venezuelan sovereign bonds and PDVSA debt and equity. This would have the positive effect of displacing nefarious actors in this market with negligible financial benefit to the Venezuelan regime. The ban on trading in the primary Venezuelan bond market remains.

As for Executive Order 13850, we collaborate with all relevant interagency partners to see this is carried out in accordance with the order.

Question. What specific actions is the State Department taking to sanction corrupt government officials and other individuals or entities in Mexico?

Answer. The Department does not share details of our deliberative process for sanctions or visa restriction actions. We continue to review and assess any information regarding officials' or entities' involvement in corrupt acts to consider sanctions and accountability measures, where appropriate.

Question. Please provide a list of corrupt government officials in Mexico sanctioned since January 2021 and of other individuals or entities sanctioned since January 2021.

Answer. The United States has not levied sanctions or imposed visa restrictions for significant corruption on government officials in Mexico within that timeframe.

Question. Please describe specific steps taken within the U.S. Strategy on Countering Corruption to target corrupt individuals and entities in Mexico facilitating the flow of fentanyl precursors?

Answer. The Department is undertaking several initiatives to address these challenges, pursuant to our national strategy. The Bureau of International Narcotics and Law Enforcement Affairs (INL) supports an effort through the International Narcotics Control Board's Global Rapid Interdiction of Dangerous Substances program to implement a chemical industry mapping exercise aiming to generate national capacities and collaboration to protect industries from exploitation by illicit drug manufacturers.

In addition, INL is working to strengthen Mexico's capacity to investigate and prosecute corruption cases, including corruption associated with the production and trafficking of fentanyl.

The Department also coordinates with OFAC on illicit drug sanctions for those enabling the production and distribution of illicit drugs. Through E.O. 14059, which in part implements the *Fentanyl Sanctions Act*, the United States has sanctioned over 180 individual and entities for enabling illicit fentanyl trafficking.

Question. What specific actions is the State Department taking to sanction corrupt government officials in the government of President Xiomara Castro in Honduras?

Answer. Since Castro took office in 2022, the Department has named 28 Hondurans to the Section 353 "Corrupt and Undemocratic Actors" list. Among those listed are a sitting minister in Castro's party, other current and former government officials and legislators, and party-affiliated businessmen.

Question. What specific actions is the State Department taking to sanction corrupt government officials or other individuals or entities in Bolivia?

Answer. The Department does not share details of our deliberative process for sanctions or visa restriction actions. We continue to review and assess any informa-

tion regarding officials' or entities' involvement in corrupt acts to consider sanctions and accountability measures, where appropriate.

Question. What specific actions has the State Department taken to communicate concerns to the Colombian Government about evidence of corruption within the government of President Gustavo Petro?

Answer. The Department provides a wide range of support to the Colombian Government's anti-corruption efforts, such as assistance to help combat money laundering and support for prosecutors pursuing complex public corruption cases. We recognize the strength and professionalism of Colombian institutions and believe they are capable of conducting ethical, transparent, and timely investigations into allegations of public corruption. The Department does not comment on private diplomatic conversations.

Question. Please outline the specific steps the State Department has taken since January 2021 to target human smugglers in Latin America and the Caribbean.

Answer. The Department supports a range of efforts to address migrant smuggling in Latin America. The Bureau of International Narcotics and Law Enforcement Affairs (INL) provides technical assistance to regional partners to build their capacity to address the threat of human smuggling and trafficking in persons. This programming includes training and mentorship to justice sector officials and law enforcement, to bring about more prosecutions and convictions against human smugglers. INL also partners with DHS in an effort to establish a modern biometrics system to better manage borders, identify security threats, and develop a regional capability to identify and counter human smuggling networks.

Question. How is the State Department implementing the U.S. Strategy on Countering Corruption to target corrupt government officials and other individual or entities in Latin America who are facilitating human smuggling?

Answer. We continue to review and assess information regarding officials' or entities' involvement in corrupt acts, including as they relate to human smuggling, to consider additional sanctions and accountability measures, where appropriate.

Question. Please provide a list of all programs and policies within the U.S. Strategy on Countering Corruption that are intended specifically to combat corruption, anti-money laundering and illicit finance in Latin America and the Caribbean.

Answer. The Department supports a range of efforts to counter these threats. The Bureau of International Narcotics and Law Enforcement Affairs (INL) works to strengthen institutions and the capacity of partner nations to better identify and address the main drivers of corruption and financial sector vulnerabilities. INL does so through both regional and bilateral programming that accelerates countries' implementation of international standards and treaties, provides capacity building technical assistance to justice sector partners, supports anti-corruption activists under threat, promotes civil society engagement, and monitors key indicators of corruption. In addition, the Bureau of Democracy, Human Rights, and Labor supports civil society and media organizations to investigate and expose grand corruption and develop evidentiary support materials for consideration under various sanction and visa restriction mechanisms in the United States and internationally. The Department would be happy to provide more information on these policies and programs in a secure setting.

Question. Concretely, what is your office doing to counter those corrupt networks that exist on Russia's periphery and allow Russia to procure the items it needs to run its war?

Answer. Our office coordinates with Department bureaus and offices as well as interagency counterparts to ensure the United States is countering corrupt networks that enable the Kremlin and other corrupt actors. Broadly, the Department is deploying a range of tools in this area, such as foreign assistance to partners investigating and prosecuting these networks and other transnational crime organizations; sanctions and sanctions evasions enforcement; visa restrictions; and support for investigative journalists focused on these networks. The President's December 2023 Proclamation on Suspension of Entry as Immigrants and Nonimmigrants of Persons Enabling Corruption is one example of how the Coordinator on Global Anti-Corruption team has worked with the Department and interagency to expand our tools to counter enablers.

Question. According to a 2022 report by the nonprofit Global Financial Integrity, China's role in drug trafficking, counterfeiting and IP theft, human trafficking, and wildlife trafficking is expanding rapidly. How is the Administration working to

counter China's growing role in these networks, its facilitation of illicit financial flows, and the associated corruption these activities produce?

Answer. The United States is addressing these challenges through direct diplomatic engagement with the PRC, foreign assistance efforts to bolster partner law enforcement capacity, and ongoing work to promote accountability for corrupt actors. In January, the United States and the PRC launched the U.S.-China Counternarcotics Working Group to coordinate efforts to counter the trafficking of illicit synthetic drugs, including fentanyl. The launch of the working group marks a strong step towards implementing President Biden's and President Xi Jinping's November 15 commitment to resume counternarcotics cooperation. The PRC has begun taking steps to disrupt the flow of chemicals and drugs to North America. We are clear-eyed and will continue to work intensively, using all tools at our disposal, to promote accountability and protect our communities.

To address the threat of IP theft and counterfeiting, some of which stems from the PRC, the Bureau of International Narcotics and Law Enforcement funds two Department of Justice attorney advisors in Asia. These advisors work to strengthen the capacity of law enforcement authorities throughout the region to help enforce intellectual property rights and combat cybercrime.

In addition, INL supports counter wildlife trafficking programming in the PRC, including efforts to bolster information-sharing between the PRC and countries along major illicit supply routes for wildlife, and to strengthen the PRC's legislative and regulatory frameworks on wildlife crime.

The Department also continues to use all tools available, including accountability tools, to address environmental corruption. For example, in August 2023, the Department designated three former DRC government officials under Section 7031(c) due to significant corruption that enabled wildlife trafficking from the DRC, primarily to the People's Republic of China, using falsified permits, in return for bribes.

Question. What is the Administration doing with respect to Hong Kong's role as a facilitator for money laundering, corruption, and sanctions evasion in light of China's success in destroying its autonomy under the National Security Law?

Answer. FBI, DOJ, DEA, DHS, Treasury, and IRS personnel in Hong Kong are working to combat transnational crime in the region through information-sharing focused on drug trafficking, the transshipment of fentanyl and its precursors, human and wildlife trafficking, illicit finance, counterfeit goods, visa fraud and counterfeit documents fraud, and other unlawful trade. Through the Departments of Commerce and Treasury, Post engages with local authorities on compliance with U.S. sanctions and export controls in Hong Kong, which is a major transshipment hub for goods sourced from countries under sanctions, such as Russia, or which are regulated by export controls, such as sensitive technologies bound for the PRC.

Question. How does your office work with the Office of the Sanctions Coordinator to deploy anti-corruption sanctions and visa restrictions?

Answer. Our office engages the Office of the Sanctions Coordinator, and relevant offices responsible for specific sanctions, such as Global Magnitsky anti-corruption sanctions, on policy formulation related to processes we use to deploy a range of sanctions tools. We also coordinate on outreach to foreign partners and on public messaging and follow-up to sanctions, including how we can leverage other tools such as diplomatic engagement or foreign assistance to complement sanctions. Regarding visa restrictions, we coordinate with the Bureau of International Narcotics and Law Enforcement Affairs, which manages the Department's visa restriction authorities related to anti-corruption.

Question. The diamond trade is a global business, which has only come into more focus after Russia's invasion of Ukraine. Where do you see corruption, if at all, the most prevalent in the global diamond trade? Do you have any recommendations to combat such corruption?

Answer. The Department assesses corruption to be a concern in the global diamond trade, which the Financial Action Task Force documented in its last typology of the diamond trade in 2013. Corruption appears to contribute to concerns in the diamond trade in many areas, from valuation to use of fraudulent documentation to sanctions evasion. The Department has pursued a multi-pronged approach to address these challenges. First, the United States participates in the Kimberley Process, an international, multi-stakeholder initiative created to increase transparency and oversight in the diamond supply chain in order to eliminate trade in conflict diamonds. In addition, the Department supports the efforts of G7 allies to implement new restrictions on finished diamonds, which we assess improve transparency

in the diamond trade. Finally, the Department, through the INL bureau, supports foreign assistance efforts to help identify, track, and disrupt the trafficking and use of precious stones and metals related to illicit finance and trade-based money laundering.

RESPONSES OF MR. RICHARD NEPHEW TO QUESTIONS
SUBMITTED BY SENATOR TIM KAINE

Question. Although there are 190 parties to the United Nations Convention Against Corruption (UNCAC), which requires them to have laws criminalizing varying forms of corruption, corrupt kleptocrats have impunity in their own countries because they control the police, prosecutors, and courts. An International Anti-Corruption Court (IACC), as has been proposed by government transparency and accountability organizations in the United States and elsewhere, could fill the crucial enforcement gap in the international framework for combatting state-level (“grand”) corruption. It could constitute a fair and effective forum for the prosecution and punishment of kleptocrats and their collaborators; deter others tempted to emulate their example; and recover, repatriate, and repurpose ill-gotten gains for the victims of grand corruption. The idea is garnering growing international support.

Please restate for the record the Department’s position on the creation of an International Anti-Corruption Court.

Answer. The United States is not supportive of the proposal for such a court. While we are very supportive of strengthening efforts to increase accountability and combat impunity, we do not think the proposed court is an effective mechanism to achieve this. In fact, we think that it could hinder existing efforts to investigate and prosecute corrupt actors.

We have several concerns about such a court, including the proposed cost, barriers to effective operation, and the potential for it to become overly politicized. Such a court could also potentially undermine ongoing U.S. corruption-related prosecutions. We think efforts and resources would be much better placed to support national anti-corruption bodies to prosecute their own cases and/or support existing mechanisms that foster international cooperation on major corruption cases.

Our position is that the best way for countries to fight impunity is for all of us to prosecute our own cases and vigorously support other countries in their own prosecutions via mutual legal assistance and other forms of bilateral or multilateral support. Several other countries and many in civil society have expressed similar positions.

Question. Under what circumstances could the United States Government support the creation of an IACC—or at minimum, refrain from opposing the creation of an IACC to allow others to move forward on this effort, even while the U.S. remains a neutral non-party to the Court?

Answer. As noted above, the United States does not support the proposal for an International Anti-Corruption Court under any circumstances. As an alternative, we would encourage countries to implement strong accountability measures, such as anti-corruption sanctions and visa denials; to consider adoption of passive bribery statutes and institute strong anti-money laundering regimes; and to support and work through existing multi-lateral institutions. If more countries had such authorities in place, and they were implemented, corrupt actors would have a much harder time hiding and enjoying the proceeds of their crimes.

RESPONSES OF MR. RICHARD NEPHEW TO QUESTIONS
SUBMITTED BY SENATOR PETE RICKETTS

Question. Pillar Three of the United States Strategy on Countering Corruption focuses on holding corrupt actors accountable. During the hearing, you acknowledged that the Palestinian Authority’s corruption has been longstanding.

What specific corrupt activities does the State Department believe the Palestinian Authority or Palestinian Authority officials have engaged in?

Answer. The Department has consistently pressed Palestinian Authority (PA) leaders to reform and improve the PA’s governance so that it can effectively support the Palestinian people’s aspirations. The Secretary has been engaged with the PA leadership on the need for revitalization, reform, and anti-corruption efforts; a senior team continues to engage Ramallah on this.

While Transparency International, which the Department relies on for the data in our Investment Climate Statement, does not rank the West Bank and Gaza Strip,

the Statement and the recent Human Rights Report note that corruption there is on par with corrupt practices of the region. Specifically, the Palestinian public views favoritism as the most common form of corruption.

Question. Have Palestinian Authority officials, including President Abbas, engaged in embezzlement?

Answer. The Department monitors and reports on a wide range of issues and activities related to corruption, including in relation to the Palestinian Authority. We are regularly engaging Palestinian Authority officials on the need for reform and combatting corruption.

Question. Have Palestinian Authority officials, including President Abbas, engaged in nepotism?

Answer. As noted in the Department's Human Rights Report and Investment Climate Statement, allegations of favoritism and nepotism in public sector appointments have been widespread in the Palestinian Authority. The Department will continue engagement with the Palestinian Authority on the need to undertake reform and revitalization to best serve the Palestinian people.

Question. Between December 2021, when the anti-corruption strategy was released, and Hamas' barbaric attack against Israel on October 7, 2023, did the Biden administration take any direct actions to hold Palestinian Authority officials accountable for corrupt activities?

Answer. Accountability tools, such as sanctions and visa restrictions, are just one part of a whole-of-government approach to promote accountability of corrupt officials. While these tools have not been deployed in this timeframe for Palestinian officials for corrupt activities, the Department is regularly and at the highest levels engaging with the Palestinian Authority on the need for reforms to improve governance.

Question. If so, what specific actions were taken?

Answer. Senior U.S. officials, including the Secretary of State, have consistently engaged with the Palestinian Authority leadership on the need to reform and to address corruption.

Question. Which Palestinian Authority officials were held accountable?

Answer. The Administration has not sanctioned or imposed visa restrictions on Palestinian officials for significant corruption in this timeframe.

Question. On what dates were those actions taken?

Answer. The Administration has not sanctioned or imposed visa restrictions on Palestinian officials for significant corruption in this timeframe.

Question. If no direct actions were taken during this time period, why?

Answer. Visa restrictions and sanctions are one part of a larger set of tools the Department uses to fight corruption, including diplomatic engagement. The Department continues to engage Palestinian Authority officials on the need to reform, including through increasing transparency in governance and combatting corruption.

Additionally, while the Department does not comment on specific cases, we welcome any credible information your office would like to provide on current or former government officials' involvement in significant corruption.

Question. According to the White House's March 29, 2023 fact sheet on implementation of the United States Strategy on Countering Corruption, the Biden administration has "taken decisive measures to hold corrupt actors accountable through both independent and coordinated action with our international partners." It goes on to say, the "Treasury Department designated dozens of individuals and entities for their involvement in corruption, including current or former officials in Central America, Africa, the Western Balkans, and Eastern Europe. If corruption has been a problem for the Palestinian Authority for a number years, which you testified to, why haven't similar designations been made for the Palestinian Authority or Palestinian Authority officials for engaging in similar behavior?"

Answer. Sanctions and visa restrictions are highly fact and context-specific, and the Department works with our embassies, the interagency, and civil society to gather and analyze relevant information regarding impact. The Department continually reviews and assesses information on officials' involvement in corrupt acts. While the Department does not comment on specific cases, we welcome any credible information your office would like to provide on current or former government officials' involvement in significant corruption.

Question. During the hearing, you said, “We have been, through a variety of different programs at different points and times, attempting to improve the accountability systems of the Palestinian Authority, as well as to improve their own ability to manage resources and so forth. Those activities and programs have, in some cases, had some successes.” Can you provide specific examples of those efforts and explain what successes were achieved?

Answer. To broadly promote accountability and responsive governance, the Bureau of International Narcotics and Law Enforcement (INL) will provide training and other technical assistance to justice sector actors, including prosecutors and courts, as well as to the Financial Follow-up Unit. INL’s assistance will enable effective prosecution of crimes to include financial corruption, as well as delivery of transparent, and efficient, services to the Palestinian public to increase their confidence in the justice system.

The Department will continue to engage in the diplomatic space for greater measures of trusted and accountable governance structures. This will be a linchpin of the post conflict environment and critical to any successful reform of the Palestinian Authority.

RESPONSES OF MS. SHANNON GREEN TO QUESTIONS
SUBMITTED BY SENATOR JAMES E. RISCH

Question. Ukraine: President Zelensky has been clear that Ukraine is fighting two wars—one against Putin and one against corruption. Anti-corruption will be key to ensure Ukraine’s eventual reconstruction is successful. What is your office doing to help build uncorrupt institutions in Ukraine now, and to help them defend against the future infiltration of corrupt actors like China?

Answer. USAID is taking a multi-pronged approach to assist Ukraine with anti-corruption efforts through our support to Ukrainian anti-corruption institutions and work with Ukrainian civil society organizations and the media. The U.S. has helped Ukraine establish a robust anti-corruption ecosystem, including the National Agency on Corruption Prevention (NACP), the civilian agency responsible for corruption prevention and policy, and the High Anti-Corruption Court (HACC), the specialized court responsible for adjudicating high-value corruption cases. Together with the National Anti-Corruption Bureau and the Specialized Anti-Corruption Prosecutor’s Office (SAPO), these organizations provide the broad institutional basis for investigating, prosecuting, and holding to account corrupt actors. With other U.S. Government partners, USAID has helped ensure international expert and civil society involvement in the selection of HACC judges, as well as in the full reboot of Ukraine’s judicial self-governance bodies with new, vetted membership. These entities are responsible for advancing judicial selection and accountability by filling over 2,000 vacant judgeships and addressing a backlog of 10,000 disciplinary complaints—processes essential to delivering the rule of law that Ukrainians expect, and that is essential to further private sector investment in Ukraine’s recovery.

USAID also helped establish Ukraine’s electronic asset declaration system, a critical tool for addressing public sector corruption and verifying the integrity of officials. USAID also helped the NACP to develop the PolitData political party finance and spending reporting portal, and a whole-of-government Whistleblower Reporting Portal for corruption reporting and whistleblower protection, and the National Anti-Corruption Strategy for 2021–2025. USAID helped create the first anti-corruption master’s degree program in Europe at the renowned Kyiv Mohyla Academy to prepare the next generation of anti-corruption advocates.

USAID support to ProZorro, an e-procurement government system, has helped back-up and secure public procurement data to the cloud and ensure the uninterrupted functioning of the e-Procurement platform during martial law. ProZorro remains a highly successful tool against corruption, as a means of broadening businesses’ participation in government procurement, and as a reminder of transparency’s importance in reinforcing confidence in government. To date, ProZorro has saved Ukrainian taxpayers an estimated \$9 billion by eliminating corruption in public procurement processes.

USAID works with local civil society to support anti-corruption watchdog and advocacy organizations, including prominent organizations such as AntAC, Transparency International—Ukraine, and DEJURE, to support key anti-corruption reforms for Ukraine’s EU integration. Other support includes monitoring and oversight of political finance, which has long been an entry point for corruption in political processes, and support to investigative journalism to expose corrupt activities, including prominent outlets like Slidstvo and Nashi Groshi.

USAID also employs its development expertise, investments, and tools to deliver essential development outcomes while increasing Ukraine’s independence from and resilience to the authoritarian influence of the PRC and other similar actors. These efforts are aimed at (1) advancing the transparent management of natural resources, (2) realizing the promise of an open and secure digital ecosystem, (3) strengthening democratic institutions and the rule of law, and (4) increasing the economic resilience of Ukraine so that they can more effectively rebuff external coercion. Across these areas, USAID emphasizes the importance of deepening public and private sector partnerships and the critical role of strategic communications.

Question. How can U.S. companies be assured that their investments in Ukraine’s reconstruction will be protected against corruption?

Answer. Ukraine’s success and independence is not only being fought on the battlefields. For Ukraine to win the war and the future, it needs to build a strong economy, grow the private sector while fighting corruption, and become a part of the European Union (EU). USAID supports this vision—not just because we share values with a free and democratic Ukraine, but also because it is important to the U.S. that Ukraine is a strong partner. In our development strategy for Ukraine, reforms are a critical component in our development objectives, including sector reforms, to achieve our overarching goal of building a self-reliant, thriving, and healthy Ukraine that aligns with European values.

We and our Ukrainian partners understand that economic recovery will require robust involvement from the private sector, and companies will seek risk mitigation, anti-corruption, law enforcement reform, transparency in government tenders, and consistent enforcement of the rule of law. Accordingly, strengthening the independence and capacity of anti-corruption infrastructure, law enforcement agencies and judicial institutions, and de-oligarchization of the energy and mining sectors, is essential to helping Ukraine win the future, in addition to the war. Our shared objectives depend on the completion of the reform agenda, and we have used conditionality to further press for progress on these reforms. USAID has worked closely with the interagency to inform key reform priorities, which have been shared with the Government of Ukraine, and are the basis for the Conditionality Framework for the next tranche of U.S. direct budget support (DBS). These priority reforms, subject to conditionality, include strengthening anti-corruption institutions as well as customs reform.

Likewise, Ukraine’s other international partners understand the critical connection between Ukraine’s economic recovery and its reform agenda. In June 2022, the EU granted Ukraine candidate status. Additionally, in December 2023, after assessing that Ukraine had made sufficient progress on seven reform priorities, the European Council decided to open accession negotiations with Ukraine. In a further sign of confidence, in February 2024 the European Council approved a Ukraine facility for €50 billion, which according to the EU is intended to help Ukraine with stable financial support during the conflict (\$54.58 billion).

Moreover, the 4-year, \$15.6 billion IMF Extended Fund Facility (EFF) Program for Ukraine mandates structural benchmarks or conditions which include maintaining needed fiscal expenditures, while avoiding erosion of tax revenues; supporting disinflation and exchange rate stability and implementing essential governance and anti-corruption reforms. At the program’s third review in February 2024, the IMF concluded that Ukraine had met all but one quantitative performance criteria and all structural benchmarks underscoring their continuing commitment to an ambitious reform agenda.

Question. Coordination: How does USAID work with the State Department to ensure that anti-corruption programming is coordinated and not duplicative?

Answer. USAID is working closely with interagency partners to implement the U.S. Strategy on Countering Corruption. This is especially true of our work with the Department of State, including the Coordinator on Global Anti-Corruption.

USAID and the Department of State have increased our joint planning and further integrated our work, including the resources and tools that we can bring to bear on corruption challenges at country, regional, and global levels. We have increased our joint efforts to coordinate assistance with other bilateral and multilateral donors and jointly engage on strategic planning processes. Headquarters staff coordinate on centrally managed funding, while Posts convene interagency anti-corruption working groups to ensure a complementary approach at the country level.

As an example, the State Department’s Coordinator on Global Anti-Corruption Richard Nephew and USAID Assistant to the Administrator Shannon Green traveled together in 2023 to Liberia, where they encouraged senior government officials to undertake urgent and persistent actions to address severe corruption risk, espe-

cially in the health and extractives sectors. Their joint engagements also show solidarity with anti-corruption bodies, civil society, and other reformers who are championing anti-corruption improvements.

USAID and the Department of State collaborate on key issues that promote anti-corruption measures, such as the effective use of beneficial ownership data and integrity in public procurement and addressing the enablers of corruption. For example, USAID and the Department of State co-led a multi-stakeholder platform, together with the Brookings Institution and the Open Government Partnership, to accelerate uptake of priority reforms to address the vulnerabilities in the international financial system that allow corrupt actors to hide, launder, and transfer their ill-gotten gains around the world. The State Department and USAID also collaborate closely on participation in multilateral gatherings, ensuring a coordinated approach and messaging, including the International Anti-Corruption Conference, the United Nations Convention against Corruption Conference of States Parties, and the Open Government Partnership Summit.

Question. Western Hemisphere: You referenced a program in Latin America and the Caribbean, an investigative journalism initiative supported by USAID and the Department of State which produced over 200 high impact investigative pieces and arrests. Are there plans to expand this program to other countries? Please provide the list of the high impact pieces.

Answer. The program referenced here was the Investigative Reporting Initiative of the Americas (also known as PROSAFE), implemented by the International Center for Journalists, and concluded in August 2023. USAID is building upon that work in a variety of ways.

In 2023, USAID launched the Central America Regional Media Project (ReMedios). ReMedios protects and strengthens independent media in Central America to generate initiatives and journalistic content to expose corruption and increase public demand for government transparency and accountability. Through our elections-related programming in Central America, we also support independent journalists and outlets to report on electoral processes and outcomes.

Latin America and the Caribbean is not the only region where USAID is investing in strengthening the investigative journalism networks needed to shine a light on corruption that often crosses borders. In September 2022, USAID launched the Strengthening Transparency and Accountability through Investigative Reporting Program (STAIR) to support networks of media outlets working to expose crime, corruption, and corrosive capital across the Europe and Eurasia region; foster their organizational and financial viability; and develop safety and security measures to protect investigative journalists who may face reprisals for their efforts to report the truth. USAID's Empowering the Truth Tellers activities build on this effort, supporting regional journalism in Southeast Asia and Southern Africa and amplifying its potential to expose and fight corruption and strengthen democracy.

To preserve the independence of the journalists and pieces they develop, USAID does not play a role in selecting the journalists and outlets involved, the articles that are developed, nor where they are published. As part of our regular project monitoring and evaluation processes, we know the pieces developed with our support and track the follow-on impacts but we do not disclose that information publicly, again to preserve the independence of that work.

Some illustrative examples of the articles developed under PROSAFE include:

- a journalism investigation that exposed judges in two Ecuadorian provinces issuing sentences that violated the law and benefitted accused drug traffickers. A number of the judges identified were investigated for malfeasance and illicit association. The investigation was further publicized by several television stations and a radio station.
- a journalism investigation into the awarding of contracts in the Mexican energy sector revealed inappropriate relationships between a winning contractor and high level officials. Following publication of the article, Mexico's Federal Electricity Commission indicated it would take legal action against the contractor, and the then-President of Mexico addressed the issue at a press conference. The investigation was also cited, mentioned, or republished by 20 other media outlets.

Question. Please provide more information as to which countries from Latin America are in USAID's 12th Grand Challenge, and what are the innovations you are seed funding?

Answer. USAID's Countering Transnational Corruption Grand Challenge for Development (CTC Grand Challenge) is global in scope and supports a variety of inno-

vation activities each year. To date, we are supporting solutions in the Latin America and Caribbean Region under two of the CTC Grand Challenge activities.

First, under the Powering a Just Energy Transition Green Minerals Challenge (JET Minerals Challenge):

- In Chile, Talisman International will receive nearly \$50,000 to scope an easily accessible, free data platform that supports due diligence in the lithium value chain by highlighting corruption risks. It will allow companies to assess their value chains for corruption and incentivize them to take action to eliminate it, while also providing government agencies with the data to recalibrate and enforce anti-corruption policies. This pilot project will test ideas and conduct data modeling focused on the extraction of lithium in Chile, serving as a proof of concept that could be applied in other countries and for other green minerals.
- Transparency International Australia (TIA) will receive approximately \$400,000 to refine its Responsible Mining Business Integrity tool, which was originally developed in collaboration with companies and international mining governance institutions in 2020. TIA will work with other Transparency International in-country chapters to pilot the updated tool with up to 25 mining companies in Argentina and Colombia, as well as Indonesia, Zambia, and Zimbabwe, to identify corruption risks and strengthen their integrity and anti-corruption standards. This innovation will increase knowledge and collaboration between civil society and mining industry stakeholders, promote business integrity practices, and improve anti-corruption capabilities within the private sector.

Second, USAID, along with the State Department's International Narcotics and Law Enforcement Bureau (INL), funded a LAC regional hackathon in August 2023. USAID is supporting three solutions from the hackathon:

- I-KEEP: An open web platform for making data in public procurement more accessible in Paraguay and across the region;
- Caja Pública: A web application about beneficial owners and state contracting in Colombia; and
- Ojo a las Sanciones: A database of sanctioned and suspended actors and relevant tax records in Mexico.

Question. You noted USAID is focused on providing timely and targeted assistance to seize opportunities for anti-corruption reform or stanch backsliding when it begins. What programs is USAID focused on in Latin America this year?

Answer. In Central America, USAID has taken a number of steps to take advantage of reform opportunities and to build a bulwark against attacks on democracy. For example:

- In Guatemala, USAID worked in the run up to the June 2023 elections to ensure a robust independent election monitoring effort. This effort was important to ensure the will of the Guatemalan people was respected in the election outcome. Through the lengthy transition period, USAID promoted dialogue among representatives from Indigenous communities, the private sector, and civil society organizations to foster a coordinated approach to protecting the election outcomes. Following the inauguration of President Arevalo, USAID has worked to strengthen entities essential to advancing an anti-corruption agenda. These include the National Anti-Corruption Commission, the internal affairs offices of select ministries, and congressional committees that play an important role in a reform agenda. USAID is also providing robust support to ensure civil society organizations (CSOs) continue to play a critical oversight role. The current processes to elect new Supreme Court and appellate court magistrates are particularly important to Guatemala's democratic trajectory. All of these efforts build upon USAID's long-standing democracy, human rights, and governance work in the country, ensuring we were well positioned to be responsive to the Arevalo administration's reform agenda.
- USAID's Anti-Corruption Policy highlights the need to tackle transnational corruption. In response to the Policy and to feedback from independent media and local civil society organizations across Central America, USAID has launched two complementary regional activities within the past year, reinforcing ongoing bilateral programming. Together, these activities empower independent media, civil society organizations, and other defenders to track and expose corruption and foster accountability through cross-border collaboration, networking, and learning; capacity building; the provision of resources; and protection support, including digital and physical security, legal and psychosocial assistance, and

relocation assistance if and when conditions become too unsafe for these actors to continue their work.

In the Caribbean, USAID has taken a number of steps to take advantage of reform opportunities and push back against attacks on democracy. For example:

- The Dominican Republic will host the Summit of the Americas in 2025, adding renewed interest and political will within the Government of the Dominican Republic (GODR) to showcase democratic results. Within the next 10 months, USAID/DR will complete the Partnership for Democratic Development (PDD) activity design and procurement process, financed by the Presidential Initiative for Democratic Renewal, focused on anti-corruption, and formally launch the new activity in partnership with the GODR. Simultaneously, the Procurement Transparency Activity (PTA), implemented by the Commercial Law Development Program (CLDP), will continue advancing its successful work with the public procurement regulatory framework to prevent corruption in the GoDR's public procurements.

In South America, USAID has taken a number of steps to stanch backsliding and strengthen democratic resilience. For example:

- In Paraguay, the Partnerships for Democratic Development (PDD) initiative supports civil society organizations and will soon work with investigative journalists to monitor and report on corruption. PDD also works with government reform champions to develop policies making it easier for entrepreneurs to legally register their businesses, avoiding susceptibility to criminal elements which control Paraguay's informal economy and contribute to national level corruption. Formalization of the economy and economic good governance remain a sector open to democratic reform, and one of the few legitimate sectors USAID can support. Paraguayan reformers to institutionalize democratic functions, thereby helping to staunch backsliding before it expands.
- In Ecuador USAID's PDD initiative also funds the Tu Municipio Responde, "Your Municipality Responds," program. Known as TuMuni, this program works with the Government of Ecuador, local governments, civil society, the private sector, and other stakeholders to strengthen the capacity of municipalities' governance operations, including public financial management, revenue generation, and provision of public services in 30 participating municipalities across the country. Strengthening democratic processes and local public services builds citizen's trust in government by demonstrating that democratic governance produces results.

Question. Please provide more information on the U.S. Government Voices Initiative in Central America, part of the Administration's Root Causes Strategy to counter corruption and improve investigative journalism. What goals have been reached by the four countries in the first 6 months of the program? Please provide detailed information on the initiatives for the countries selected for this program. (initial announcement found here: <https://www.usaid.gov/news-information/press-releases/sep-26-2023-usaid-announces-regional-anti-corruption-media-initiative-central-america-donors-forum>).

Answer. Administrator Power launched the interagency Voices initiative in June 2022 at the Summit of the Americas. The initiative has three pillars focused on promoting digital democracy and countering digital authoritarianism; promoting freedom of expression and strengthening independent media; and providing protection to individuals targeted, such as judicial operators, human rights defenders, and anti-corruption champions.

Efforts under the Voices initiative have included several consultations with civil society organizations and public and private events in Washington, DC and across the Central America region, as well as efforts to coordinate assistance responding to civic space in the region among philanthropic organizations and multilateral and bilateral donors.

New activities launched under this initiative across Guatemala, Honduras, El Salvador, and Nicaragua have advanced USAID's localization efforts through both direct and indirect support to local organizations, regional journalists, and CSO networks protecting freedom of expression and defending human rights. They also provide judicial operators, human rights defenders, and anti-corruption champions under threat with protection assistance, including physical and digital protection services; psychosocial support; legal advice; and, if necessary, relocation support.

Under the Regional Human Rights and Democracy activity implemented by the Pan American Development Foundation, USAID has addressed critical protection needs for human rights defenders, including digital and physical security, relocation

and psychosocial support, and legal assistance. For example, since January 2024, through bilateral and regional programs, USAID responded to 15 requests for emergency support from Salvadoran journalists who decided to leave the country over concerns about their safety.

To respond to regional trends impacting civil society organizations and independent media, USAID has also launched new regional activities:

- For example, a Central America media regional activity called ReMedios, was launched in July 2023 and focuses on protecting and strengthening independent media in Central America to expose corruption and increase public demand for government transparency and accountability.
- We also launched a new 5-year \$8 million activity that will provide 2-year fellowship opportunities at U.S. universities for democracy activists, human rights defenders, and anticorruption champions from El Salvador, Guatemala, Honduras, and Nicaragua. These opportunities will allow them to continue to engage on these critical issues from a safe place abroad.

Question. Please provide updates on the Doing Business with Integrity program announced in Sept. 2023. Which projects have been awarded and how much money has been spent?

Answer. USAID received 100 concept notes through Doing Business with Integrity. The most promising concepts have completed co-creation sessions and are at various stages in the final application phase including both full application submission, review, and due diligence processes. USAID has not issued any awards to date, but we anticipate making initial awards as early as May 2024.

Question. On March 15, 2024, Ecuador's Attorney General's Office presented evidence against 13 suspects in the so-called Metastasis Case (Caso Metastasis), which Attorney General Diana Salazar described as the largest in Ecuador's history against corruption and drug trafficking. What is USAID doing to support Ecuador's efforts against corruption?

Answer. USAID currently has ongoing anti-corruption programming in Ecuador. The Promoting Anti-Corruption Efforts (PACE) Program implemented in partnership with the Pan-American Development Foundation (PADF) started in October 2021 and will end in September 2024, with a total estimated cost of \$3.5 million. The activity has developed seven citizen-driven observation processes, producing 29 reports on major corruption cases in the country, particularly in the energy, infrastructure, and telecommunications sectors. For example, one of the reports that triggered an investigation was that of inflated salaries at the national telecommunications and electricity companies. The Ministry of Labor is now revising these contracts and aims to start a salary renegotiation that aligns with government expenditure ceilings. Similarly, over 15 investigative reports have also been produced on issues affecting the salaries, expenditure limits, and contract negotiation. One investigation reviewed \$3.6 million of profits per month that an organized criminal group received from managing up to 20 illegal mining sites and extorting legal companies in over 30 mining projects around the country. This at a time when authorities are investigating the operations and funding sources of criminal groups, particularly through the insecurity crisis the country is facing.

Question. How is USAID collaborating with civil society organizations and our international partners to combat corruption in Latin America and the Caribbean?

Answer. USAID has collaborated with civil society organizations to combat corruption in Latin America and the Caribbean, including in various countries and through regional and bilateral programming.

In Honduras, USAID supports the National Anti-Corruption Council (CNA) to strengthen CNA's technical and organizational capacity and its ability to work with state institutions to prevent, detect, investigate, and prosecute corruption cases. CNA supports transparency by helping with the investigation of key corruption cases and publicly monitoring their progress within the judicial processes. With USAID's support, CNA has presented over 150 investigations that involve over 1,700 Government of Honduras officials. USAID also supports FOSDEH, a local anti-corruption organization to influence public policy, provide oversight, and collaborate with relevant stakeholders to improve transparency and accountability across the public and private sectors.

In Mexico, USAID has supported journalists' ability to produce responsible, well-sourced, and original investigative reporting that exposes corruption and promotes transparency and accountability in targeted northern Mexican border states and municipalities.

In response to feedback from independent media and local civil society organizations across Central America, USAID has launched two Central America complementary regional activities within the past year, reinforcing ongoing bilateral programming. Together, these activities empower independent media, civil society organizations, and other defenders to track and expose corruption and foster accountability through cross-border collaboration, networking, and learning; capacity building; the provision of resources; and protection support, including digital and physical security, legal and psychosocial assistance, and relocation assistance if and when conditions become too unsafe for these actors to continue their work.

Question. What role does public education and awareness play in the fight against corruption in the region?

Answer. Civil society organizations (CSO) and anti-corruption champions play an important role in documenting, investigating, and raising awareness with the broader public about anti-corruption efforts through research, networking, and training efforts. Independent media outlets also play a critical role in educating the public about corruption through investigative reporting.

As a part of USAID support to the National Anti-Corruption Council (CNA) in Honduras, CNA works to raise awareness among the Honduran public about the impact of corruption and to build the capacity of lawyers to combat corruption. USAID's Honduran partner, FOSDEH, documents transparency and accountability across private and public sectors to influence public policy.

Two new Central America regional activities launched within the past year will also contribute to awareness-raising on corruption in the region by empowering independent media, civil society organizations, and other defenders to track and expose corruption and foster accountability through cross-border collaboration, networking, learning, and capacity building. By building regional CSO networks, organizations share information and documentation of transnational corruption cases and work with independent media to highlight cases with national and international audiences.

In the Dominican Republic, for example, as part of the Partnership for Democratic Development activity design process, the Mission completed five plenary consultations and two validation workshops with representatives from government, civil society, and the private sector to identify key development challenges and prospective solutions to advance democratic resilience through anti-corruption initiatives. Involving civil society is seen as critical for oversight and accountability of anti-corruption initiatives, as well as identifying corruption. Through USAID's Procurement Transparency Activity (PTA), business associations representing women-owned businesses and micro-small and medium enterprises are being instructed in the Government of the Dominican Republic's public procurement process and how to report corruption. USAID/DR's work with civil society and media is building their capacity to educate and raise awareness of corruption and violence to combat illegal activities that undermine democratic institutions and practices.

Question. Please describe how USAID prioritizes its anti-corruption efforts in the region, particularly considering the diverse political and social landscapes across Latin America and the Caribbean? You mentioned elections is an important consideration this year, given the many elections. Is that part of the prioritization list?

Answer. USAID Missions develop their development priorities through individual, country-specific 5-year Country Development Cooperation Strategies (CDCSs). Through analysis and knowledge of context on the ground, many of the Latin American and Caribbean (LAC) Bureau Missions have highlighted corruption issues in their CDCSs as major impediments to development and have developed programs to address those gaps. In addition, the Democracy, Human Rights, and Governance (DRG) Bureau works with USAID Missions to prioritize countries for additional funding from the Presidential Initiative for Democratic Renewal focused on anti-corruption. The DRG Bureau does consider which countries are holding elections this year as part of its strategic planning and potential resource allocation, but that is not the sole deciding factor. For instance, if supporting anti-corruption initiatives in a country has a potential to advance the democratic environment around an upcoming election, that could be a factor to consider. In addition, if an electoral process provides openings for enhanced anti-corruption efforts and impact, that may also be a factor.

The DRG Bureau also supports countries in the LAC region through the Anti-Corruption Response Fund (ACRF). The ACRF's primary objective is to enable USAID to support countries experiencing an anti-corruption reform opening, backsliding, or an opportunity for experimentation. These responses may be rapid if the situation merits it or allow the Agency the flexibility to pilot new means of achieving anti-

corruption outcomes. For example, in Paraguay, ACRF supports efforts to address a clear opening to counter corruption and implement new anti-corruption directions in line with the USAID Anti-Corruption Policy. This includes funding for a local non-governmental organization to provide oversight of the conflict of interest (COI) law; support to the Comptroller's office in the implementation of the COI law; and support to strengthen oversight by the Comptroller.

Question. Given the challenges posed by corruption, what strategies does USAID employ to ensure the sustainability of its anti-corruption efforts in the region beyond the duration of specific projects or programs?

Answer. Ensuring sustainability of anti-corruption efforts depends foremost on inclusion of civil society and independent media as well as strengthening institutions. Civil society provides oversight and accountability for anti-corruption efforts and mobilizes its base to demand accountability from public officials. Strong, independent media plays a crucial role through investigative journalism and presenting news in a manner citizens can easily understand. Strengthening the technical skills of government officials charged with limiting corruption is important and working with governments on reducing incentives and making corruption more difficult also lead to sustained gains.

Question. What challenges does USAID encounter in implementing anti-corruption programs in Latin America and the Caribbean, and how does the agency mitigate these challenges to achieve its objectives?

Answer. USAID's work to combat corruption inherently opposes the interests of corrupt actors and those who stand to gain power and resources through corruption. Examples of best practices in mitigating these challenges to anti-corruption programs involve including civil society in the work, identifying agents of change/leaders in the government and private sector who will support and advocate for the anti-corruption program, and working with media to create awareness of the corruption issues and the anti-corruption efforts/progress.

Transnational corruption cases require transnational and cross-sectoral approaches. USAID has responded by increasing its regional programming in Central America to support cross-border networks of CSOs and independent media to expose corruption, document and highlight specific corruption cases with national and international stakeholders. Supporting networks of CSOs in the region also poses certain challenges as many organizations may be new to USAID funding, but USAID is employing careful approaches to ensure consultation and co-creation processes before and during activity implementation processes.

Question. Please describe all programs within the U.S. Strategy on Countering Corruption that USAID is using specifically to counter the acts of significant corruption in Mexico?

Answer. USAID programs in Mexico focused on addressing corruption include:

- Through the *Promoting Transparency and Integrity (ProIntegridad) activity*, USAID focuses on reducing corruption and increasing transparency in the business and investment environment by improving governance and business practices and enhancing coalitions that drive integrity. It uses an open-business approach to strengthen the Government of Mexico, private sector, and civil society's capacity and commitment to promote a fair, transparent, and competitive business environment that attracts greater investment and drives economic growth. This activity works in the states of Chihuahua, Guanajuato, Jalisco, Nuevo León, and Sonora to promote regulatory reform and the adoption of integrity standards consistent with international business integrity standards and the USMCA.
- Through the *ProBusiness: Regulatory Improvement to Promote Local Investment activity*, USAID works with the *Centro de Estudios Económicos del Sector Privado (CEEESP)* to improve business transparency and integrity practices, reduce opportunities for corruption in target municipalities, and promote local economic development by streamlining local regulations and strengthening private sector regulatory compliance and advocacy for better policies.
- Through the *Enhancing Citizen Engagement in Reducing Corruption in Quintana Roo*, USAID works with the *Mexican civil society organization Ciudadanos por la Transparencia* to reduce corruption in the state of Quintana Roo by strengthening the capacity of the local anti-corruption system and municipal governments to promote the implementation of local anti-corruption policies. The activity also supports the participation of and constructive advocacy by citizens, private sector, and media for increased local-level transparency and accountability measures.

- The *Mexico-U.S. Border Reporting Hub* supports journalists' ability to produce responsible, well-sourced, and original investigative reporting that exposes corruption and promotes transparency and accountability in targeted northern border states and municipalities. The activity also helps journalists use necessary digital and physical security protocols to perform their work safely.

Question. Please list the countries and organizations from the Western Hemisphere from which USAID has received applications for the Reporters Shield program, and the list of organizations selected from the Western Hemisphere.

Answer. Reporters Shield has received 22 applications from the Western Hemisphere, and below is the breakdown by country, including the number of applicants/entities selected. Due to security reasons and in order to protect applicants and members from potentially being targeted with additional (or any) SLAPPsuits, we do not have a list of organizations and outlets that apply or that are members.

Of the applicants, two from the United States have become members (applications opened last May and were processed in late Fall after rigorous due diligence checks), with seven still in active discussions/review for membership. Please note that USAID's funding for Reporters Shield only goes to countries in which USAID works. A private donor is providing support for non-USAID countries, including the United States. Below is the list of number of applicants from the Western Hemisphere (and the number selected and became members):

- Antigua and Barbuda—1
- Brazil—1
- British Virgin Islands—1
- Colombia—2
- El Salvador—1
- Honduras—1
- Jamaica—1
- Mexico—1
- Panama—2
- Paraguay—1
- Peru—2
- USA—7 (two are members of Reporters Shield)
- Venezuela—1

